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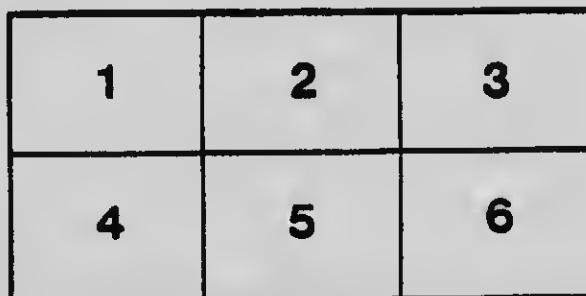
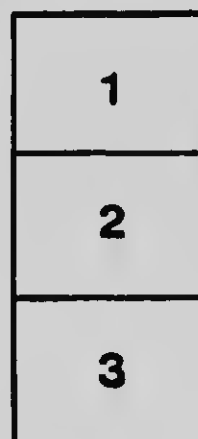
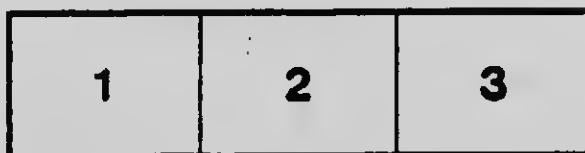
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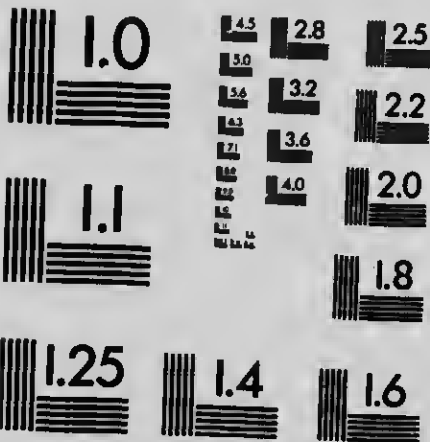
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ECONOMICS



LESSON 8



By

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ECONOMICS

LESSON VIII.

Money—The Medium of Exchange.



EXCHANGE was originally carried on by means of barter—that is, the giving of one commodity directly in exchange for another. In this case the one party gives something which he has in excess for something else which he needs, and of which the second party has more than he wants. The second party must also be

desirous of what is offered by the first.

The great disadvantage in exchange as carried on under the system of barter, is that a producer of a certain commodity will have to waste a great deal of his time in searching for people who both want his surplus product and are ready to give him what he wants in exchange for it. This great difficulty has been overcome, this waste of time avoided, by the introduction of a third commodity, which serves as a medium of exchange—a money. The exchange value of a commodity, as measured in terms of the commodity which is used as money, is called its price.

Medium of Exchange.

Many commodities have at different times in the history of civilization been used as money—as media of exchange. In an early stage of civilization like that of the patriarchs of the Book of Genesis, cattle were used as money; (our word pecuniary is derived from the Latin pecus, a herd). The negroes of Africa still buy their wives with cows. Wampum was used as money by the Indians, beaver skins by the traders of Hudson's Bay, tobacco by the planters of Virginia, and various other articles have been used as money in different parts of the world. But to-day in practically all the civilized countries of the world, gold and silver money have replaced all other kinds. The reason for this will be seen later.

In addition to and growing out of its use as the medium of exchange, money has two other important uses: a common denominator of values, and a standard of deferred payments.

Common Denominator of Values.

Money acts as a common denominator of values; that is, instead of expressing the value of various articles in terms of each other, instead of saying that so much copper is worth so much tin, and so much lead is worth so much iron, and so much wheat so many pounds of beef, we can express the value of all these things in terms of money. And, knowing their value in money, we can easily deduce their value in terms of each other. We measure value by money, just as the tailor measures the length of a piece of cloth by the yard-stick.

Standard of Deferred Payments.

Money also serves as a standard of deferred payments, because its value is—or should be in a good money—more constant than other values. If our standard of deferred payments were potatoes or grain, a debtor would naturally borrow these articles in the spring when they are scarce, and pay his debt in the autumn, when they are abundant. The result of this would be that no one would want to lend, because the value of the potatoes or grain which he would receive in the fall would not be equal to the value of those he had lent in the spring. (Remember that value depends only on utility and scarcity, and the value of an article that is scarce, as compared with the demand for it, is naturally higher than that of an article which is plentiful.) So, then, the creditor would be cheated if a loan made in spring were repaid in autumn, while the debtor would get the worst of it if a loan made in autumn had to be repaid in spring. Even if loans all ran for a year, the creditor would lose if he made a loan at the harvest of a scarce year and received his grain or potatoes back at the harvest of the following abundant

year. If lending and borrowing is to go on—and it is for the great benefit of us all—that they should go on—our standard of deferred payments must be stable in value, unfair neither to debtor nor to creditor, or at least as fair as is possible to both.

Qualities of Money-Materials.

Economists, then, have agreed that in order to be good money-materials (materials out of which money can be made) articles ought to possess the following six qualities:

(1) **General Acceptability.**—They must be such that all men desire them, even apart from their use as money.

(2) **Portability.**—They must be easily transferable from place to place, so that a man can take the money which he has received for some commodity anywhere he may wish, to use it in buying what he wants. Iron would not be a good money-material, because it would be impossible to carry around any considerable value of it.

(3) **Uniformity.**—A good money-material must be the same throughout; that is, each unit quantity of it must be equal in value to any other unit quantity. For this reason, cattle and grain, which vary widely in quality, are not good money-materials.

(4) **Durability.**—It should not be easily destructible—to the loss of its owner.

(5) **Cognizability:** that is, it should easily be known at sight. It is very important that whatever is chosen as money should be very difficult to imitate.

(6) **Divisibility.**—It should be divisible without loss of value. This shuts out the precious stones, which from some points of view would make an almost ideal money. Precious stones cannot be divided without great loss of value. Large stones have, as compared with smaller ones, a value out of all proportion to their size. Five diamonds weighing one carat each are not worth nearly as much as a single diamond weighing five carats.

Gold and Silver Make the Best Money-Materials.

Gold and silver possess all these qualities: general ac-

ceptability, originally arising out of their use as ornaments; portability, because of their great value contained in small bulk; uniformity, because they are chemical elements; durability—gold coins of the Roman Empire are constantly being picked up in Europe, and may be seen uninjured in our museums to-day; difficulty of counterfeiting, largely because of their great weight in small bulk; divisibility, because a gold or silver coin, when it is **standard money**,* has value directly proportionate to the amount of gold or silver contained in it.

Money a "Universal" Commodity.

Money is thus what is called a universal commodity, for which you can, under ordinary conditions of civilized life, secure any commodity you desire. If you have any other commodity in your possession, you may find it hard to secure money for it; but if you have money in your possession, you can easily get anything else. Buying is, therefore, in itself easier than selling. The purchaser has an advantage over the seller of goods, because he has something which is universally desired by all people; whereas the seller may have in his possession something which no one desires, and which, consequently, he cannot turn into money. When a man goes down town with spending money in his pocket, he is practically the master of the commodities of the whole world up to the purchasing power of the money which he possesses.

Money the Only Legal Tender.

Furthermore, arising from this universality, money is the only commodity with which a man can legally pay his debts. Otherwise he might be able to force on his creditor something of no use to the latter. If he lacks money, he may in vain offer his creditor on settling day commodities worth, under ordinary conditions, double or treble what he owes him. He is none the less a bankrupt for that.

*The phrase "standard money" is explained further on in this lesson.

Money is the only legal tender—the only commodity which a creditor must accept in payment of a debt.

In every panic or commercial crisis, such as occurred in the United States in 1907, men who have had millions of dollars worth of property have seen themselves bankrupted and ruined for the lack of ready cash to meet their pressing obligations. Consequently at such times men are ready to pay exceedingly high rates of interest for the use of money, since this is the only way in which they can weather the storm. In these days such crises are usually of short duration, since gold and silver easily pass from one country to another, attracted by the high rates of interest obtainable in the country which is suffering from panic at the time.

Money Originally Weighed Out.

Originally money—gold and silver—was measured out by weight in payment for a commodity, as is illustrated by the fact that the English word “pound” meant originally a pound weight of silver. This was, however, found to be a clumsy procedure, and not very effective, as one could not tell from the weight measured out just how much alloy of baser metals it contained, and therefore could not be sure how much gold or silver was being received.

When trade grew more important and came to be an object of Government protection, we have the Government undertaking to strike pieces of gold and silver (called coins) having a certain fixed weight and a certain degree of fineness. This was done in order to help trade, because it was quite clear that holders of goods were going to be very chary of selling them unless they knew just what they were going to get in return—just how much purchasing power.

Standard Moneys.

Various governments, then, have adopted various standards of gold and silver as standard money. Thus the Canadian and American standard is the gold dollar of 25.8 grains, nine-tenths fine, i.e., containing 23.22 grains of pure gold. The English standard is the gold pound

piece or sovereign, weighing 123.27 grains, eleven-twelfths fine, thus containing 112.99 grains of pure gold. If the student will divide the weight of pure gold in a sovereign by that of a gold dollar, he will find how many dollars go to the pound.

Characteristics of Standard Money.

The gold dollar is, then, our standard money, just as the pound is England's standard. The value of everything we buy and sell is reckoned in dollars, that is, it is equal to so many times 23.22 grains of pure gold, whether coined or uncoined. It is a general principle with civilized nations that their **standard coin shall have an intrinsic value equal to the value stamped upon it.** Melt down a new five dollar gold piece, and the gold you have is still worth five dollars.* From long experience it has been found that for the government to force on its people standard money which is worth less as metal than it is when coined, is a great mistake, and inevitably leads to financial troubles and inflation of the currency. If a government, for instance, were to coin a dollar, with, say, only half the gold in it that it now has, it could not in the long run make people give as much goods for it as they do now for the heavier dollar. The merchant would just double his prices, charging \$2.00 where he now charges \$1.00, and thus he would get just as much gold for his wares as he got before.

The greatest objection to such action on the part of the government is, however, that it would cheat all those who happened to be creditors at the time. It would entirely upset the correctness of our standard of deferred payments. A creditor would have lent his debtor dollars containing 23.22 grains of gold, but would have to receive in return dollars with only half the amount—11.61 grains of

*The government makes a profit—called seigniorage—on the coining of our silver money, since the 50 cent piece for instance, contains only about 21 cents' worth of silver. The government buys 21 cents' worth of silver, makes it into a coin, and calls it 50 cents. Clearly there is a considerable profit on the transaction—a profit which does not accrue in the coinage of standard money.

pure gold in them. The debtor would be repaying him in "lawful money of Canada," which would be all that he could ask. And when he went to spend these dollars, he would, as we have seen, get in exchange goods which he might have obtained before for only fifty cents. Creditors would, therefore, lend their money in some other country, where the standards of coinage were more stable, and would avoid making any investments in Canada. Since we are so urgently in need of the capital of foreign investors to develop our country, this would be almost ruinous to Canada. Such would be the result of trying to disobey the old rule that standard money—the money which creditors are bound to accept from their debtors and sellers from buyers—must have intrinsic metallic value equal to the value stamped upon it.

If, however, you melt down Canadian silver coins, you will find that you have lost in the process. The silver contained in the quarter dollar or the half dollar is worth less than half the value stamped upon it. Our copper coins are worth a still smaller fraction of their stamped value. How is it, then, that these coins are given and received everywhere at their stamped value, when the value of the silver in the fifty-cent piece, for example, is not nearly equal to that of 11.61 grains of pure gold?

Token Money.

The answer is simple. These coins are what is called **token money**. They continue to circulate only because the government will give you a five dollar gold piece for 10 silver half dollars, or 20 silver quarter dollars, and so on. These coins only **represent** gold. They are just like little cheques payable to bearer. While there is not fifty cents worth of silver in the half dollar, the government will give you fifty cents' worth of gold in exchange for the silver half dollar coin. Why, then, use the silver at all? Simply because gold coins of very small denominations—the gold dollar, half dollar and quarter dollar—are too small and thin and wear away too easily to be convenient as money. The loss from abrasion is, in the aggregate, considerable,

even in the case of the half-sovereign, the sovereign, and the five dollar gold piece, and would naturally be much greater among the smaller pieces, which have so much larger surface in proportion to their weight.

The merely subsidiary nature of our silver and copper coinage is sufficiently indicated by the fact that no creditor need receive from his debtor at one time more than 25 cents in coppers or \$10.00 in silver. These lesser metals are, therefore, legal tender only in very small amounts.

Dominion Notes Represent Gold.

But, the student may say: "In the course of our daily lives we see little or no gold coin. How can that which we so rarely see be the standard legal tender money of our country?" Simply because the Dominion legal tender notes, whether notes of small denominations in circulation throughout the country, or notes of large denominations held as reserves by the banks, are all token money, just like the silver and the copper coins, and they pass current just because they state that the Dominion of Canada will pay to the bearer one or more dollars—presumably gold dollars, and the Dominion is able to do it. The Dominion holds in its treasury gold far more than sufficient to pay off at any time all of these bills that are likely to be presented. The Act which regulates the issue of Dominion notes is known as III Ed. VII, chapter 43. As its provisions are not any too well known, we will give them verbatim:

"Notes of the Dominion of Canada may be issued and outstanding at any time to any amount, and shall be a legal tender in every part of Canada except at the offices at which they are redeemable.

"The Minister of Finance and the Receiver-General shall always hold as security for the redemption of Dominion notes issued and outstanding at any one time, up to and including \$30,000,000, an amount in gold, or in gold and securities of Canada, the principal or interest of such securities being guaranteed by the Government of the United Kingdom, equal to not less than 25% of the amount of such notes so issued and outstanding, provided

that the amount in gold shall be not less than 15% of the amount of such notes so issued and outstanding, and as security for the redemption of Dominion notes issued in excess of \$30,000,000, an amount in gold equal to such excess."

Thus, when there are \$100,000,000 of Dominion notes in circulation, the Government must hold in the treasury \$4,500,000 in gold and \$3,000,000 more in gold or guaranteed securities against the first \$30,000,000 and \$70,000,000 in gold against the remainder. When there are \$100,000,000 of notes in circulation, there is thus at least \$74,500,000 in gold in the treasury to redeem them.

Our whole monetary system rests, therefore, on a gold basis—the gold in the Dominion Treasury at Ottawa. Canada is, thus, what is called a monometallic country—a country where there is only one standard money-metal—gold.

In any typical gold monometallic country the Government maintains the commodity value and the coin value of its standard money-material—gold—on an equality by freely coining gold bullion into standard coin—sovereigns or dollars or whatever the case may be—for anyone who brings it to the mint. Or, which amounts to the same thing, the Government may at once give an equal weight of standard coin to anyone who brings in bullion or an equal weight of bullion to anyone who brings in standard coin. Thus **there cannot be any appreciable divergence between the intrinsic value of the gold and the value stamped upon it by the Government.*** Anybody who has the one can always get an equal amount of the other.

*In the United States, as also in England, there is a slight divergence, since the man who brings in bullion to the mint has usually to wait several weeks before he can get his coin. Thus he loses the interest of his money for that period. In England practically everyone who wants gold coin in exchange for bullion pays the Bank of England's commission of 1½d (three cents) on the ounce of standard gold (worth £3, 17s, 10½d, or about nineteen dollars), and gets his gold coin at once. The Australian branches of the British mint also charge 1½d for coining an ounce of standard gold into sovereigns. This charge, which does not cover the expense of coining, is known as **seigniorage** or brassage.

Monometallism and Bimetallism.

Some countries have in the past had two standard money-metals—both gold and silver. Practically all have now given up the cause of silver as an unlimited standard money-material. The great controversy which raged for so long between the two principles has been decided in favor of gold monometallism as the best basis for a circulating medium. A brief survey of the field will show the causes of the victory of gold over silver and will teach us much about money.

The first essential of a bimetallic country—a country which freely coins both gold and silver for anyone who brings them in to the mint—is a fixed ratio of value between the two metals. Thus for a long time the United States coined silver and gold at the fixed ratio of 16 to 1—that is, 16 ounces weight of silver in coins were always to exchange for 1 ounce weight of gold in coins. The silver dollar contained 371.25 grains of pure silver; the gold dollar 23.22 grains of pure gold—one-sixteenth of the weight of silver in the silver dollar. The one was, the United States Government said, always as good as the other. They were always ready to give either one in exchange for the other.

The great difficulty about this procedure is that the value of silver and the value of gold both depend upon the supply of and the demand for these metals. A great increase in the supply of silver mined, naturally sends down the value of silver as expressed in gold; a great increase in the amount of gold taken out of the mines, when combined with a decline in the production of silver, means that as much silver as before cannot be obtained in return for a fixed quantity of gold. No government is strong enough to establish a fixed relation between the values of gold and silver.

What would have happened if the proposition of the Democratic party in 1896—to restore the free coinage of silver and gold in the ratio of 16 to 1, for anyone presenting them at the mint—had been carried into effect? The result would have been somewhat as follows:

The owners of silver mines, within or without the United States, would have sent their silver to be made into silver dollars at the United States mint. As soon as they got their silver dollars back, they would have exchanged these for gold dollars, so that for every 16 ounces that they had had of silver coins, they would then have 1 ounce weight of gold dollars. They they would have exported that 1 ounce weight of gold coins from the United States to some country, where, under the natural working of the laws of supply and demand, they would be able to get 30 or more ounces of silver or silver coin in exchange for the 1 ounce of gold. Thus they would have 30 ounces of silver where they had had only 16 to begin with—in other words they would have nearly doubled their money.

Silver from other countries would have tended to go to the United States, where it was over-valued as compared with the world-wide market value. On the other hand, gold, undervalued in the United States, would pass from that country to others. In time the United States would have lost practically all their gold, because everyone would want to send it where he could get 30 ounces of silver for 1 ounce of gold instead of only 16 ounces. Everyone with silver would want to send it into the United States, because there he could get 1 ounce of gold for 16 ounces of silver, while elsewhere he would have to pay 30 ounces of silver for 1 ounce of gold.*

This is rather an extreme case, but the fact remains true everywhere. Where two metals are both in circulation as standard money in a country, one of them will necessarily be undervalued or overvalued in terms of the other, because the fixed ratio necessarily adopted by a Government for purposes of coinage does not vary with the changes in the real values of the metals as decided by the operation of supply and demand.

*In 1911, according to the Director of the United States mint, it required 38.33 ounces of silver to equal in value 1 ounce of gold. At this rate, the American silver dollar contains only 41.7 cents' worth of silver.

Gresham's Law.

The overvalued metal—the metal that is not really worth what the mint says it is—will then stay in the country or even pour into the country from outside; the undervalued metal—the metal that is worth more of the other metal than the mint will give for it—will leave the country. In other words, where two metals circulate as standard money, bad money—money not intrinsically worth the value stamped on it—drives out good money—that which is worth the face value stamped upon it. This principle is known as Gresham's Law.

One does not, however, have to go to a bimetallic country to see the operation of Gresham's law. This can be seen among ourselves. It is common experience that a five dollar gold piece gradually loses a slight fraction of its weight through abrasion—so that a gold piece ten years in circulation is appreciably lighter than one which is fresh from the mint. Now wholesale jewellers get a large part of the gold used in their business by melting down sovereigns or other gold coins. Evidently they will have more gold if they melt down the new coin just issued from the mint. Here again the old light coin is allowed to remain in circulation, because owing to abrasion it is no longer worth quite the value stamped upon it, while the new heavier coin, the gold in which is worth the face value, is melted down. "Bad money drives out good."

Here is another case where Gresham's law might come into operation among us. Suppose the Dominion Government were in financial difficulties and were unable to give you gold in return for Dominion notes. What would happen? Why, this—whenever a piece of gold was paid to you, you would hold on to it, hoard it up for a rainy day, because it would still be good money, you could still get what you wanted for it, whether the Dominion Government became bankrupt or not. In other words, you would withdraw the good money from circulation while you would pass on to other people the Dominion notes received

by you—i.e., you would keep the bad money in circulation. "Bad money drives out good."

A fuller statement of the law is given in Palgrave's Dictionary of Political Economy: "Where by legal enactment a government assigns the same nominal value to two or more forms of circulating media whose intrinsic values differ, payments will always, as far as possible, be made in that medium of which the cost of production is least, and the more valuable medium will tend to disappear from circulation."

Thus, then, we seem to have come to the conclusion that because of the truth expressed in Gresham's law, it is impossible for one nation to maintain a bimetallic system, because it would be inevitable that one or other metal would be undervalued, and the undervalued metal would leave that country with disastrous results to its whole financial system, while the overvalued metal would become the daily medium of exchange, so that the bimetallic country would be monometallic after all. Had the Democratic programme of 1896 been carried into effect, the United States would now be in difficulties for the lack of gold to repay the money which it owes Europe and which it cannot pay in silver. With its money system in disorder, it would be practically impossible for that country to secure loans from other nations.

Paper Money.

Paper money is extensively used by civilized nations instead of metallic money, over which it has certain advantages, provided that it has good security for its redemption. It is more convenient, as it is so easily carried about and transferred from place to place. It also saves to the country the loss due to abrasion of the coinage. There are three kinds of paper money: representative, fiduciary and inconvertible.

Representative money is that in which every note, like the United States gold and silver certificates, represents an equal sum of money deposited somewhere (as in the U. S. Treasury) for the redemption of that paper with

silver or gold. If all these notes were brought into the treasury at the same moment, they could all be paid.

Fiduciary paper money is that which, like our own Dominion notes, is redeemable at the Dominion Treasury. But in this case the Treasury has not the wherewithal to pay off at one time all its notes in circulation, so that this is called fiduciary (fiducia, confidence or credit), because its acceptance in the ordinary course of business depends on the general credit of the country.

Inconvertible Paper Usually a War Measure.

Inconvertible paper money is that which does not give the holder any legal claim to receive metallic money in exchange for it—it cannot be converted into gold or silver at his wish. It is often issued by Governments at critical times when they have no coin with which to meet their obligations. The Americans issued it to finance the Revolution, the Confederate States to finance the Civil War. At such times it might be considered a patriotic duty not to embarrass the Government, and the takers of such money would hope that when the crisis was over these obligations would be redeemed with something more tangible. This money, indeed, passed from hand to hand, becoming less valuable (in relation to gold) as it increased in quantity, and the chances of redemption thus became more remote. Though there are certain theoretical arguments in its favor, the issue of inconvertible paper money has never turned out satisfactorily, either for the issuing government or for the people who had to accept the money.

The Value of Gold.

We have seen that standard metallic money must have intrinsic value equal to the value stamped upon it by the Government. Gold gains nothing in value by being coined. In other words, its value as a commodity is equal to its value as money. We usually prefer having it in the form of money, because then its value is indisputable, guaranteed by the Government, and we can get what we want in exchange for it.

How are we to measure the value of the commodity, gold? Simply by the amount of other commodities which we can get for it—its power in exchange. Now the value of the commodity gold depends upon the supply of and the demand for gold, just as is the case with any other commodity. If the demand for gold increases faster than the supply, the value in exchange of gold will increase: a given amount of gold will purchase more than before. If the supply of gold increases faster than the demand for gold, the value in exchange of gold will decline, i.e., a given amount of gold will purchase less than before.

The Rise in Prices.

This is exactly what has happened during the past ten or fifteen years. The years since the Boer war have seen a production of gold unprecedented in the history of the world.* The supply of gold has, consequently, grown faster than the demand for it, and as a result a certain fixed quantity of gold (the English sovereign or the American gold dollar) purchases less of other commodities than before. This is one and probably, as the Massachusetts Commission on the Cost of Living has stated, the main cause of the rise of prices, which, according to the statistics of the Canadian Department of Labor, have increased about one-third over the average prices of the decade 1890-1899. This is equivalent to saying that it now takes 4 gold dollars (4 times 23.22 grains of pure gold) to purchase what might then have been purchased with 3 gold dollars. In other words, the gold dollar now purchases only what seventy-five cents purchased then. Its purchasing power has thus seriously declined, and salaries have in most cases had to be increased as a result.

Effects of the Decline in the Value of Gold.

This decline in the purchasing power of gold has, on the whole, operated adversely to creditors and favorably to

* According to the reports of the United States mint, the world's production of gold increased from roughly \$200,000,000 in 1895 to \$375,000,000 in 1905. It reached, in 1910, according to the United States mint, the unprecedented figure of \$454,000,000.

debtors, adversely to mortgagees, and favorably to mortgagors. If a man mortgaged his house in 1907 for a term of five years, the gold dollars which the mortgagee received in 1912 have less purchasing power than those which he gave the mortgagor five years before. From the point of view of pure justice, this is no doubt to be lamented, but there does not appear to be any remedy in sight. Various economists have proposed some more stable standards of deferred payments than gold has of late shown itself to be, but these are theoretical rather than practical, and gold as a standard money apparently reigns supreme in the hearts of the great majority of civilized mankind. There is no prospect of its being displaced by any merely theoretical standard money.

What Does "Money" Include?

Now at the end of our lesson, we come to the very thorny question: "Just what is to be included under the term money?" Here economists and financial writers widely disagree.

The most restricted definition of money is perhaps that given by Conant in his work on "The Principles of Money and Banking," vol. 1, p. 4. He says that money is "that commodity of intrinsic value acceptable in exchanges, which has become by law or custom the usual tender for debt." This would appear to exclude even silver token money such as ours.

A wider definition is "money is all that is authorized by law to be used in the payment of debts—all legal tender." This would include Dominion notes.

A third and still wider definition is "money is that money does." All is money that serves as a medium of exchange. This with its would include not only bank notes but bank deposits. "Bank deposits," says Taussig. "as well as bank notes constitute part of the actual circulating medium." One pays his debts by checking upon his deposit just as satisfactorily as by paying them in legal tender notes or gold.

Any of these definitions may be defended or attacked.

There is the very best authority for every one of them. Those who hold to the narrower definitions point out that behind every cheque, every bank note, there must be somewhere or other gold dollars which the man who accepted that cheque or that note could get if he really wanted them. Therefore, they say cheques and notes are not money, but merely substitutes for money. On the other hand, there is the equally indisputable fact that bank notes and cheques (or deposits) are actually a very important and widely current medium of exchange, or money.

In such a case the student must take his choice of these definitions and be ready to defend it by reasonable arguments. The next lesson—that on credit exchange or banking—will further aid him in so doing.

EXAMINATION QUESTIONS**ECONOMICS.****LESSON 8.**

1. What difficulties of a system of barter are overcome by the use of money?
2. What are the functions of money? Discuss.
3. What are the chief qualities of a good money-material? What commodities possess these qualities in the highest degree? Discuss.
4. Why cannot wheat be used as money?
5. What is standard money? What is token money, and why do we need it?
6. What purposes are served by the use of Dominion legal tender notes? Under what restrictions are they issued?
7. Why does the Act say that Dominion notes shall be legal tender everywhere "except at the offices at which they are redeemable"?
8. What is bimetallism? What would the probable result have been if it had been adopted by the United States in 1896?
9. What is seigniorage? Why does the State undertake the business of coining money?
10. Explain fully the working of Gresham's Law in the different cases where it comes into operation.
11. What are the three kinds of paper money? Give examples of each, and discuss.
12. Discuss the increased production of gold as a cause of high prices. Would you suggest any other possible causes?

