

CHAPTER VI.

A LEGAL TENDER CURRENCY SHOULD BE PURE MONEY ISSUED BY THE GOVERNMENT ONLY.—
WHAT IS PURE MONEY?

Following the same rule and principle of action, that of minding its own business, the government should itself directly and without the intervention or aid of corporations do whatever, if anything, necessary to be done in regard to the issue and control of a legalized circulating medium of exchange. What that medium should be is a question upon which men may honestly differ for a time, but there can be no serious question as to the folly and injustice of enabling certain privileged private persons to exercise greater power for controlling or influencing the national currency than can be exercised by other persons, and the first duty of the State as regards currency legislation is to assume absolute control of the whole matter, in so far as it is a subject proper for legislative action. If there be any business usually transacted by banking corporations which is neces-

sary to the public welfare and can not be carried on by unaided private enterprise, it should also be conducted by the State.

In attempting to solve the money problem which is very generally believed to be intimately connected with the problem of labor, and in fact with almost every government problem, reference must be had as in every case to the functions of government with a view to discovering how and to what extent, if at all, the State is properly charged with its solution. The right of contract contemplates the freedom to exchange commodities or services one for another. A transaction of this kind is termed barter, the object of the parties being to dispose of something less desired for something more desired. For instance, one having meat more than he desires to use, exchanges it for bread which he wants, or finding no one willing to make such exchange, for something which he thinks will be readily and generally received in exchange for bread, and which he accept as a medium for effecting the exchange which he really wishes to make. Different commodities have from time to time come to be conveniently and generally used as such medium, as gold and silver are at the present time used. There can be no just warrant, however, for the State's adopting and enforcing the use of any particular medium however convenient, unless its ac-

tion in that regard be necessary to the maintenance of the government, the preservation of the peace, or to the securing of some natural right. It is said that a medium of exchange facilitates barter and promotes industry and prosperity, which is doubtless true, but it is by no means necessary to the preservation of the peace nor to the securing of rights that the government should provide such medium or declare what it shall be, for men might well be left to make use of whatever such medium they found most convenient and acceptable, no one being bound to accept any. That contracts might be made the performance of which the State would be unable to enforce, would be no fault of the State whose duty it is to secure natural rights and not to create artificial ones, and it is a serious question whether a legal tender money, at least any that has yet been devised, is not on the whole as much of an injury as a benefit, in so far as it has any direct influence upon society.

The necessity for government money, a legal tender currency, if there be such necessity, arises from the impossibility of carrying on the exchanges necessary to be made between the State and individuals by means of ordinary barter. In order to maintain its power and perform its other functions, the State must call upon individuals for commodities and services for which it must, in justice,

repay them value for value; to provide for such payment it must collect from each of the people whatever share of the public revenue may be due from him, that depending as already seen upon the value of advantages which he is by the State enabled to enjoy over those having no advantage. It is clear that all this paying for services and commodities furnished the State by a comparative few of the people, and this collecting of revenues from the many, can not be effected through the direct exchange of commodities and services between individuals and the State, that is, through barter. In place of ordinary barter the State resorts to the same device as that adopted by individuals in dealing with each other, some medium of exchange which shall be accepted by individuals in exchange for services and commodities they may furnish the State, and also by the State from individuals in payment of their respective shares of the public revenue. In order, moreover, that this medium may be the more readily received by individuals in exchange for whatever it may desire to purchase from them, the State provides that this medium shall also be receivable by all persons within its jurisdiction in payment for any and all dues public and private, that is, makes it a legal tender.

It is clearly the duty of the State, in assuming to enforce the use and acceptance of any particular medium of exchange, to provide one that shall work as little injury as possible to anybody. In this, as in every case of interference by the State, it should be remembered that every act of government of special advantage to any person or persons results in corresponding disadvantage and injury to others. For instance, to make any particular commodity the legalized medium of exchange is an advantage to those possessing such commodity or having superior facilities for acquiring or controlling it, and a corresponding disadvantage to others. It is an interference with the natural relations existing among men, a creation of new conditions, rendering some men more able to compete with the rest than they would otherwise be. It moreover injures the creditor or debtor in contracts for deferred payment, and also the possessor of such legal tender on the one hand, or of commodities on the other hand, for it to be so constituted that its unit shall materially change, that is, either depreciate or appreciate in purchasing power. If it appreciates, the debtor is forced to pay more than his contract originally called for, and prices fall thereby discouraging productive industry to the injury of all save those controlling the money. If it depreciates the creditor loses, and

prices have an artificial and injurious tendency to rise.

In seeking to discover an equitable medium of exchange it may be well to examine somewhat closely into the difference between barter and sale. The latter differs from the former in that it always consists in the exchange of a commodity or service not for some other, but for that which will be generally received in exchange for any and all commodities and services, and which is called money. A pure sale can not be made without pure money. Whenever the medium of exchange has any commodity value the transaction partakes of the nature of barter, and it may be questioned whether it is not wholly barter, the so-called money being merely a commodity, having its natural commodity value enhanced by the demand for its use as such medium.

Pure money is the evidence of a half-completed barter, indicating the value of the commodity or service in exchange or payment for which it was taken and having some characteristic rendering it receivable generally in payment for other commodities and services of like value. The promissory note of some well known person of undoubted wealth and integrity, payable in some generally recognized medium of exchange would

perhaps come as near being pure money as possible without the aid of government, passing from hand to hand in exchanges made by persons having confidence that it would be paid when presented to the maker. But for the government to compel its acceptance as money would clearly be to the advantage of the maker and to the disadvantage of others less favored, as in the case of bank currency.

Since a pure legal tender money should consist of evidence that its holder has parted with the value indicated, and should also guarantee to him that it will be received in exchange for commodities or services as readily at least as whatever he parted with would have been received, and since it can not be pure money and consist of anything having a commodity value, it must of necessity result from some incomplete or half-barter, from furnishing some service or commodity to some person having the power to provide the evidence of value received and also that such evidence shall be received and accepted by each and all in exchange and payment for commodities and services. It is clear that the State is the only power that can justly compel all to receive its notes or due bills in payment of debts, and that it may well do this will appear from a simple illustration. It employs some individual to render the government some

service in acknowledgment for which it gives him a memorandum as evidence of value due him from the State, coupled with an order that such memorandum and order shall be received by each and every person constituting the State in payment of all debts due them, and also by the State in payment of all obligations to it. It is an order by the whole people on the whole people, binding them collectively and individually to pay for value received by them in their corporate capacity but for their individual benefit. The particular memorandum or piece of money has its origin in a barter begun with the furnishing of some commodity or service by some one or more of the people, to all the people, and completed when it is received back by the latter in payment for some service rendered by the State to the individual surrendering it. The piece of money may meanwhile have been the medium of many exchanges between individuals. It is pure money having no possible use except as money and no value except as money. Its usefulness can not be affected by the rise or fall of any commodity, nor its value disturbed by anything short of the destruction of the government itself.

A piece of such money would naturally consist of a paper memorandum of the facts constituting it money. Whenever it came back into the

hands of the State it could be again paid out for value, and would continue to perform its proper and only function as long as demanded by the necessities of the State. The amount or volume of such a currency would be measured by and limited to the expenses and revenues of the government, a safer, more rational and reliable limit than that afforded by the product of any metal or other commodity, or by the best judgment of all the legislators or bankers in the world. Such a currency, although consisting of paper, should not be confounded with so-called paper money evidencing the promise to pay some particular metal or commodity, and depending for its stability and soundness upon the promisor's ability to make the agreed payment. The strongest government may at times be unable to make such promises good, but never to itself accept and to compel its subjects to accept its and their orders upon itself and them in payment of debts due to it and them.

It may not be out of place to suggest a method by which such a currency could be adopted without doing greater violence to existing conditions than is incident to any great necessary reform. Let the government provide that on and after some specified date, the only legal tender money or legalized currency of the country shall be of the character

outlined above; that all money now in circulation shall be received by the government in exchange for the new money, dollar for dollar, whether of paper or metal. The amount issued by such exchange would be increased if necessary, by paying it out for commodities and services furnished the government until the amount in circulation was sufficient to accommodate the annual collection of the public revenue and the payment of government expenses. The final register and regulator of the volume of currency would probably be the annual rental value of the lands of the country.

Objection may be made to the method suggested on the ground that holders of gold or silver coin might decline to surrender it for the pure paper money. Their action would simply render it necessary to issue a larger amount in direct payment for commodities and services. The holders of coin could make such use or disposition of it as pleased them best. It is clear that it would not increase in value by reason of the change. It could not fail to become cheaper by reason of the less demand for it, so that individuals and the government could more readily and at less cost secure it for the liquidation of obligations payable in coin. It would, however, no doubt continue to be a very common medium

of exchange and favorite subject of barter, but it would never enter into a sale except as a commodity bought and sold for paper or pure money in the same manner as other commodities.

Objection may also be made that such a money would not serve the purposes of foreign trade, that it would not be an international currency. It would not, nor will any money the government can create. The money established by a State is such only within the jurisdiction of that State. It is but the exercise of the State's power, a part of the law of the State which can and should be of force only within its jurisdiction. The legitimate function of the legalized money of a country has properly no more to do with other countries than have its land laws or those enacted for the preservation of the peace. Gold is used in the settlement of balances in foreign trade not because it is legal money, but because a convenient and generally recognized and accepted medium of exchange. It would probably continue to be so used after the adoption of a pure legal tender money, and it might be well for the State in the exercise of its peace and right preserving functions to provide for the coinage of gold and silver as it does for the weighing and measuring of other commodities. The coins would serve as readily as now all the

purposes of foreign trade, as well as for the payment of obligations binding the government or individuals to pay coin. If from any unforeseen cause the government should be unable to purchase sufficient coin to meet its outstanding coin obligations, it could as in other cases of necessity exercise its right of eminent domain, take possession of gold and silver bearing lands, develop the mines and pay out its own gold and silver.

There is no principle of government warranting the attempt to establish an international money, the only object of such attempt being to facilitate certain branches of industry, to render special aid to particular capital, an object foreign to any legitimate function of government. If a man desires to engage in foreign trade or to travel abroad and finds that gold or silver is necessary to the accomplishment of his purpose, let him purchase them as he does any other needed commodity. Let the government confine its efforts and the exercise of the power with which it is entrusted to the preservation of rights. Let it cease to create privileges whose existence is always destructive of rights or rather of their equal enjoyment.

The adoption of a pure or scientific money will doubtless, like that of most other great reforms,

be somewhat gradual, the government meanwhile endeavoring to decide upon and adopt the least injurious method of maintaining so-called metallic money. What metal or metals should be used, whether gold or silver or both, can be decided upon no strictly governmental principle, since there is no principle of government warranting the establishment of a metallic legal tender. The question is not altogether unlike one that might arise as to different systems of slavery no one of which could be founded on any just principle, but one of which might be less burdensome than another, less injurious to both master and slave, and less dangerous to the stability of the State. A government which might not be able to abolish slavery at once would certainly be inexcusable if it failed to do all in its power to prevent its extension and to reduce its hardships and evil effects to a minimum, a purpose which should also control legislative action in regard to making silver and gold a legal tender. There is no good reason, however, why any paper currency deemed necessary to supplement coin should not be pure money issued by the government in payment for services and commodities and receivable in payment as a full legal

tender for all debts public and private. By the gradual introduction of such a money in place of all other forms of paper currency and the abolition of all banks of issue, the government could greatly facilitate solution of the currency problem.