CHAPTER VI

MONEY AND PRICES

THE " skeleton " for Tucker's great work, which he gives at the end of his *Elements,* maps out for Chapter III, of Book II, a treatise on " Coin and credit as the medium of commerce." The eight sections, fully headlined for this chapter, give promise of a quite complete discussion of the functions of money, its kinds and their relative merits, market price and value, the reasons why gold and silver are the money metals, the nature of paper money, the ratio of gold and silver, the theory of exchange, the par of exchange, the nature of banking, the need for more metallic money, and a plan for breaking up the national debt into interest-bearing bonds of small denomination. Unfortunately, none of these sections was ever expanded as a part of the great work, and only by suggestions and fragmentary expositions appearing incidentally in others of Tucker's works, can a further idea be formed of their intended contents. Fortunately, on the other hand, the section headings in the skeleton are sufficiently full to give a fair concept of what the expanded chapter would have been. To these section headings the reader must be referred [1] for all the topics mentioned above, except (I) the functions of money, (II) the standard of value, (III) market price, (IV) the philosophy of exchange, and (V) the scheme for subdividing the public debt. Upon all other money and credit topics the skeleton headings tell all that is told anywhere in

[1] See *Appendix* of this volume for the " Skeleton," Book II, Chap. III.

Tucker's writings. Upon each of those five subjects he has left something in other parts of his works, and what he has left is here topically arranged.

I. Functions of Money

Tucker understands the leading two functions of money. He sees clearly that it is a medium of exchange, and so defines it in the "skeleton."[1] Elsewhere he queries:

> "What is money but a common measure, tally, counter to set forth or denominate the price of labor in the several transfers of it?"[2]

This expressly makes money a measure of the contained labor in commodities, or a measure of value.

II. Standard of Value

In the "skeleton" Tucker promises to explain the "true meaning of the relative terms, market price, and value of commodities, cheapness, dearness, scarcity, plenty, &c., &c."[3] Nowhere in his other writings does there appear any discussion of value. The incidental statements which do occur seem to show that he is a believer in a labor standard of value. In the body of the *Elements* he says:

> "Industry and labor are the only real riches, money being merely the ticket or sign belonging to them and the use of money is to certify that the person possessing that piece of coin hath likewise been in possession of a certain quantity of labor which he hath transferred to other hands and now retains the sign of it. Money therefore being nothing more than a certificate of labor, etc."[4]

[1] See *Appendix* of this volume, book ii, chap. iii, section ii.

[2] *Reflect. Nat. For. Prot.* Part II, p. 19.

[3] See *Appendix*, Skeleton, book ii, chap. iii, sect. iii.

[4] *Elements*, p. 99.

Again:

"Labor is the true riches and money only the sign or tally." [1]

III. Market Price

There is little concerning prices in Tucker's works. He (1) states that supply and demand determine market price, and (2) he opposes any attempt by the state to keep goods, offered in the market, up to any arbitrary standard. These two positions comprehend his whole expressed thought upon prices.

(1) The market-price formula is thus worded by him:

"The prices of all commodities whatever depend on the quantity at market and the demand for the same. It must therefore follow that when the demand decreases and the quantity increases the price must fall and vice versa." [2]

That the quantity of money affects the prices is only hinted at by him. In unfolding his thesis that mere money is not riches, he supposes England to receive suddenly a large sum of money, through a mine discovery or successful privateering, and says that prices of provisions and manufactures would rise to a "most enormous price whilst the flush of money lasted." The reasons he gives for this are, that

"First the people, enriched by so improper means would not know the real value of money and (would) give any price asked. Secondly, the cart, plow, anvil, wheel and loom would certainly be laid aside for these quicker and easier arts

[1] *Reflect. Nat. For. Prot.* Part II, p. 19.

[2] *Reflections on Wool*, p. 14. He applies this principle elsewhere, *e. g.*, *Elements*, pp. 73, 96 and 98.

of getting rich . . . and the quantity (of provisions and manufactures) raised in the kingdom would be less than ever." [1]

Reason number one emphasizes that the extravagance of those easily enriched, rather than the large quantity of money, acts as a cause in raising prices. Reason number two simply applies his supply-and-demand formula.

(2) His opposition to governmental attempts to regulate the manufacture of goods according to set standards is twice stated very emphatically. In *Instructions to Travellers,* he numbers statutes fixing standards among the "bad laws relating to trade and manufactures (which) are now subsisting." [2] Of them he says:

"The statutes for the due ordering and making particular sorts of goods, keeping them up to a standard, regulating their lengths and breadths, appointing of what materials, or at what seasons of the year they shall be made, etc., etc., are also a useless farce and burden, and only serve now and then as an handle for one litigious or lazy rival to vex his industrious or ingenious neighbor. For as to general use they are absolutely impracticable and ever will so remain as long as buyers and sellers vary in their prices, fancies, tastes, etc. In one word if the buyer is not deceived in buying them, that is, if they shall prove throughout such as they appear to be, and are in reality the same he bought them for, it is no sort of consequence, when, or how or where or with what materials they were made or whether the goods are longer or shorter, broader or narrower, coarser or finer, better or worse than those usually made before them." [3]

[1] *Four Tracts,* p. 23.

[2] *Instruct. for Trav.,* p. 33.

[3] *Instruct. for Trav.,* p. 34. For a similar statement see *Elements,* p. 83.

IV. Philosophy of Exchange

This topic was treated in the preceding chapter, as more naturally introductory to a presentation of Tucker's thought upon trade.

V. Circulating Bond Scheme

Twenty-five years after the "skeleton" promise of a polity for changing part of the "dead national debt" into circulating certificates, Tucker outlines the plan which he then probably had in mind. He advises that Parliament should

"pass a law to enable 3% bonds, now £60 each, to be exchanged for equivalent sums in £10 notes, each with a 6d. stamp and bearing 6s. annual interest, payable each six months to the bearer like East India bonds. And when a great quantity of such notes are in circulation it would be right to allot a place or two in each county to pay the interest. The 6d. stamp would meet all the expense of the new officers needed by this . . . banks would be glad to be places of payment. By these means every man in the kingdom from the highest to the lowest who had £10 to spare for ever so short a time would get after the rate of 3% per annum for the money which otherwise must have lain dead. And poor men in particular, journeymen, laborers, man servants and maid servants, would have a safe deposit for their little earnings and a regular interest in order to induce them to save more." [1]

[1] *Thoughts on Public Affairs*, *Gent's Mag.*, vol. l, p. 133.