MONEY IN POLITICS. WITH AN INTRODUCTION BY EDWARD ATKINSON

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BY

J. K. UPTON

Late Assistant Secretary of the United States Treasury

With an Introduction

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EDWARD ATKINSON

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PREFACE.

He who said the love of money was the root of all evil spoke not with accuracy of the properties and functions of this commodity. Evils may grow from a love to accumulate wealth in excess, but the love of money is in itself as harmless a diversion as an ill-conceived passion for a steam plough. True money is but one form of wealth, and should not be confounded with wealth as if it were the only form.

He who possesses commodities in excess of his needs for them, and can exchange them for other commodities which he needs, possesses wealth to that extent. In no other way can wealth exist. Money facilitates the exchange of commodities, and, by saving labor and time in the exchange, may give to the commodities a greater value than they would otherwise possess, — only this and nothing more. Wealth can exist without money, and if there were no money in the world, wealth would still remain as before, though perhaps incapable of bringing to its possessor an equal degree of comfort.

The railroad king Vanderbilt may not, and probably does not, handle as much money in a given time as does his grocer, and yet his wealth is reckoned by scores of millions.

In countries where money is not employed, trade is carried on by exchanging direct one commodity for another, of which the following is a simple illustration. A farmer has grain which he does not need, but he needs a pair of shoes, which he has not. To obtain the shoes he is willing to part with a portion of the grain, and if he can find a shoemaker who has the shoes and is willing to part with them for the grain, the exchange can readily be effected. But if, when found, the shoemaker, although he has the shoes, does not want the grain, the farmer will be compelled to find another person who has a commodity which he is willing to part with for the grain, and which the shoemaker will accept in exchange for his shoes. By making this double exchange the farmer obtains the shoes. The grain, however, was in fact exchanged for them, not the interposed commodity. That was used only to facilitate the exchange.

This method of exchanging commodities is called "barter," and to a considerable extent exists in all communities to-day. Prof. Jevons relates that not long since Mademoiselle Zélie, a singer of the Théâtre Lyrique, at Paris, made a professional tour around the world, and gave a concert at the

Society Islands. In exchange for an air from Norma and a few other songs, she was to receive a third part of the receipts. When counted, her share was found to consist of three pigs, twenty-three turkeys, forty-four chickens, five thousand cocoanuts, besides considerable quantities of bananas, lemons and oranges. As the islands contained no commodities which Mademoiselle needed, and for which these products could be exchanged, she must have suffered an embarrassment of riches. These contributions of the animal and vegetable kingdom, transferred to the markets of Paris, would, however, have realized for her handsome returns; but meanwhile the turkeys must be fed and the fruit will decay.

Inconvenience and useless labor have ever attended barter trade, and to avoid them commodities have been sought out and interposed, which, on account of the universal demand for them, will be accepted by any person in exchange for any commodity he possesses and is willing to part with, knowing that in turn he can again in like manner exchange them for any commodity he may need.

Gold and silver have for a long time been employed by civilized communities as such interposed commodities. Neither of these metals, in itself, has any mysterious power. Like grain or a pair of shoes, each is the product of labor, and has a value in exchange for other commodities depending upon the relation to it of demand and supply. This relation, in case of these metals, is believed to be exceptionally uniform and well understood, and therefore either metal can be exchanged for other commodities at well-known rates. Neither metal suffers much, if any, loss from exposure to the elements. Equal weights of either, without regard to form, have precisely equal values, and the relation of value to that of weight in either is such that the amount needed is neither inconveniently heavy nor minute; and the demand for both is universal. For these reasons the two metals named are naturally used in effecting exchanges of commodities, and while performing this duty they are called money. An exchange of a commodity for money, however, but half completes the transaction; to complete it, the money must be again exchanged for the commodity needed.

Bringing money into use, however, the farmer exchanges his grain for money, and then exchanges the money for shoes or any other commodity which he may need. And when the exchanges are fully completed he will have no money left. His wealth will remain, however, represented by the newly-acquired commodities which have taken the place of the grain. The money has gone to do like duty for some one else.

Viewing money, therefore, as operating within its proper functions, we arrive at certain deductions, which should ever be borne in mind, viz.: —

1. The value of gold or silver, like that of wheat or any other commodity, will depend upon the relation of demand and supply to the metal in question. The miner who takes the metal from the earth exchanges it for other commodities at the best rate he can obtain. If the outlay and labor expended in obtaining the metal will not yield an amount of other commodities equal to, or greater than, an equivalent amount of outlay and labor would yield in other industries, mining operations will be abandoned for other pursuits, until the demand for the metal with the diminished production will increase its exchange rate, so as to render mining operations as profitable as other industries. On the other hand, should the product of mining operations on the whole prove more remunerative than that of other industries, less remunerative industries will be abandoned for mining, until the increased yield of metal will lower the exchange value of it to a point where other industries will be as profitable as mining. In this way the products of our mines are governed by natural forces, and money can have no artificial value.

2. There can be no such thing as "cheap money." In performing its functions, money will be exchanged for other commodities at just such rate as the owner of the other commodities is will-

ing to part with them for it. He can be depended upon not to exchange them at a lower rate than he is obliged to. A decrease in the exchange value of money means a corresponding increase in the value of the commodities for which it is exchanged; otherwise silver would be cheaper money than gold, and copper cheaper than silver, a relation which never has existed and never will. Consequently, in itself, one metal is just as cheap as another for money, and we need select for that purpose only the one which best suits our convenience.

3. Money not being wealth, the amount of it in circulation will naturally be just the amount needed to effect the exchanges of products for which it is employed, and no more. It can be used for no other purpose, and everybody will get rid of any excess of it as soon as possible. If by any artificial restraint an excess of it is kept in any community, the owners of commodities therein will not part with them for it except at rates which will compensate them for holding a commodity which, being no longer of use as money, becomes unproductive wealth. Consequently prices of commodities, in such an event, will be higher until the restraint is removed and the surplus money allowed to flow where it is needed.

4. Money will be plenty in localities where commodities are cheapest. A purchaser of grain