Money

Comparatively little has been written about the evolution of that commodity described by one writer as "the root of all evil" and by another as "an invention of the Devil." Nevertheless I am interested in it, not because I have any of it now, ever had, or expect to have much of it in the future, but no one can deny that it is a very useful commodity, and that the possession of it has given much happiness to some, and the lack of it, much misery to others. Now when the lack of it is causing so much consternation all over the world, it is interesting to examine some of the different steps which gradually led up to the questionable system of the present day.

Because my research work in this connection has not extended further than some popular encyclopaedias and a few reference books, my curiosity has been appeased only slightly. Apparently great minds have been puzzled more or less over this question, because most authors whom I have consulted have been honest enough to admit that there were many things about the evolution and basis of money that they were unable to explain. One phase in particular do they shun with great care and that is the real meaning of the term gold standard. I warn anyone that might read this essay that he is not going to find an explanation of the gold standard here, but I have encountered some facts about money in general, which might be interesting to others.

In the first place, what is money? I have read a host of definitions, but as all economists agree in saying that it is a hard term to define, (I add my personal comment and say that it is a difficult commodity to save) the majority of their attempts at definition have been more or less vague. This definition given by Professor Stanley Jevons about forty years ago rather appeals to me. He said: "Much ingenuity has been spent upon attempts to define the term money—all such attempts at definition seem to me to involve the logical blunder of supposing that we may by setting the meaning of a single word, avoid all the complex differences and various conditions of many things, each requiring its own definition. Bullion, standard coin, token coin, convertible and inconvertible notes, legal tender and not legal tender, cheques of several different kinds, mercantile bills, stock certificates, etc., are all things capable of being received in payment of a debt, if the debtor is willing to pay and the creditor to receive them; but they are nevertheless different kinds of things."

Although there are records in ancient history of a custom of barter by using certain weights of gold, silver and even iron as a means of exchange, it is not until the era of the Greek city States that we find a real monetary system being put into effect. Apparently coinage was allowed to each state separately, and it was not until about four hundred years before Christ that monetary unions became common, and transferability was in this way established beyond the limits of Greece.

According to Mr. H. G. Wells the next major step in the history of money is indicated in the records of Imperial Rome. He describes it as being "a crude anticipation of our own, and different from any preceding political system, in that it was a cash and credit using system." From the fall of the Roman Empire until the establishment of paper money in England in the eighteenth century, the Roman system was carried out in all European countries where the Romans held sway. It was also copied more or less in other parts of Europe and used with varying success. It must be remembered that many of these old coins were crudely made, often with a lack of uniformity and were thus very easily counterfeited. Some historians claim that it was then quite a common practise to hoard up the good money and to keep the bad or counterfeit coins in circulation.

Early in the eighteenth century, the Bank of Amsterdam advertised that they would issue receipts against quantities of coin deposited with them. These receipts are generally supposed to be the origin of paper money. This practise of issuing receipts was soon copied by other bankers, and gradually the idea evolved that it was practically impossible that a simultaneous demand for cashing all the receipts could ever happen, so they printed more receipts and loaned them out at interest, to those who wanted to borrow. This practise may seem to some to have been an easy and questionable means of making money, but, nevertheless, it was the beginning of a system which is followed by Canada and other countries at the present day. As I understand it, the paper money issued in Canada must be backed up by a certain percentage of gold in the Dominion treasury.

This representative money system has always provided unprincipled rulers and statesmen in need of money with a good field for dishonest manipulation. Many a time has the printing press been used to what might seem for a time to be an advantage. Of course in nearly all cases it took only a very short time for the elementary economic law to prove its truth; money like all other commodities must be supplied according to the free action of the laws of supply and demand. Have you ever heard anyone express his contempt for a thing by saying that it was "not worth a continental?" The origin of that expression is rather interesting. It appears that in order to spare the public the pain of increased taxation, the American government issued between 1775 and 1779 nearly a quarter of a billion of dollars in inconvertible money, known as continental currency. The British Government issued proclamations in vain against the circulation of this currency, and it is believed that the controversy thus caused was one reason for the Declaration of Independence in 1776. However, the inevitable came about in a very few years, and this currency reached a point of such low valuation that in one state it took $5,000 of it to buy a pair of shoes. No doubt a man would need a cool million or so if he wished to get married in these days! In 1780 Congress passed an act providing for the redemption of this currency at three per cent of its face value.

It seems to be the opinion of many economists that debasement and inflation of money has usually been associated with war. Following from this principle we may perhaps be able to point to this as a probable cause of the present economic crisis. There must have been some artificial purchasing power created to meet the requirements of the Great War, and this would naturally lead to a dilution of currency.

To trace the ups and downs of the monetary system since the beginning of the World War is a task far beyond my depth. It will probably be years before the present tangle will be unravelled to an extent where it can be intelligently explained. However when money is plentiful few people take any interest in monetary systems. In these times of economic stress and unemployment I consider it a very interesting study for anyone seeking worth while employment. Errors in monetary manipulation would be far less apt to happen in a country where the rank and file of the people had a reasonable knowledge of economic laws.—R. C., '35.