

"The Tabular or Multiple
Standard of Value."

L. S. Hephworth.

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With the development of modern industry. The Money question has become a question of constantly increasing importance. Under modern economic conditions Money has many new and vastly more important functions to perform than formerly.

Under a more primitive development, when trade was principally local, when the present state of division of labor was unknown, when commerce was carried on mainly by a system of barter, money prices had but little real meaning. But under the present system of division of labor and the constantly increasing inter dependence of the units of the industrial society, money has become the one principal agency of production, whose object is to bring about the co-ordination of the various industrial elements of society, and we now consider the results of all industrial activities in terms of the monetary unit.

Economists have not as yet come to an agreement, as to the real purpose

of a monetary system. In fact, the real merits of the money problem do not seem to be fully appreciated by many of the leading economists.

The great variance of opinion among economists is clearly shown by the controversy now going on between the Monometallists and Bimetallists.

The difference between these two schools is one of fundamental importance.

The Bimetallists claim that the volume of money should be kept so well regulated as to maintain a general stability of prices. But while the Monometallists do not attempt to refute this view altogether, they do not hold it as essential to the final settlement of the money problem.

The most evident of the money functions is that of a medium of exchange. The medium that passes freely through out the industrial society and facilitates commerce, rendering payment to each unit of the society for its contribution to the whole. Acting much like the blood of the human system in carrying

nourishment to the various parts of the body. In a society not yet highly developed in industry this is practically the only office that money performs. But in a highly developed industrial society such as that of the present day, in which each individual seldom produces directly for himself, but instead for society as a whole. And the necessary change in the conception of wealth, from the concrete to the abstract, that is from the consideration of the concrete result of production, itself, as wealth. To the abstract conception of the value of the result in terms of money. The functions that money performs becomes much more complex and we find that it has become essentially a Standard of Value.

The treatment of the question of a standard of value demands at the outset, that we should attempt to define just what we really mean by a standard of value, and then determine what kind of money will come nearest the perfect standard. In the first place all economists agree, that the most

perfect standard is the one that remains most nearly at a constant value. but as to just what this fixed value really should be is a point about which there is a wide difference of opinion. Thus the Rimmetalists tell us that the perfect standard should represent a constant amount of commodity. while the Monometallists claim that the ideal standard is the representative of the product of a constant amount of labor. The difference between these two conceptions may not at first seem to be very fundamental. but when we remember that labor is not at all times equally productive. and that, in fact, modern inventions, and improved methods are constantly increasing the productive power of labor. It will be seen that the difference of conception between these two schools is one of vast and growing importance. For if the unit of value, at present represents the product of a fixed quantity of labor, it must necessarily represent a constantly increasing amount of commodity

Thus the purchasing power of the money standard, represented by commodities, would increase with the growing productive power of labor. Hence the arguments of many of the Monometallists are based upon the theory that every advance in industrial progress should be marked by a fall in prices, in proportion to the increased ability of labor to produce. They virtually maintain that every thing should fall in price in proportion to the increased efficiency of the labor employed in its production.

Against the application of this principle in its relation to the debtor and creditor classes, the Monometallists and all opponents of the Single Gold Standard hurl their strongest arguments. They can see no just reason for the creditor class claiming and receiving the greater part of the reward accruing from industrial advancement. They claim that industrial progress is due to many social causes, constantly tending to improve labor and its product, and therefore

Whatever advantages come from industrial advancement should go to the whole society, and not to any one class. Hence they argue that falling prices are an evidence of an unfair and appreciating standard.

This conclusion would seem to be well drawn; for though we accept the theory, that value depends upon cost of production, which we most certainly should not do, and the fact that cost of production has been much lessened is undeniable. How do we know that the decrease in prices has not exceeded the ^{increase} in the efficiency of labor?

For more than twenty years, as shown by statistics, prices have been going steadily down wards, yet to claim that the general fall has been due to a cheapening in cost of production, seems to say the least, not to accord with a great many of the facts. The question as to the degree of efficiency that labor has gained by recent developments in industry, is one that can not be answered.

Though it is obvious that the gains must

have been very great. It is still possible however, as well as probable that this increase has not been equal to the fall in prices.

The arguments so strongly urged by the Monometallists that the conditions of the wage earner has been much improved by falling prices, due to the increased purchasing power of the gold dollar, does not seem to be well chosen. In the first place the improvement of labor conditions has been due to far more deeply seated causes than a mere falling of prices. (e.g. a better degree of education, a higher standard of living.) These causes have been hindered rather than helped by declining prices.

However great the appreciation of money it cannot raise wages higher than the limit set by the efficiency of labor will warrant. Any rise in the value of money beyond that point must necessarily cause a decline in money wages. And since in modern industry labor is thrown on the market subject to the same

effects of competition to which other commodities are subject. An appreciation of the standard obviously cannot account for a rise in money wages. Supply and Demand are the chief factors in determining wages in modern society and whether it be in money wages or in real wages no increase in the purchasing power of the standard is able to account for all of the rise in wages.

Thus the gold standard confessedly causes a fall in commodity price and at the same time is unable to explain any rise in wages.

Any defense of the gold standard must necessarily demonstrate, that gold itself has a more constant value than any other ^{commodity}. Now the fact is that the tendency of all commodities at the present time is toward stability of value, this tendency is due in part to the improvement in commercial facilities by means of which the supply of many commodities is brought into direct contact with the whole demand. And to the further fact that with many commodities great fluctuations in price are

are impossible because of the existence of many related commodities, that can at any given time be substituted for those of higher price, thus tending to maintain a constant price for the commodity.

But in the case of gold, statistics show a great fluctuation in value. This is easily explained when we see that gold is entirely devoid of those checks on fluctuations that are present with other commodities. The only demand for gold, aside from the demand for it, for money purposes, is due to the desire and taste for ornamentation ^{and} in the arts: dentistry etc. This demand in itself can furnish no protection, against a fall in value, further than this the demand for gold for money uses varies widely at different times. This variation is caused by the substitution of different amounts of credit for actual money. When large amounts of credit are used in place of gold the result is a fall in the value of gold. This resultant fall in gold value is always the cause of greater use of credit, and this condition will

continue until for some reason there may be a sudden contraction of credit, which effect is liable to take place at any time, but always takes place with increasing certainty and danger, as the credit displacement of actual money becomes more and more extensive. When the contraction of credit does take place gold immediately begins to rise, and will keep on rising until the final limit of demand, caused by the bankruptcy of the debtor, is reached. Thus the fluctuations in gold are constantly tending to bankrupt the unfortunate and at the same time enrich those who are so lucky as to have "influence" in gold manipulations.

Looking at it in this brief manner the prospect for a continuation of the world movement toward a gold basis is not in the least alluring.

The difficulty that seems to confront present-day economists is not how shall the present system be maintained but how shall more commodities be introduced into the standard of value?

Among the schemes suggested for solving this problem is that of the composite gold and silver standard. The plan here proposed is to secure the redeemability of a paper money based upon the real composite standard of gold and silver. This composite discards a ratio and simply says that a certain number (a) grains of gold plus (b) grains of silver shall be the standard. Thus the actual standard cannot be either (a) or (b) alone, but must be the sum of $(a + b)$. The paper dollar based upon this standard would call for gold and silver in this fixed proportion. The relative amount of the two metals used in the standard would presumably depend upon their relative importance as commodities.

The advantages of this single bimetallic standard over the double bimetallic standard are these: It does away with the disadvantages of a ratio. The question of which always has been and always will be a problem of great difficulty. It makes it impossible

option of receiving payment for his notes in either metal, as his fancy dictated.

It is by some such method as this that the long sought results of bimetallism could be secured, the object being to establish a more stable currency.

While it is possible that this scheme would probably result in a better system of prices than at present, the fact remains that both Gold and Silver are commodities apart from all other commodities. They are closely related to each other as commodities, and hence are more likely ^{to fluctuate} together than in different ways, or at different times, and while the fluctuations of the two metals may in some degree neutralize each other and thus in a measure secure the results sought by a composite standard, effects much more satisfactory and far reaching could be obtained by making the composite standard include many commodities from many different groups.

Such a plan is embodied in what is known as the Tabular Standard which has found many advocates among the leading economists. The basic features of the system are

- 1) To separate the money functions; by retaining either Gold, Silver or paper as the medium of exchange in terms of which all prices are to be given, and the establishment of a table of perhaps fifty to one hundred commodities as the Standard of Value. The prices of commodities in this table can be determined at given periods by certain bureaus of government statisticians, in a manner much like that employed by the other statistical bureaus in gathering information, and in fact ^{they could} gather facts and figures just as many private individuals such as Muehll, Loetbeer, Saurbeck etc. have already done. It would be necessary to make all of the methods employed by this commission open to public scrutiny. And at the same time it would be well to keep the private

statisticians at work, in order to get a better comparison of methods and results. The average price found for each given commodity for the period under consideration would be known as the index number. Any variation in this index number from time to time, would show the fluctuations in money values.

Every contract calling for a future settlement in money would necessarily be subject to revision at the time of payment. And the amount really due would be found by comparing the index figures when the contract was made with the index figure when it becomes due. The amount actually to be paid may be more or less according as the index figure at the time of payment is greater or less than at the time when the debt was contracted, such a method would prevent any serious effects upon either debtor or creditor by any change in the purchasing power of money. it

The greatest objection to be urged against this plan is that the standard is entirely separated from the money system and hence, ^{the system} necessarily lacks simplicity. The price of a commodity indicates only the relation between the commodity and the medium of exchange while the relation between circulating medium and the monetary standard must be considered before we can determine whether there has been a rise or fall in value, and since the rise or fall in value of any commodity may represent either a gain or loss in value in the commodity itself or a rise or fall in value of the money standard the necessity of knowing the relation between the commodity and the standard of value or monetary unit becomes obvious. And it is because of this necessity, that the Tubular Standard as above described is to some extent unsatisfactory.

The only way of overcoming this cumbersome quality in the standard is to adopt some means of combining the ^{functions} of the monetary unit and the standard of

value into the tabular standard price would then show not only the relation between the money unit and the commodity but also the relation between the commodity and the standard of value.

Suppose we assume that the standard is made up of the six commodities corn, wheat, cotton, oats, silver and gold with prices, values, and quantities of each given in the following table. *

Table. I Gold standard values

Commodity -	Quantity -	Wholesale Price -	Wholesale value -
Corn	1,600,000,000 bushels.	\$50 per bu.	\$800,000,000
Wheat	500,000,000	1.00	500,000,000
Cotton	3,500,000,000 pounds.	10 .. lb	350,000,000
Oats	625,000,000 bushels.	.40 .. bu.	250,000,000
Silver	700,000,000 ounces	1.00 .. oz	700,000,000
Gold	1,450,676 ..	20.68	30,000,000
Total			2,000,000,000

It should be the aim to incorporate as large a number of ~~com~~ commodities in the standard as possible. And in order that each commodity should have its just influence on the standard each should be taken with

*Table by Dr. Little. Money Standard by J. Allen Smith. Quoted and used as read.

regard to its importance. Taking the above commodities in proportion to their relative importance in an amount so that the aggregate value of the whole will be \$100,000 under the gold standard. Then the make up of the standard would be as follows.

Table II +

Quantity of Commodity in Standard -	Price -	Value
80,000 bushels of corn — — —	\$.50 per bu	\$40,000
25,000 Wheat — — —	1.00	25,000
175,000 pounds of cotton — — —	.10 .. lb.	17,500
31,250 bushels of Oats — — —	.40 .. bu	12,500
3,500 ounces .. Silver — — —	1.00 .. oz	3,500
725 Gold — — —	20.68	15,000
Total — — —		\$100,000

The values of the commodities composing the standard are not fixed by any law by which the standard is adopted all that the law should say is that certain known quantities of these commodities shall have a fixed aggregate value, in the case assumed a value of \$100,000.

While it is possible that the commodities composing the standard may vary in value relatively to each other from time to time

the aggregate value of the whole must remain constant. in the given case it must remain at \$100,000. Any rise or fall in value of any single commodity in the standard would occasion a corresponding rise or fall in all of the other component commodities. the fluctuation of the other commodities must necessarily be less marked than in the ^{single} commodity under consideration, all fluctuations in value must necessarily be much less violent under the Tabular Standard than under the single metallic standard. For the reason that any commodity when compared with itself, or measured by itself, must obviously hold a constant value. thus under the gold standard the gold value of gold remains always the same.

In the Multiple Standard each commodity is compared to a ^{monetary} unit of which it forms a part. and the fluctuations in value of the commodity are lessened, just in the ratio of importance assigned to it in the standard. The fluctuation in price is least when the commodity

under consideration forms a large part or all of the standard and is greatest when the commodity forms only a small part of the standard.

The importance of any of the standard commodities may change from time to time and thus call for a revision of the standard. This could be accomplished by the government commission before referred to. In all probability the revision need ^{not} be made except at long intervals. The revision would not materially effect prices, because the standard after being revised would be equal in value to the former standard.

The circulating medium as has been previously stated would be a paper currency, which could be made to take the place of the gold, silver, and coins now in circulation. It could be redeemed in gold, silver, or paper at the option of the holder.

Just here the government commission would find its price statistics useful in determining the variations in the purchasing power of the circulating

medium. While it is true that this paper currency could be redeemed in gold & silver such a scheme would be found to lack elasticity. A rise or fall in price must either stimulate or retard a foreign demand for the precious metals before the volume of currency could be materially increased or diminished. Hence a mechanism that is more readily responsive to the needs of business and capable of causing easier contractions and expansions of currency is clearly necessary.

Such a mechanism is already at the government's hand in the shape of the National Banks. It would be necessary to put them under complete government control. Then the government could do a general banking business, could receive deposits and issue loans, and acting under the guidance of the government statistical commission it could contract or expand the circulating medium in accordance with the demands of business. This in brief is an outline of the object and methods of the tabular standard in actual practice much more of detail would have to be

considered than I am here able to notice

It may be objected to the Tabular Standard that it would create a national rather than an international money but when it is remembered that we ~~do~~ not now nor ever have had an international money all commerce between nations being still carried on by barter, it will be seen that the Tabular Standard is at least no more unsatisfactory than the present system.

The cry is constantly going up for an "Honest Dollar" one that will cheat neither debtor nor creditor, and it is in answer to this need that the Tabular Standard has been proposed. The so called "Honest Dollar" of the Gold Standard type has been weighed and found wanting. And sooner or later a readjustment of our money system must come. In view of this, The Tabular Standard offers the following advantages over the present system.

It will prevent violent fluctuations
in commodity prices. It will make
possible, an "Honest Dollar" between
debtor and creditor. It will remove
the temptations for any manipulation
of the market or the money metals.
It will give a just and easy
means of exchange together with
an equitable standard of values.
The goal of all modern schemes
of finance.