George's View of Money and Value *by Hussein Ali Bashuab*

Graduates of the HGI's three-course series, Principles of Political Economy, *are asked to write a short essay on some aspect of the topic. For his essay, Mr. Bashuab, who lives in Yemen, submitted the following lucid summary of George's views on money..— L.D.*

Henry George defined money as "whatever in any time and place is used as the common medium of exchange." But he concluded that this is only the primary quality of money. Money has another closely-joined use — that of serving as a common measure of value.

The reason is that the use of money as a common medium of exchange which causes it to be esteemed for exchange (and not for consumption) makes it, of all exchangeable things, that which, in civilized societies, is often and most commonly exchanged. Money is not produced for the purpose of being consumed, but for the purpose of being exchanged. Thus it is that the value of money, which is the common medium of exchange in any community, becomes better known to the people of that community than the value of anything else, and hence is most readily and frequently chosen to compare the value of other things.

This raised, for George, a question, which he proceeded to answer. The question is: If value is in itself a relation to labor, why can we not find not merely a common measure of value, but an exact and final measure of value, in labor itself? He pointed out that this question perplexes many monetary theories, including Adam Smith who tried to explain the reason, but fell into conclusion and missed the true reason.

George's answer was that while exertion, including both quality and intensity, is always the true and final measure of value, it is only through the manifestations of exertion that any common measure of value can be had. Thus, commodities, being tangible expressions of exertion, become the readiest common measure of value, and have been so used since the beginning of human society.

Any commodity (or any definite service) may be used as a common measure of value to the extent that it is recognized as embodying or expressing a certain amount of exertion. However, the tendency is always to use, for this purpose, the commodity whose value is most generally and easily recognized. And since the medium of exchange becomes the commodity most often exchanged, whose value is most commonly and easily recognized, the medium of exchange tends to become the common measure of value, in terms of which the values of other things are expressed and compared. In societies which have reached a certain stage of civilization, this is always money. Hence, George defined money as "that which in any time and place serves as the common medium of exchange and the common measure of value."

(continued on page 42)

George on Money & Value... *(continued from page 11)*

He also emphasized that it must be remembered that of these two functions of money, the primary one is its use as a medium of exchange. The use as a common medium of exchange brings about the use as a common measure of value – not the reverse. And, these two uses do not always exactly correspond.

But it is still evident, as Adam Smith said, that labor (in the sense of exertion) is "the real measure of the exchangeable value of all commodities." GJ

Letters

(continued from page 4)

on positive trends already taking place, like the auctioning of airwaves, and positive environmental achievements, will do much more good than hitting people over the head with Georgism. That will alienate people who might otherwise have listened. There ought to be a more inclusive and subtle approach. I believe we need to invent new applications of the wheel, be creative and inventive with new energy and vitality and even new ideas. – *Alan Ridley, Chula Vista, California*

The same old bandaids...

I liked the comment [GJ #93] about proposing the "same tired old theory for the same tired old social conditions". I was reminded of the section in *Progress and Poverty* in which George critiques several proposals for alleviating poverty. G. W. Bush proposes tax reduction; other conservatives propose economy in government. It is not tax reduction we need, so much as lower land costs thru higher site rent taxation, so as to encourage better land use. – *Carl Shaw, Mt. Zion, West Virginia*

"This bull, a very type of massive strength, who, because he has not wit enough to see how he might be free, suffers want in sight of plenty, and is helplessly preyed uponby weaker creatures, seems to me no unfit emblem of the working masses" Unlike other illustrations of this famous quote from Protection or Free Trade, *this one shows Henry George bravely striding in to take action. It appears at the excellent web site,* Earthsharing, *at* ***http://www.earthsharing.org.au***