

## Twice-Told Economic Tales

By SYDNEY A. MAYERS

### The Root of Money

Aside from the fascinating question of how to mix a proper dry martini, no problem has received more attention, or elicited more purported solutions, than that of money and its use. Economic pundits from Adam Smith, John Stuart Mill, and David Ricardo to Paul Volcker, George Gilder, and Oscar Johannsen have propounded a bewildering variety of monetary theories. Some are plausible, and some reasonably persuasive, but the majority, alas, are as phony as wooden nickels.

Considering the important role money plays in modern economics, it seems strange that its nature and purpose remain such a mystery. Perhaps the trouble is that, while there is a general tendency to over-simplify economic questions, in the case of money the error is one of over-complication. Economists come up with all sorts of turbid answers, whereas the truth involved is so evident that, to quote Henry George, "if it were a dog it would bite them."

Though he referred to it as a "matter of much perplexity," it is revealing that George devoted little space in his works to the discussion of money: two or three pages in *Progress and Poverty*; a few brief chapters in *The Science of Political Economy*. Wisely, he concluded and demonstrated that: "Whatever in any time and place is used as the common medium of exchange is money in that time and place." It is a logical, sufficient, and unassailable definition. What more need be said of our currency?

When I was a lad, a penny bought a fistful of goodies, and a dime bought a bagful. Later, a dollar or two sufficed for a movie, a chocolate soda, and a bus-ride with my teen-age lady fair. A sizable family could eat for a week on what a palatable dinner-for-two now costs. What has happened since then to so devalue our money? Inflation, you say? Correct; too much money in the marketplace, vying and bidding for limited goods and services.

In our "time and place," the populace is well aware that the money in its pockets no longer has commodity value. It is merely paper and base metal. Lacking intrinsic worth, its sole value is that which it may be deemed to have as a medium of exchange. When the

buying power of money declines, which inevitably occurs when it is not in fair balance with available goods and services, more of it is demanded for what is offered in trade. We all seek an adequate return for our labor, and (as Tom Paine said) "what we obtain too cheap, we esteem too lightly."

Money, not being wealth, is primarily a mental concept. Its value in the market-place derives not from its appearance, but from its acceptance as a medium of exchange. A Confederate bank-note is a handsome bit of engraving, but *qua* money it is worthless, notwithstanding the legend on its face. Yet, if by some quirk an economic community should decide to use it generally as a means of trade, even currency bearing Jeff Davis's portrait would constitute money *at that time and place*.

Money is whatever we mutually agree to recognize as money. It is as simple as that!

### Henry George Today

It was in 1879 that *Progress and Poverty* was first published. Because of the lapse of time since then, Henry George's teachings are nowadays somewhat superciliously dismissed on the ground that they archaic, old-fashioned, obsolete, and inapplicable to current economic conditions. That this concept demonstrates a singular lack of logic seems not to occur to anyone other than George's loyal devotees.

If it is reasonable to by-pass George's proposals on the basis of their being over 100 years old, it should be just as sensible to bury and forget everything bequeathed to us by Socrates, Pythagoras, Galileo, Da Vinci, and Shakespeare - all of whom antedated Henry

George by centuries. If age is to constitute the criterion of merit, even the Bible should be suspect! But obviously it is as irrational to declare George's theories valueless on the basis of their age as it would be to invalidate the mathematical theorems of Euclid because of their antiquity.

The fact is that George's works are as contemporary today as they were when they were written. George expounded two basic economic evils: the private appropriation of land-rent and the onerous burdens of taxation; and then pointed out the erosion of personal liberty that inevitably stems from these inequities. Now, in the current *Anno Domini*, the economically aware observer must say not only "How right he was," but "How right he is!"

It would be redundant to relate again the notorious rise in land-values that has taken place throughout the civilized world. Thanks to excessive land prices, proper homes are beyond the reach of hundreds of thousands. Thanks to ever-growing rents, more and more of the wealth produced is seized for the right to occupy a place on the earth, leaving less and less to be enjoyed by its actual producers.

Meanwhile, taxation constantly rises, as new taxes are devised and old ones increased. Levies imposed by states and municipalities are becoming so burdensome that a committee of Congress (itself no demure tax-gatherer) is considering ways and means to save small business firms from "strangling in an ever-expanding web of tax systems being woven by revenue-hungry state and local governments." Concurrently, the restraints and controls with which every individual must contend are too distressingly evident to require description.

Clearly, despite the superficial changes in our social structure, our basic way of life remains the same. Poverty persists, and its cause now is exactly what it was in 1879. So the revelations of Henry George, the Prophet of San Francisco, are as cogent still as they were then. One can only hope that the trial-and-error economic system that has prevailed in our times, which thus far has led to "error," will lead sometime to an honest "trial" of George's principles. Truth is ageless. George's proposals would have worked a thousand years ago. They would work just as well today - and tomorrow.

### NOTA BENE

Regrettably, except for a few very minor emendations, there is no need to update the two pieces on this page, which are here reprinted as they first appeared in *The Henry George News* during the mid-1960's. *Plus ça change, plus ça reste le meme.*

— S. A. M.