Do You Get Your Money's Worth?

By STANLEY SINCLAIR

Freedom Alone Held Key to the Halting of Dollar's Cheapening

A BUTCHER told me the other day he liked to wait on brides. I can sell 'em anything, he explained.

As I waited for him to wrap my hamburger meat, a matronly woman came into the shop and asked the prices of several kinds of meat and various cuts. It's not that I'm stingy, she remarked, I just want to make sure I get my money's worth.

What is your "money's worth" and when do you get it? The answer to this question must be a purely personal one. Each person feels he gets his money's worth when he receives some goods or service in exchange for what he was willing to part with.

That the question involves exchange of goods or services is self-evident. And, since we are dealing with exchange, we must look to the market place. If we know what goes on there, we may come to some understanding of money and what it is worth.

Barter needs little explanation. One person gives up something for which he has comparatively little desire and accepts in its place some other thing which he desires more. Is trade essentially any different because money is used to effect it?

No Dollar, No Candy

Suppose I wanted a box of candy. The sales clerk tells me it costs a dollar. But I haven't got a dollar, I complain. No dollar; no candy. But the candy shop keeper lets me wash his windows and is willing to pay me a dollar for the job. In such case, I wash the window and take the candy in return. My services are exchanged directly for the other person's goods. Suppose, though, the candy shop's window isn't dirty. To barter directly, I would have to search for a candy shop with a dirty window.

With the use of money this searching becomes much simpler. I need only look for a dirty shopwindow, give my services, take a dollar for them, and exchange my dollar for the candy.

In a broader sense, this is what we are doing all the time. We put our goods and services into the market place every day, taking tokens of our contribution so that we may withdraw other goods and services. We contribute all our production so that we might enjoy small parts of the production of many others.

To permit this vast barter to be stretched over wide areas and through long periods of time, we use money as a convenient instrument of exchange.

So much for what money is. What determines how much money? Basically, goods are traded for other goods through the complexity of the market place and with the aid of money. When barter is direct, it depends on the desires of the parties involved; on what they are willing to part with and what they seek to obtain.

When the traders reach agreement and goods are swapped, value in exchange is determined. However, since we exchange through the medium of money, we express this value in terms of money. We are constantly expressing the value in exchange of the goods we placed into the market with reference to those things we take out of the pool, and money is what makes the pool go 'round.

Money is really a promise to pay. When we put our production into the market, the money we receive in exchange is the promise of the market place to let us redeem that money for the goods and services we want to take out.

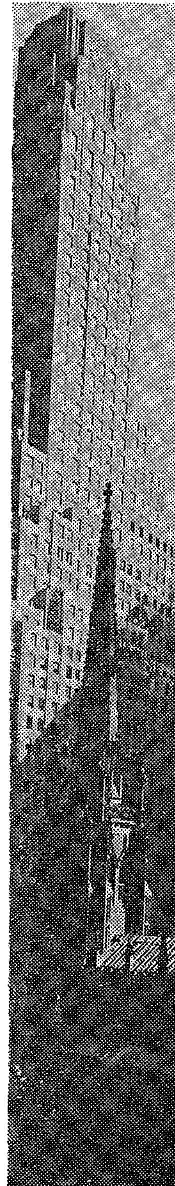
When we receive credit, we are receiving this kind of promise in advance of our contribution. When a bank lends us money, or a seller delivers goods in advance of payment, we are receiving our share, in promises in the first instance and in real things in the second, before we have made our contribution.

When business, that is production, is expanding, our money system expands. Through the agency of credit, money in circulation expands and contracts as the goods and services in the market place grow and diminish.

There is danger here. Let the amount of money being put into circulation grow much faster than the amount of goods and services, and trouble ensues. Trouble comes, fundamentally, because the anticipated contributions to the pool cannot keep pace with all the advance withdrawals that have been permitted.

Money gets cheap. The cheapening of our money results from too much of it in relation to the flow of goods. And that is what has been happening these past

Continued on Page 8, Col. 2



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(Continued from Page One)

several years.

Is there hope of an end to this phenomena before we in the United States follow the disasterous path of post-World War I Germany, or France, or present day England? What will the new administration do?

As to the first question, there is always hope; as to the second, we can but wait and see. There are certain danger signals to be heeded and some sign posts that might be followed.

Primarily, government is not a producer. When government policy serves to increase the amount of money in circulation, that government is feeding the cheapening process.

It is necessary, therefore, that government revise its policies so as to keep its spending within the limits of its available income, and thus avoid deficit financing.

It is also necessary that government resist the temptation to manipulate prices — all prices. Only a return to free markets can bring a return to monetary stability.

Only basic reform, the removal of special privilege and monopoly, can insure a free market. And only optimum freedom can bring optimum production and distribution of goods.

Stanley Sinclair, when he isn't writing for the Journal of Commerce, is deep in the monetary theory. The foreging article is a brief digest of his talk given at 50 East 69th Street, New York, on November 21. He is a faculty member at the Henry George School, and will teach "Economic Analysis of Current Events" in the coming semester.