

the new political science, whose teachings are not to be colored through social or political prejudice.

WILLIAM HOWE CRANE.

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WILLIAM HOWE CRANE ON MONEY

A Scientific Currency. By William Howe Crane, L. B. Published by Broadway Publishing Company, New York (835 Broadway), Baltimore, Atlanta, Norfolk, Chicago and Washington.

Mr. Crane regards Professor Fisher's book, which he reviews above, as more scientific in method than his own, but his own is more fearless than Professor Fisher's. That is proper enough, Professor Fisher's being academic and Mr. Crane's practically suggestive and controversial.

Mr. Crane searches for the principles of a scientific money system for purposes of financial reform. He finds them, so far as the present currency question is concerned, in the relations of creditor class to debtor class; and here the function of money, as the "measure of values," presents itself to him as of immense national importance in view of the tremendous volume of "the sum of our national, municipal and individual indebtedness."

His first consideration is the reasonable one that the measure of value should be absolutely just. Consequently there should be a test, "so that one may certainly know whether the measure is growing longer or shorter." Finding the per-capita test unscientific, he adopts the test of "a comparison from time to time of the level of all prices," and proposes a government commission "consisting of men of the highest character, patriotism and especial fitness" to adjust the volume of currency from time to time to rising and falling price levels.

Accepting the quantitative theory of money as sound (and this is Mr. Crane's basis), his conclusion follows that debtors are plundered by contraction as creditors are by expansion. We are inclined, however, to attribute this result rather to a rise in the commercial demand, relatively to supply of the material of which the money standard is composed, than to shrinkage in the currency volume as a whole—to commodity fluctuations distinctively rather than currency fluctuations as such. While it is true that inordinate expansion of legal-tender currency composed of cheap ma-

terial would plunder creditors, it does not therefore follow that its inordinate contraction would plunder debtors. The difference lies in the fact that an excessive legal tender scales debts down by placing a check upon their collection by law, whereas contraction cannot scale debts up without the aid of another economic factor—a rise of the material of the money standard in its value for use in the arts.

Contraction may and does in fact so operate as to scale debts upward, and thereby to plunder debtors; but it does this by operating as a lever does, its fulcrum being an increase (relative to supply, of course) in the commercial demand for the material of the money standard. Expansion, on the other hand, operates not as an economic lever, which needs its economic fulcrum to be effective, but as a government decree which needs no other factor to check the processes of debt collection than judicial obedience to that decree. On the whole, debts are paid with commodities (in the last analysis with labor), and not with currency; but as they are paid in money terms, the commodity payment is larger or smaller according to the value of the material of the money standard as determined by the demand for it for consumption, and not by the aggregate volume of all kinds of currency.

Mr. Crane seems to us to disclose an elementary misapprehension that runs through his whole thought, when he mentions in chapter xi the borrower's need of money as "the real essence" of the discounting of a note at the bank. The real essence here is the same as in any brokerage transaction in which no money passes. Somebody, or several somebodies, whom the borrower does not know, or who do not know him, or do not know him well enough to trust him, possess or control commodities which he needs and which the bank is able and willing to buy or borrow for him and to sell or lend to him. Except as money terms are used as part of a trading language for calculating purposes, money plays so small a part in such transactions as to be negligible in any economic analysis.

That is the way, at any rate, that the matter looks to us; and if we are right, Mr. Crane is on a wrong scent in his search. But whether his observation and reasoning be wrong or not, he is right in many of his contentions. For instance,

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that an enormous load of debt has been piled upon the industries of the country to the profit of non-producers; that there must be such a thing as scientific currency principles; that "the measure of wages for common labor is the sum which a man may earn by working for himself on his own land at the margin of cultivation under an equitable land system;" that in the benefits of increased general productiveness of labor occurring during the term of an indebtedness, both debtor and creditor should share; that with an ideal measure of value they would have to share them equitably; that paper money should be issued only by the government; and that all bank notes should be retired as being no necessary part of the banking function.

"But," suggested the lawyer, "suppose the independent companies—"

"I didn't suppose there was such a thing in existence nowadays as an independent company," interrupted the trust magnate, scowling.—Chicago Tribune.

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