The high cost of living: Real causes underlying increased cost of commodities explained

Arnold Petersen
High Cost of Living

By

ARNOLD PETERSEN

and

MONEY

By DANIEL DE LEON

PRICE

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45 Rose Street, New York City
1935
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WEEKLY PEOPLE

45 Rose St., New York City
The High Cost of Living
Real Causes Underlying Increased Cost of Commodities Explained

By ARNOLD PETERSEN

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“Capital comes (into the world) dripping from head to foot, from every pore, with blood and dirt.”—Marx, Capital, p. 786, Swan, Sonnenschein edition.

“With adequate profit, capital is very bold. A certain 10 per cent will insure its employment anywhere; 20 per cent will produce eagerness; 50 per cent positive audacity; 100 per cent will make it ready to trample on all human laws; 300 per cent, and there is not a crime at which it will scruple, nor a risk it will not run, even to the chance of its owner being hanged.”—P. I. Dunning, quoted by Marx, Capital, p. 786, Ibid.
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FOREWORD

The capitalist, however ignorant he may be of the economic laws that govern the system of society which, to him, is "the best of all possible," capitalist society, is nevertheless, as a rule, long-headed enough, and class conscious enough to beware of doctrines that may prove hurtful to his class interests. He is also keen to grasp advantages that offer themselves when through these he can serve his ends and befuddle the minds of the workers. One of these "god-sends" is the question of high prices. With painstaking care has he shown, through his agencies, the press, the colleges, and even through the pulpits, that the cause of high prices is something that partakes of the nature of divinities. It is one, yet manifold—it is here, there and everywhere, yet nowhere. The cause is everything imaginable (except the real one), from taxes to workingmen "soldiering on the job"—yet it is none of these. In short, the cause is a mysterious, undefinable something, which it is best for mortals not to go too deep into lest the wrath of the divinity be aroused. And whenever one of the hirelings of capitalism blundered on the truth, or saw a glimmering of it, it was dropped as if it were a hot piece of iron, or else wrapped in phraseology, and stewed in a mass of verbiage that at once made it utterly unintelligible to all, including the "discoverer."

All of this fits well into the general scheme of things, such as it is under capitalism. For at no time is clearer thinking more dangerous than when the minds of the workers are set grappling with economic problems. And the capitalist knows, or his instinct tells him, that once a worker's eyes are opened to the falsehoods of the teachings of official economy, an "economy made easy" through the press, pul-
pit, etc., once the worker senses the true relation between capital and labor, he, the capitalist knows that he has lost a hold on him; and that for the mass of the workers to acquire this knowledge and truth would mean the end of his regime. For while capitalism may bribe one worker, it is manifestly impossible to bribe all. Hence the economic truths are withheld from the workers, and the master class triumphs.

Among the numerous examples of perversions of scientific truth, none stands out more glaringly than the question of high prices and their cause. The furious battle that has raged—and still is raging—around it testifies to the importance of the question. It is a question fraught with the greatest danger to the capitalists and to their retainers, whether these are found in the editorial sanctum, in the pulpit, or in the pro-capitalist labor unions. And the reason is obvious. For once the real cause is laid bare—the depreciation in the value of gold—then it soon becomes clear to the worker that most of the other issues ushered into the limelight are all offshoots from the same root, namely the private ownership of the means for producing the necessaries of life. He will further discover that since the cause lies in the depreciation in the value of gold, it is useless and utterly hopeless to attempt to solve the matter from the standpoint of the consumer. He will soon learn that not lower prices, but higher wages is the logical (though in the long run inadequate) remedy. To secure higher wages, however, he knows that he must organize with his fellow workmen into a class union, and not organize into "consumers leagues,"
“co-operative societies,” and what not. And having proceeded thus far he will soon discover, and Socialist agitation and education will aid him, that not higher wages, but the abolition of the wage system, is the only effective remedy for the many troubles that beset him, that turn society into a jungle and make of civilization a mockery. Arrived at this point he cannot long be left in doubt as to just what kind of a labor union is needed to achieve this aim; and ere long he will grasp the importance and necessity of organizing into an industrial union.

Accordingly, the entire pack that is now riding on the back of the working class, has a common interest in keeping the workers in ignorance of the true nature of the causes that operate to produce high prices. It is the mission of a party of Socialism at all times to teach the truth that the working class is robbed as a producing, and not as a consuming class. A party of Socialism that teaches that the workers are robbed as consumers, and which teaches that lower prices will benefit the working class, which accordingly scoffs at the idea that the depreciation in the value of gold is the central cause—such a party is betraying the interests of the working class and is playing directly into the hands of the enemies of that class. The Socialist Labor Party has nobly fulfilled its mission in this respect—and it was this party that first restated the economic truth of the gold question, and it is this same party which consistently has pointed out that the workers are robbed at the point of production, and that the emancipation of the workers lies via the combined action of industrial unionism and revolutionary political activity.
This little booklet is intended to help the beginner in Socialist economics to perceive this truth and aid him in understanding the problem confronting him. No originality is claimed for any of the theories advanced, nor even for the treatment of the subject. The aim has been to simplify the matter and to bring it within the scope of the average reader, without sacrificing any of the scientific truths involved—a somewhat difficult task in itself, considering the necessity for making the article as brief as possible.

The article following, entitled "Money" needs no introduction. The subject itself is so closely connected with that of the high cost of living that it was chosen to accompany the first in this pamphlet. It has hitherto appeared in a small, rather poorly gotten-up booklet—too small to warrant having it published as a separate pamphlet of the usual size. It is written in the masterly style characteristic of Daniel De Leon, and is as refreshing now as it was when written many years ago.

A. P.

October, 1914.
THE HIGH COST OF LIVING

By Arnold Petersen

The subject, "The High Cost of Living," is one which has given rise to a world-wide discussion and agitation. The causes generally ascribed to the phenomenal increase in the price of the necessaries of life are as numerous as they are fantastic. Learned professors, big hearted social reformers, small and big business men, all have wrestled with the problem with the result that outside the Socialist camp the confusion is greater than ever before.

Where such a diversity of opinion prevails, where the inability to arrive at a common conclusion is as marked as in this case, it is usually due to lack of available information, to lack of ability of ascertaining facts related to the problem under investigation. This, however, can not be true of the question of the high cost of living. Statistics on the subject abound, and the science of political economy has long since furnished the key to the unlocking of these and similar mysteries.

Why, then, do we find our official economists, our professors and leading men in the world of commerce and finance, failing to agree on this question? Primarily because the question of the high cost of living is a "practical" one, one which necessarily involves the politics of the day—and furthermore because all the investigations and researches
made so far, if carried to a logical finish, would show the fallacy of official, i. e., capitalist economics, and with irresistible force prove the correctness of scientific, i. e., Marxian or working class economics. Hence, in order that our professorial dignitaries may avoid a declaration of intellectual bankruptcy on their part, fiction and mysticism must be resorted to.

With but few exceptions our professors and other upholders of capitalist economics have perverted the science of political economy and made of it a jumble of meaningless words and phrases. The Socialists realize that just as Socialism is the heir to the best that is contained in the capitalist and preceding social systems, so is Socialist economy the legitimate heir to the best that is to be found in classical, bourgeois political economy. Hence we proceed from the theories and facts left unshaken by later onslaughts, add to these the discoveries made since, in this particular field, and in the light of these facts we explain such phenomena as high prices, etc.

The rise in the prices of the necessaries of life is not local. It is world-wide in effect, and consequently it must have a world-wide cause; a cause, moreover, which operates regardless of conditions peculiar to any country within the sphere of modern civilization. Before dealing with the subject matter proper, it will therefore be necessary to investigate certain fundamental principles of economics which are, by their very nature, universal in their application.

A World of Commodities.

Whenever we buy or sell anything today we buy or sell
commodities. Wealth in modern capitalist society is, to quote Marx, presented as "an immense accumulation of commodities." Upon a proper understanding of this wealth, of these commodities, depends to a large extent our understanding of all the past and present social and economic phenomena. It is therefore of prime importance to analyze and dissect this unit of present social wealth, the single commodity.

In order for a thing to be a commodity it must first of all have been produced by labor to satisfy the needs of persons other than the producers. A commodity presents itself in a two-fold aspect, as value in use and value in exchange.* The use value of a commodity is determined by its particular quality of satisfying a human need of some sort or other. A police club, e. g., may be very useful as a means of defense against assailants; it is equally useful for the purpose of cracking the heads of striking workers. Its value in exchange, or exchange value, however, is determined by the

* Aristotle, that giant intellect of ancient Greece, makes the following, for his time, remarkable observation:

"Of everything which we possess there are two uses; both belong to the thing as such, but not in the same manner, for one is the proper, and the other the improper or the secondary use of it. For example, a shoe is used for wear, and is used for exchange; both are uses of the shoe. He who gives a shoe in exchange for money or food to him who wants one, does indeed use the shoe as a shoe, but this is not its proper or primary purpose, for a shoe is not made to be an object of barter. The same may be said of all possessions, for the art of exchange extends to all of them." Aristotle here clearly distinguishes between the use-value and exchange value of goods.
amount of socially necessary labor-time required for its production. Let us see how.

Suppose we have two commodities, say a hat and a pair of shoes, and assume that one exchanges for the other in the market, (or, in everyday parlance: fetches the same price). It is clear that these two must have something in common, something apart from their particular utilities. For if we were to consider their utility only we might well ask: "Why is a pair of shoes equal to a hat; why are they not equal, for instance, to a diamond ring?" Most people would argue that in point of utility the shoes rank above a diamond ring. The reason, then, why it would require ever so many pairs of shoes to exchange for a diamond ring is that it has required more socially necessary labor-time to produce the ring than it did to produce the shoes. Hence a given quantity of socially necessary labor-time in one commodity will exchange for the same quantity of labor-time in any other commodity, regardless of the particular utilities of the respective commodities. On the other hand, if the commodity is in no way useful, it is not exchangeable, no matter how great a quantity of labor-time is congealed in it. Ricardo, the English economist, "the last of the Mohicans" among the classical bourgeois economists, says: "That this [labor-time] is really the foundation of the exchangeable value of all things, excepting those which can not be increased by human industry, is a doctrine of the utmost importance in political economy, for from no other source do so many errors, and so much difference of opinion in that science proceed, as from the vague ideas which are attached to the word value."
The High Cost of Living

The Socialist, acknowledging the truth of this statement, has taken the warning to heart. The capitalist professorial economists, however, true to their class interests, scenting the danger and perceiving the revolutionary tendency in admitting that labor is the only source of value, have, ostrich-like, buried their heads in the sand of economic fancy and fiction, and persistently denied or ignored this cardinal principle.

Price.

When we buy or sell commodities in the market, we do not, to be sure, inquire as to whether this or that article contains such or such a quantity of labor time. In the commodity market only one thing interests us: its price. What, then, is price, and in what manner is it related to the value of the commodity?

The price of a commodity is determined by the fluctuations between the supply of and demand for any given commodity. The price may at one time be high, at another low. The very fact that these changes take place proves the existence of a central point, above or below which the price oscillates. If the supply and demand were equal, the oscillation would cease and the commodity is then said to be selling at its value. Normally, all commodities in the long run sell at their value; that is to say, they exchange, one for another, at a ratio determined by the amount of socially necessary labor time requisite for their reproduction.

Some of our learned professors in economics advance the theory that the value of commodities is determined by the supply and demand in the market, i.e., by the difference existing between the supply and demand for any given commodi-
ty. But suppose supply and demand are equal? Why then, according to our professors’ theory, the commodity would have no value at all. We shall illustrate this feature in economics by referring to the law of gravity. The law of gravity, briefly stated, is the accelerating tendency of bodies toward the center of the earth, being equal to the earth’s attraction minus the centrifugal force arising from the rotation of the earth on its axis. Suppose a stone is dropped,—the natural tendency will be for it to fall in a straight line to the earth; but a gust of wind blowing from, say east, will cause it to fall in a westerly direction, and vice versa. This fact, however, by no means overthrows that central law, called the law of gravity. On the contrary, it confirms and proves the existence of this law. And similarly in economics. What the law of gravity is in physics, the law of value is in economics. Let us suppose that a straight line represents the value of a commodity; this is the amount of socially necessary labor time requisite for its reproduction. The fluctuations in the market will act upon that commodity exactly as the gusts of wind acted upon the stone before. When the supply of an article is large and the demand small, its price will sink below its value; if the supply is small and the demand is keen, then the price will rise above the value.

In the long run, however, as stated before, the supply and the demand will neutralize each other and cause the commodity to sell at its value.

Medium of Exchange.

If we take the following commodities: 1 bushel of wheat, 100 lbs. of iron, 2 yds. of silk, and 1 oz. of gold, and assume that it has required ten hours of socially necessary labor-time
for the production of the given quantity of each commodity, it follows that they will in the market be exchangeable with each other. That is to say, 1 bushel of wheat = 100 lbs. iron = 2 yards of silk = 1 oz. of gold = 10 hours socially necessary labor time.

There was a time in the evolution of society when exchange actually did take place in this manner. This is called the barter stage. Things were in the earliest days chiefly produced for consumption within the tribal community and only rarely was there any occasion to barter anything away. As the productivity of the human race increased, and its wants, and the desire to satisfy these wants, increased correspondingly, it became more and more difficult to exchange product for product directly. For instance one man might want to sell a certain thing and yet not be desirous of exchanging it for anything particular at that moment; and for other obvious reasons did it become impossible to exchange (barter) products directly. The necessity for a medium of exchange or a measure of value then arose.

At this early stage of society various commodities, at different times and in different countries, were set aside to meet this necessity. John Stuart Mill mentions furs, cattle, cubes of tea pressed close together, the shells called cowries on the coast of western Africa, blocks of salt in Abyssinia, iron in Lacedaemon, copper in the early Roman Republic, etc., etc., as having been used at one time or another as mediums of exchange.

All of these, however, lack the essential qualities which would fit them to serve in this capacity. A medium of ex-
change or measure of value must be easily divisible; it must not be perishable* and its bulk must be relatively small, so as to make it an easy matter to transport or carry it around. Suppose X has a horse and desires to exchange it for a cow, for instance. It would, indeed, be extremely difficult to ascertain at any given time how many parts of that horse would be equal to the cow or vice versa; and even suppose it was found, it would hardly be practical to cut off the excess in the value of the one to make it equal to the other!**

It was eventually found that the precious metals, gold and silver, were the only objects which were suited for this purpose. For a long time merchants would carry with them a bag of gold dust and weigh out the quantity required for any exchange of commodities. But as commerce grew and the number of commodities produced increased, even this arrangement proved itself inadequate.

Only when society had arrived at the stage of a centrally organized government, and this government placing its seal

* "Peter Martyr who seems to have been a great lover of chocolate, remarks therefore of the cocoa bags which formed a species of Mexican gold: 'Oh, happy coin which furnishes mankind with a pleasant and useful beverage and keeps its possessors immune from the hell-born pest of avarice, since it cannot be either burned or preserved long.'—*Marx, Critique, etc.,* p. 210

** That cattle actually did serve as a medium of exchange at one time is proved (as Daniel De Leon and others have pointed out) by the existence of the word "pecuniary," which is derived from the Latin word "pecus," meaning cattle.
upon a certain quantity of gold or silver, guaranteeing it to have a certain weight, only then could the exchange of commodities take place with comparatively little friction, the seller of a commodity not being compelled to accept a thing in exchange which he probably had no use for. With money in the shape of coined gold or silver in existence, he could keep whatever money he acquired and exchange it whenever, and for whatever he pleased.* Money in the shape of coins expresses a certain fixed standard. Besides being a measure of value it also becomes the standard of price.

It is by overlooking the fact that gold serves in this double capacity that the confusion and seeming mystery of money appears. To quote Marx: “Gold as a measure of value and as standard of price has entirely different forms of manifestations, and the confusing of the two has resulted in the wildest of theories. Gold becomes the measure of value by virtue of its relation as exchange-value to commodities as exchange-values; as standard of price, a definite quantity of gold serves as a unit for other quantities of gold. Gold is the

* Aristotle says on this point: “When the inhabitants of one country became more dependent on those of another, and they imported what they needed and exported the surplus, money necessarily came into use. For the various necessaries of life are not easily carried about, and hence men agreed to employ for their dealings with each other something which was intrinsically useful and easily applicable to the purposes of life, for example, iron, silver and the like. Of this the value was at first measured by size and weight, but in process of time they put a stamp upon it, to save the trouble of weighing and to mark the value.”
Gold as Medium of Exchange.

As said before: In the market commodities are exchangeable value for value. In order to make the point clearer we shall for the moment leave aside gold as a measure of value. Instead we shall use, say cattle. Now, suppose we have 10 bushels of wheat which at a given time is equal to one ox. We shall assume that the wheat as well as the ox represent an expenditure of human labor-power of say 20 hours. We have then

1 ox=20 hours.
10 bushels of wheat=20 hours.
or 1 ox=10 bushels of wheat.

Suppose now that by careful breeding, improved methods in caring for oxen, the labor time socially necessary for the production of these falls one half. Assuming further that the time required, for the production of wheat remains unchanged we have

1 ox=10 hours of labor.
10 bushels wheat=20 hours labor,
therefore
2 oxen=20 hours=10 bushels of wheat or
1 ox=10 hours=5 bushels of wheat.

In other words, while we formerly could exchange the ox for 10 bushels of wheat we must now give two oxen for the same quantity of wheat or, if we have only one ox, we must now be content with only 5 bushels. The value of the ox having fallen, it requires more oxen to exchange for other com-
modities, provided the value of these remain unchanged, in whatever measure other commodities depreciate in value, in that measure do they offset the effect of the depreciation in the value of the medium of exchange, in this case our ox, and if the depreciation is equal, both in the case of the ox and the wheat, the relation then remains the same and they will naturally be exchangeable just as before.

Substituting gold for cattle (and we assume gold to be the standard of money)* we have the same result. Assuming that one ounce of gold represents an expenditure of 20 hours of human labor-power, and the same quantity being required for the production of 10 bushels of wheat we have

1 ounce of gold = 20 hours.
10 bushels wheat = 20 hours.

or 1 ounce of gold = 10 bushels of wheat.

*Ratio between gold and silver: "In ancient Asia the ratio of gold to silver was 6 to 1 or 8 to 1. The latter ratio prevailed in China and Japan as late as the beginning of 19th Century. 10 to 1, the ratio at Xenophon's time (400 B.C.) may be considered as the average of the middle period of antiquity."—Marx, Critique, p. 214.

"Gold coin has been the only full legal tender in Great Britain since 1816. and was practically made the standard of United States in 1834. It was adopted as the mono-metallic standard of Germany in 1873, and when the mints of France and the Latin Union were subsequently closed to coinage of silver, it became practically the only international money of the western world. Ratio in ancient Egypt was 13 1/3 - 1; Greece and Rome, B. C., 10 - 1; and at time of Caesar's return to Rome 7 1/4 - 1."—Standard Dictionary.

In 1880 the ratio was 18.05 - 1; in 1890, 19.75 - 1; in 1900, 33.33 - 1; in 1912, 33.62 - 1.—Report of U. S. Mint, 1913.
Suppose now that owing to great discoveries of gold, increased facilities of extracting the gold from the ore, etc., the labor time necessary for its production is decreased to 10 hours, we have then

1 ounce of gold = 10 hours labor;  
10 bushels wheat = 20 hours labor;

or

2 ounces of gold = 20 hours of labor;  
10 bushels wheat = 20 hours labor;

in other words, gold having depreciated in value by one half, it now requires twice the quantity to exchange it for the same quantity of wheat as before, assuming, of course, that the value of wheat remains unchanged. Suppose that the price of, i.e., the monetary expression of its value, of 1 ounce of gold is $20, and remembering that the designation in dollars and cents given to a certain quantity of gold by governmental fiat* remains fixed, the matter becomes clearer when presented in this manner:

Before depreciation in value of gold we have

1 ounce of gold = 10 hours labor = $20;  
10 bushels wheat = 20 hours labor = $20;

or

10 bushels of wheat = $20.

After depreciation:

1 ounce of gold = 10 hours of labor = $20;  
5 bushels wheat = 10 hours labor = $20.

*See addendum II.
In other words, whereas in the first instance $20 was the price of 10 bushels of wheat, these $20, owing primarily to the depreciation in the value of gold and owing to the specific feature of gold as coined money, i. e., as a creature of law, these $20 will now purchase only (exchange for) 5 bushels. The depreciation in the value of gold by one half, therefore results in a doubling of the price of wheat. Similarly with all other commodities, if their values remain unchanged.

We shall illustrate another feature of money, a feature in which it serves as a means of payment.

Suppose A owns a house worth, we shall say, $2,000. He desires to buy an automobile worth $1,000, but has no ready cash. He takes out a mortgage on his house for $1,000. Now let us assume that $1,000 at the time we are speaking of will purchase, say 500 bushels of wheat, and let us assume further, that at the time the mortgage is due $1,000 will only purchase 250 bushels. A’s creditor when he gave him the $1,000 thinking only of the interest that would be coming to him, figured that he at any time could buy 500 bushels, but found now that his $1,000 are only worth 250 bushels. He is decidedly a loser. Can he refuse to accept settlement on the basis A proposes? Not at all. A has made him a legal tender as per agreement, and he must accept or forfeit his claim. On the other hand, if we were to assume that $1,000 at time of settlement will purchase instead of 500 bushels, 1000 bushels, A, the debtor will be the loser, seeing that he would have to give the double quantity of wheat that he figured on at the time of taking out the mortgage. To quote Marx: “A fall in the value of the precious metal favors the debtors at the ex-
pense of the creditors, while a rise in their value favors the 
creditors at the expense of the debtors.”—Critique, etc., p. 201.

If, however, A purchases the automobile and in payment 
offers a $1,000 bill and the seller refuses to accept this bill 
no matter how much it is certified by the Government, A has 
no choice but to let him keep his automobile. And should A 
insist on his accepting the bill and attempt to remove the 
machine by force he would be facing a jail term for theft 
or for grand larceny. It is in this case purely a matter of ex-
changing values for values or barter, and the seller of the ar-
ticle is in such case the sole judge as to whether to accept 
that which is offered him as an exchange.

That prices have gone up we need not be told. If they had 
not, we for one thing, would not now be discussing that sub-
ject.

It may nevertheless be interesting to see to what extent 
some of the more important commodities have risen in 
price. We have selected the following:

**Wholesale Prices.**

<table>
<thead>
<tr>
<th>Item</th>
<th>1900</th>
<th>1912</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat, per bushel</td>
<td>about</td>
<td>0.75</td>
<td>1.06</td>
</tr>
<tr>
<td>Flour, per barrel</td>
<td>&quot;</td>
<td>3.40</td>
<td>4.65</td>
</tr>
<tr>
<td>Milk per quart</td>
<td>&quot;</td>
<td>0.038</td>
<td>0.047</td>
</tr>
<tr>
<td>Eggs, per doz.</td>
<td>&quot;</td>
<td>0.19</td>
<td>0.40</td>
</tr>
<tr>
<td>Beef, barrel</td>
<td>&quot;</td>
<td>11.00</td>
<td>22.00</td>
</tr>
<tr>
<td>Pork, barrel</td>
<td>&quot;</td>
<td>10.50</td>
<td>18.75</td>
</tr>
<tr>
<td>Bacon, Smoked, pound</td>
<td>&quot;</td>
<td>0.0625</td>
<td>0.12</td>
</tr>
<tr>
<td>Hams, Smoked, pound</td>
<td>&quot;</td>
<td>0.0975</td>
<td>0.14</td>
</tr>
<tr>
<td>Butter best, pound</td>
<td>&quot;</td>
<td>0.25</td>
<td>0.32</td>
</tr>
</tbody>
</table>
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Wholesale Prices (Continued.)

<table>
<thead>
<tr>
<th></th>
<th>1900</th>
<th>1912</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee, Rio, pound</td>
<td>0.08375</td>
<td>0.15125 app.</td>
<td>80%</td>
</tr>
<tr>
<td>Beans, Choice, marrow, bush.</td>
<td>2.25</td>
<td>4.95</td>
<td>120%</td>
</tr>
<tr>
<td>Peas, per bushel</td>
<td>1.30</td>
<td>4.90</td>
<td>276%</td>
</tr>
</tbody>
</table>

Increase given averages 42 per cent, which undoubtedly is too low. It is generally admitted that prices have risen about 60 per cent in the last fifteen years.

Increase in the World's Production of Gold.

If the theory which we have advanced is true, then the production of gold must have increased at a great rate in the last few hundred years. An investigation shows that such is the case. John Hays Hammond, the well-known mining expert, and a man high in the capitalist world, estimates the world's gold supply at the time of the discovery of America in 1492 at $500,000,000. The amount produced since the discovery of America is about $14,775,000,000, of which $8,480,000,700 is now in circulation. From the time of the discovery of America, i.e., since 1492, until the discovery of gold in California and Australia in the years 1848 and 1850 respectively, the world's annual output of gold averaged about $8,871,412. From 1851 to 1870 inclusive the world's annual production of gold averaged about $129,800,000. From 1871 to 1890, inclusive, the annual output declined somewhat, averaging $110,500,000. Beginning in 1891, with an annual output valued at $130,650,000, there has been practically an uninterrupted annual increase in the production of gold. From 1891 to 1900, inclusive, the gold output was $2,101,241,400. From 1901 to 1910, inclusive, the output was $3,780,703,200. During the last thirty years the gold production of the world has amounted to about $7,000,000,000, about one-half of the
entire gold production from the time of the discovery of America in 1492 up to 1910. In the year 1911 the output of gold was $461,939,700; in 1912, $466,136,100.

As above indicated this enormous increase of the world's gold production began when America was discovered. The Spanish explorers and adventurers brought back to Europe great quantities of gold and silver from Mexico, Peru and other places. The effect was soon felt in Europe. From the year 1535 to about the year 1600, prices in northern Europe almost trebled. We have in our own days observed the same phenomenon—the rise in prices since the discoveries of gold in California in 1849 and elsewhere has been tremendous. Besides new discoveries of gold mines, improved methods in extracting gold from ore have been introduced.*

* "The extraction of gold from the auriferous rocks known as low grade, by means of the stamp crushing process has flooded the world during the past few years with that desirable metal, and has, according to economists, helped send up the price of everything that gold buys. Now comes the information that other improvements in gold extraction are being effected which may somewhat further extend the possibility of mining low grade ores and further accelerate the yellow flood.

"The stamp mill is being replaced by the tube mill, a device for pulverizing rocky particles by grinding them inside a tubular container. This improved appliance surpasses the stamp in that it pulverizes a given amount of rock with far less labor and expense. Tube mills are now generally employed in the Rand, where they are still supplemented by stamps, to do the preliminary work of coarse crushing. Quite recently James Yule, president of the South African Institute of Engineers, suggested the likelihood that roll crushers
The High Cost of Living

By these irrefutable facts the theory with which Socialism explains the cause of high prices has been amply verified.

The following table taken from the report of the Director of the United States Mint (and from which above figures are extracted) shows the exact figures of world production of gold since 1493:

World's Gold Production Since Discovery of America.
[From 1493 to 1885 is from a table of averages for certain periods, compiled by Dr. Adolph Soetbeer; for the years since the production is the annual estimate of the Bureau of the Mint.]

<table>
<thead>
<tr>
<th>Period</th>
<th>Annual average for period</th>
<th>Total for period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1493—1520</td>
<td>$3,855,000</td>
<td>$107,931,000</td>
</tr>
<tr>
<td>1521—1544</td>
<td>4,759,000</td>
<td>114,205,000</td>
</tr>
<tr>
<td>1545—1560</td>
<td>5,656,000</td>
<td>99,492,000</td>
</tr>
<tr>
<td>1561—1580</td>
<td>4,546,000</td>
<td>99,917,000</td>
</tr>
<tr>
<td>1581—1600</td>
<td>4,905,000</td>
<td>98,095,000</td>
</tr>
<tr>
<td>1601—1620</td>
<td>5,662,000</td>
<td>113,248,000</td>
</tr>
<tr>
<td>1621—1640</td>
<td>5,516,000</td>
<td>110,324,000</td>
</tr>
<tr>
<td>1641—1660</td>
<td>5,828,000</td>
<td>116,571,000</td>
</tr>
<tr>
<td>1661—1680</td>
<td>6,154,000</td>
<td>123,084,000</td>
</tr>
<tr>
<td>1681—1700</td>
<td>7,154,000</td>
<td>143,088,000</td>
</tr>
<tr>
<td>1701—1720</td>
<td>8,520,000</td>
<td>170,403,000</td>
</tr>
<tr>
<td>1721—1740</td>
<td>12,681,000</td>
<td>253,611,000</td>
</tr>
</tbody>
</table>

might soon replace the stamp mills, even for much of the coarse work.

"All these changes mean a cheapening of the cost, per ton of rock of extracting gold and for each cent's reduction in the cost of extracting per ton. millions of tons of rock which formerly were not worth handling become paying. Predictions as to the early slackening of the fevered gold production of the past decade may therefore prove mistaken."—N. Y. Evening Sun.
The High Cost of Living

Gold Production (Continued.)

<table>
<thead>
<tr>
<th>Period</th>
<th>Annual average for period</th>
<th>Total for period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1741—1760</td>
<td>16,356,000</td>
<td>327,116,000</td>
</tr>
<tr>
<td>1761—1780</td>
<td>13,761,000</td>
<td>275,211,000</td>
</tr>
<tr>
<td>1781—1800</td>
<td>11,823,000</td>
<td>236,464,000</td>
</tr>
<tr>
<td>1801—1810</td>
<td>11,815,000</td>
<td>118,152,000</td>
</tr>
<tr>
<td>1811—1820</td>
<td>7,606,000</td>
<td>76,063,000</td>
</tr>
<tr>
<td>1821—1830</td>
<td>9,448,000</td>
<td>94,479,000</td>
</tr>
<tr>
<td>1831—1840</td>
<td>13,484,000</td>
<td>134,841,000</td>
</tr>
<tr>
<td>1841—1850</td>
<td>36,393,000</td>
<td>363,928,000</td>
</tr>
<tr>
<td>1851—1855</td>
<td>132,513,000</td>
<td>662,566,000</td>
</tr>
<tr>
<td>1856—1860</td>
<td>134,083,000</td>
<td>670,415,000</td>
</tr>
<tr>
<td>1861—1865</td>
<td>122,989,000</td>
<td>614,944,000</td>
</tr>
<tr>
<td>1866—1870</td>
<td>129,614,000</td>
<td>648,071,000</td>
</tr>
<tr>
<td>1871—1875</td>
<td>115,577,000</td>
<td>577,883,000</td>
</tr>
<tr>
<td>1876—1880</td>
<td>114,586,000</td>
<td>572,931,000</td>
</tr>
<tr>
<td>1881—1885</td>
<td>99,116,000</td>
<td>495,582,000</td>
</tr>
<tr>
<td>1886—1890</td>
<td>112,895,000</td>
<td>564,474,000</td>
</tr>
<tr>
<td>1891—1895</td>
<td>162,947,000</td>
<td>814,736,000</td>
</tr>
<tr>
<td>1896—1900</td>
<td>257,301,100</td>
<td>1,286,505,400</td>
</tr>
<tr>
<td>1901—1905</td>
<td>322,619,800</td>
<td>1,613,099,100</td>
</tr>
<tr>
<td>1906</td>
<td></td>
<td>402,503,000</td>
</tr>
<tr>
<td>1907</td>
<td></td>
<td>412,966,600</td>
</tr>
<tr>
<td>1908</td>
<td></td>
<td>442,836,900</td>
</tr>
<tr>
<td>1909</td>
<td></td>
<td>454,059,100</td>
</tr>
<tr>
<td>1910</td>
<td></td>
<td>455,239,100</td>
</tr>
<tr>
<td>1911</td>
<td></td>
<td>461,939,700</td>
</tr>
<tr>
<td>1912</td>
<td></td>
<td>466,136,100</td>
</tr>
</tbody>
</table>

Total, $14,775,110,000

The New York World reprints from the San Francisco Chronicle a list of 32 “reasons” for the phenomenal increase
in the necessaries of life. To the credit of the compiler, he opens the list as follows: "The enormously increased output of gold." He might have stopped there.

The remaining 31 "reasons," or most of them, are incredibly ridiculous. We shall take up a few of those most commonly advanced. While some minor factors, such as the tariff, the trusts, etc., temporarily may accelerate the upward march of prices, their effect is of no significance as compared to the real, central cause, the depreciation in the value of gold.

First—13 on the list—the tariff. It is charged that a heavy tariff will increase the prices of commodities and that a removal thereof would settle the question of high prices. We can do no better than to quote Hammond again. Says he: "That the American protective tariff cannot be considered an important, certainly not a determining factor in the high cost of living, is conclusively proved.

"1—By the fact that the phenomenon is, as we have said, worldwide in extent.

"2—That, in spite of the high tariff prevailing, there was a low level of commodities from the year 1873 to the year 1895; and there have been similar instances in other periods of our history.

"3—That the present Payne-Aldrich tariff law is not responsible is shown by the fact that the rise in prices began before that law was passed.

"4—That there has been a rise in prices of many commodities that were transferred to the free list; (for example coal, anthracite, was 4.25 per ton, now 5.25; coffee was 0.08375, now 0.15125 per lb.; hides were 0.1325, now 0.1975 per lb.)
"5—That there has been a decrease in the prices of many commodities the duties on which were not changed by the tariff."

Another reason advanced is the existence of the trusts. If this were the cause, then prices should have remained stationary in countries where there are no trusts. We do not find this to be the case. Take a country like Denmark, where the trust has not made its appearance. We find that prices there have risen at least 38 per cent since 1897, according to statistics obtainable.

A third common reason advanced is that the workers, by getting higher wages, are adding to the cost of production. This is one of the most pernicious, as it certainly is the falsest, of all the claims. True enough, the capitalist, exceptionally and temporarily, may seize upon higher wages as a pretext for raising the prices. But we ask: If the capitalist can raise prices arbitrarily is anyone so innocent to suppose that he would wait until his workers made their demand? Furthermore, if it were such an easy matter for him to recoup himself, why should he go to all the trouble and expense which strikes necessarily involve? This theory of the capitalist raising prices at will has been exploited by the capitalist daily to its limits. Repeatedly have they warned the workers that higher wages spell higher prices. The sound instinct of the workers tells them that it is a lie, deliberately foisted upon them by their masters' spokesmen.

As the greater number of the reasons on the list are in the nature of taxes, the theories being that the workers pay higher prices by taxes being imposed, we shall deal with them all at once, and at the same time show the absurdity of the above
theory. We shall also endeavor to point out the remedy. Temporarily the workers must fight for higher wages, though the permanent remedy is the overthrow of the capitalist system of production.

The Remedy.

The wage-worker under our present capitalist system of society finds himself in an unenviable position—stripped of all property, the workingman possesses but one thing, which is of vital importance to him: his labor power, i.e., his ability to perform a useful function of some sort or other. This labor-power of the workingman is a commodity, and this the worker must sell at whatever price he can obtain in the labor market. The price is commonly called wages. The commodity labor-power partakes of the characteristics of all other commodities. It has two values: its use-value, which consists in its being capable of producing more values than it consumes, and its exchange-value, which is determined by the amount of socially necessary labor-time required to maintain and reproduce the commodity labor power, i.e., food, clothing, and shelter for himself and family. Hence in selling his labor power for these necessaries of life he is selling it at its value. This value, however, is based upon the recognition of a certain standard of living, which is itself the product of an historical process,—of tradition.

Let us suppose that the line $A^B^C$

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Labor Power</td>
<td>Surplus Labor Time or Surplus Value</td>
<td></td>
</tr>
</tbody>
</table>

represents the value of the product of a day's labor, say a day of 10 hours. The value of the workingman's labor power,
was, as we showed above, determined by the amount of socially necessary things for the maintenance and reproduction of him as a workingman. Let us assume that the quantity of food, clothing, shelter, etc., which he at a given time needs requires for its production 2 hours; this, then, constitutes the value of his labor power and will be his share of the total product; hence from A to B. He has, however, agreed to work 10 hours, this being the only condition upon which the capitalist would hire him. The product of the remaining 8 hours is appropriated by the capitalist and constitutes the *surplus value*, i.e., value produced over and above the value of the worker’s labor power. Now, since we have premised our argument on this line as representing the value of the products of a 10-hour working day, it follows that if the worker secures a raise in wages, it can not be by extending the line beyond C, but by removing B nearer to C; in other words, by decreasing the surplus value which the master-class would otherwise pocket. Hence their frantic cries. Conversely, if the prices of the necessaries of life were reduced it would mean that the food, shelter, etc., of the workers would be so much cheaper, hence their value, as expressed in money, lower, and we would see the point B removed nearer to A. In other words, the capitalist could buy the worker so much cheaper, and the surplus value, which flows into the coffers of the capitalist class would increase so much.

Now it may be argued that if the depreciation of the value of gold has caused prices on all other commodities to go sky-high, why has it not had a similar effect on the commodity labor-power? Primarily because the worker under capitalism
must sell his commodity regardless of conditions in the market. He cannot put himself in cold storage and await a time propitious for the sale of that labor-power. Moreover, the ranks of the proletariat are swelling owing to the disintegration of the middle class. Furthermore, the existence of a vast army of unemployed, which is increasing at an appalling rate, due to introduction of labor-saving machinery and the concentration of capital, causes a keen competition for the available jobs. And last, but not least, the worker's failure of even keeping up the price of his labor power in even tempo with the soaring prices is due to the lack of proper organization.

Organization! This then is the only effective remedy for the high cost of living. The working class must organize itself as a class industrially, concentrate the only commodity it has to sell, its labor-power, into one homogeneous body: the industrial union. But it must be remembered that even with the best organizations, the problems confronting the only wealth producers, the working class, cannot be satisfactorily solved unless they tear up the root of all our social evils: the capitalist system of private ownership in the socially necessary tools for production. The workers must bear in mind that even if they better their conditions now, if this is not followed up by strengthening their industrial and political organizations, preparing them for the unconditional overthrow of the system, which, at the best, keeps them down to the level of commodities, estimated and reckoned with as such by their capitalist masters, they will soon be on the downward plane again and possibly worse than before.

To act correctly it is necessary that we think correctly.
And to think correctly we must acquire knowledge, ascertain facts, and study the economic laws of the social system under which we live.

The strength of the Socialist and labor movement lies in its basing its arguments upon ascertainable facts, by keeping itself on solid ground. In Greek mythology the story goes, that a giant, Antaeus of Libya, son of Poseidon and Gaea, compelled all strangers passing through the country to wrestle with him, and as he, when thrown to the ground, derived fresh strength from each successive contact with his mother Earth, he proved himself invincible. With the skulls of those whom he had slain, he built a temple to his father. Hercules, the famous hero of Greek mythology, in combat with him, discovered the source of his strength, and lifting him up from the earth crushed him to death. This is what the capitalist class and its flunkies are trying to do to the working class and movement of today. So long as they can keep the workers up in the clouds away from old mother earth, away from the material facts, away from the real relations of the two classes in society, so long will they be able to crush labor as they have been doing it in the past. But when the workers realize,— and they are doing it now,—that they are invincible so long as they keep their feet on earth and do not allow themselves to be taken through the misty regions of the upper spheres, they will then put an end to the social system, which reduces them to the level of commodities, and they will then strike the road which leads to their emancipation. Socialism is their only salvation.
MONEY

By Daniel De Leon.

To bring within a comparatively small compass the position of the opponents of Socialism on "money," the following quotations from an article in a free silver paper, the Rising Sun, Md., Midland Journal, are exceptionally valuable. In them are briefly marshalled all the dove-tailing errors of fact upon which the cheap money advocates proceed, and all the dove-tailing mistakes in reasoning which they commit. They are bird's-eye views of the false "philosophy" of cheap and plentiful money. Such presentations of their case have the decided merit of aiding materially in their refutation.

The Midland Journal gives the history of exchange and genesis of legal tender money, or money in general, as follows:

"After society had outgrown trading or barter as a medium of exchange, a more expeditious method became necessary, and the law was called in to establish a medium or tool of exchange, and the legal 'tender' money was created."

This historic sketch is substantially erroneous. In it may be detected the germs that lead to the final fallacies of "flat money." Upon the domain of economics 'technical language is necessary.

Barter.

"Barter" in the above quotation is given a broader meaning than it should have. Barter means the exchange of one article of use for another; hogs for horses, cows for cloth, etc. It may
also be hogs, horses, cows, cloths, etc., for some precious metal, say gold. But at the social stage of barter proper the gold or other metal is exchanged the same as hogs, horses, cows or cloth among themselves—for use, i.e., for consumption, to be turned into jewelry, trinkets, vases, etc. At that stage, gold or any other precious metal is looked upon as merely an article of use in the large category of goods or commodities. At the barter stage of exchange, whatever the article may be, one value intended for consumption is directly exchanged for some other article of consumption and of equal value. Each article serves directly as the measure of the value of the other.

Transition Period.

From the "barter" system of exchange man passes on to the next, gold or some other precious metal being singled out, as the one article of value by the value of which the value of all others is measured, and through the medium of which exchange is carried out. Up to then, hogs, horses, cows, cloth, etc., were exchanged directly, the value of each being measured with the value of whichever other it was to be exchanged for then and there. Experience revealed the clumsiness of the process. Take one illustration: Products are generally bulky and, to a considerable extent, perishable. He who during the "barter" stage had a superabundance of such articles and no use for any others was compelled to keep and use them as he might, or was driven to an exchange for which he cared not at the time.

Bees know no mathematics, and yet, in whatever clime they hive, they build cells identically with mathematical precision. Obedient to the logical sequence of individual production and exchange, and led by experience, the consensus
of minds everywhere singled out that commodity among the several they produced which, without being exceptionally rare, without being exorbitantly valuable, i.e., without requiring exorbitant labor for its production, yet was in proportion to its quantity more valuable than most other articles of similar bulk, that was easily portable, and that withheld was imperishable. By the consensus of minds gold was the article singled out. By its value thenceforth other values were measured, and, it became the medium of exchange. From that time exchange was no longer carried on directly—one cow for a certain quantity of cloth, certain number of hogs for a horse, in short, one value, needed for consumption with another article of consumption of the same value; exchange thenceforth took place indirectly—hogs, horses, cows, cloth, etc., for the quantity of gold whose value was equal to theirs, and then, at such time as the holder of gold chose, that quantity of gold was re-exchanged for such article of use whose value was equal to that of the gold that was proffered. This stage of system of exchange denotes a higher degree of human intercourse, and is the sign of a higher development of the system of individual or private production and exchange that prevails when "barter" proper is in vogue. The gold here used as a measure of value and medium of exchange is, however, not yet "money." "Money" does not make its appearance in history until a much later and more fully developed social stage.

Money

Although the dropping of the system of barter proper freed private exchange from intolerable trammels, yet the system that followed (whereby gold was singled out as that one ar-
article of value by the value of which the value of all other articles was to be measured, and which became the medium through which exchange was carried on) likewise revealed in due process of time serious defects. Whether we watch our own ancestors in the plains of Asia or the woods of Europe, or we observe the Indians in the gold-producing regions of America, or we follow Livingston in the heart of Africa, whichever way we may turn and find man emerged out of his pristine communal life, carrying on private or individual production, and no longer bartering but exchanging goods through gold as the gauge of value—in all such regions we find the market places permanently verging on pandemonium. Rows are the order of the day, blows are not infrequent. The trouble arose from the belief of the holder of an article of use which he sought to exchange for gold, that the holder of the gold was trying to cheat him. In South America the Indian carried the gold dust in the hollow of certain large feathers. A shake of the feather in the palm of the right hand of the holder of the corn or cloth that was to be exchanged was supposed to shake out of the feather a unit of gold value; the holder of the corn or cloth wanted as much to come out of the feather as possible at each shake, the holder of the gold was animated by just the contrary desire. A dispute never failed. The holder of the corn or cloth frequently believed in all sincerity that the other fellow gave a treacherously slight shake; the holder of the gold disclaimed any such intention, and would charge the other fellow with feloniously wanting too vigorous a shake.

In other places scales had to be carried about, and as every one was a purchaser (holder of gold) as well as a seller
(holder of goods), at each transaction scales were necessary. In such places the wrangling took place over the scales, and scenes not unlike those between the Indian seller and buyer were of constant recurrence, as many a page of history and ancient ballads attest. Today the traveller in the everglades of South America may yet see the wrangle going on over the shaking of the gold-laden feather, and only a few years ago Livingstone described similar scenes among the Makololos.

With us the wrangle, at least that specific sort of wrangling, has ended. What enabled it to end was the social development which our race reached, and from which the Indian and the Makololo remain far. As barter was dropped by closer social contact, so did the still closer contact of all the branches of our race, and their organization of society, social bodies, under a central authority recognized by all, enable the harmful quarreling to stop that had accompanied exchange when gold had to be measured at each bargain. The government, as the representative—theoretically, or in fact—of all the members of society, placed its stamp upon certain quantities of gold and silver, stating how much each piece weighed or contained, and that became "money." Thus it is to be accounted for that so many coins today still bear the names of weight measures—pound sterlings, livre, peso, etc. They trace their names to that age that superseded barter, and that was itself superseded by "Money"—to the age when the precious metals were singled out as the standard of value and the medium of exchange, and when they had to be weighed at each exchange. Then, and not until then, did "money" appear on the stage of history, and it was in that and no other way that it appeared.

"Money," accordingly, is not the fiat of government. What-
ever instances may be advanced that may seem to make for the contrary, they do not affect the central truth and cardinal principle of this law of the evolution of "money." A sleight-of-hand performer may seem to adduce instances that negate the law of gravitation; so does the capitalist or private system of production; when it has reached its present extreme development, and becomes essentially a huge sleight-of-hand show, it juggles about with its credit, its confidence, and other beauty spots, in ways that give a handle to false economic views. This is exactly what happens with the instances of alleged "fiat money" one hears of. But the grown man is not thrown off his base at the seeming negations of natural laws to which Japanese jugglers treat us; neither should he be misled by the seeming negations of economic law produced by the acrobatic somersaults of capitalism. Money is born with intrinsic value.

Legal Tender.

Closely dove-tailed into and connected with the historic misconception touching the evolution of "money," which appears in the passage quoted above, from the Midland Journal, is the error upon the meaning and potency of the "legal tender." The article in question imagines the case of a man, a buyer, who finds an article that he desires for his use in the hands of another, a seller, who is willing to part with it; and then it proceeds to say:

"The package of goods is handed over to the buyer by the seller. The purchaser has become a debtor and the seller a creditor by the act. Suppose a difficulty arises between the two about the settlement, and the purchaser offers a bar of gold or a bar of silver of commercial value equal to that of the goods. The seller refuses to take the metal. It is bar-
Money

He can't use it, and the buyer cannot compel him to take the gold in exchange for the goods or debt. Instead he offers a "legal tender" note or "legal tender" coin. He (the seller), must accept it because the law decrees it."

This is false reasoning, that proceeds from false "facts," and that leads to the dangerous conclusions arrived at by the advocates of "fiat money." It is false to say the seller in this instance must accept; it is false that, in this bearing the government stamp of the value of the goods is a legal tender and compels acceptance. Both these errors flow naturally from the original error concerning the genesis of "money," an error that disables him who falls into it from detecting the two different functions that "money" performs the moment it springs into existence—the "legal tender" or payment of debt function and the function of a medium of exchange.

Just as soon as society has got so far as to save the trader the necessity of each time weighing that one commodity by the value of which the value of all others is to be measured; in other words, just as soon as "money" is born, there blossom forth into rapid fullness two economic classes, the germ of which lay latent from the time production and exchange in the history of man cease to be communal and become private or individual. Those classes or entities are the "debtor" and the "creditor." Already before "money" steps on the stage of history the "debtor" and the "creditor" begin to peep through the folds of the social drapery. After "money" has been born they advance to the foreground and become the "stars" on the great social stage.

A "debtor" is he who incurs a liability to be met at some future date. One illustration may suffice. An owner of land
worth, say, $100, wants a cow worth $25. During the social period of barter he cannot procure the cow without actual and immediate exchange; there no incurring of a debt is possible. Even during the next, the social period when gold has been singled out as the one commodity that is used as a medium of exchange, the procuring of the cow by incurring a debt for its future payment was difficult: the organization of society was not yet mature enough to provide for the enforcement of a pledge. It is not until man moves in the social period when "money" comes into existence that the social organization is mature enough to render unnecessary physical possession of goods in mercantile transactions; the enforcement of pledges becomes safe; the holder of money can let it go and yet keep, through the social machinery, constructive possession thereof. The land holder gives a mortgage on his land; gets the $25, and buys the cow. Not a thing he had before raising the mortgage has he parted with, no exchange took place in the transaction; he took without giving; and he becomes a "debtor," the lender a "creditor."

In this case, when the mortgage matures, "money" does figure as a "legal tender." If the mortgager then lays down before the mortgagee, the lender of money, 25 coins bearing the government stamp of the dollar, the "creditor" must accept; if he does not he has no action for default in payment; the "debtor" has made to the "creditor" a "legal tender." Suppose that the 25 coins called "dollars" by the government at the time of the mortgage was taken were worth a $25 cow, but that at the maturity of the mortgage the 25 coins which the "debtor" tenders as payment to his creditor" are worth only a $10 cow, the "creditor" has no choice, but is bound
to accept as a full satisfaction, provided the government at that time pronounces those coins to be "legal tender" for the value of a dollar each.

It is wholly different with the transaction quoted by the *Midland Journal*. In that, and in all similar cases, no liability is incurred to be met at some future date. This, and all similar transactions are controlled by the fundamental principles that underlie exchange during the period of barter, and that control exchange during the period when gold, though not yet clothed with the government stamp, is chosen as the gauge of value.

The transaction consists purely of an exchange of value for value. There cannot, in such a case, be any talk about "debtor" and "creditor." It is a confusion of thought to say: "The purchaser has become a debtor, and the seller a creditor." As the transaction is one purely of exchange, the seller will demand an equivalent value, or a bill that is redeemable by an equivalent value, for the value he is to part with, and he is not, he cannot be, "musted" into accepting for his goods anything that he, in his individual opinion, whether justified or not, does not consider to be equivalent in value for the value he sells, even though the coin tendered may be plastered over with the government value stamp, and even though he who carries the coin bring with him a carload of certified copies of the act making such coin "legal tender."

If the purchaser left the "legal tender" on the counter after it was refused, and tried to walk off with the parcel, the storekeeper would not be liable for assault if he tried to knock the fellow down to recover his property, and he could have him arrested for theft. The "legal tender" function of
the money operates exclusively in the payment of debts. In the illustration before us, the case is one of exchange; there money functionates as a medium of exchange, and it must have the value of the thing it is exchanged for.

Every link in the whole line of argument here gone through stands firmly upon historic facts and correct statements of law. No one can refute them unless he goes for his facts to the quarry from which General Weaver dug out the wondrous gem that "France thrives with her larger per capita of circulating medium."

**Time Money.**

Even if all that be true our opponents may at this point put in: "Our central contention remains untouched; we contend that the medium of circulation or exchange need have no value." In backing up this, its central point, the *Midland Journal* argues substantially as follows:

"Value has its source in labor; it is created by labor. The value of an article depends upon the labor consumed in its production. Where labor is done, value has been added to the general stock. The medium of circulation found in the hands of a holder is simply a certificate that he has added something to the general stock. That certificate should simply certify to the time he has expended in thus increasing the general stock, and he should be entitled to as much out of that stock as his certificate testifies that he put in. This is the proper medium of exchange; it is the medium of exchange of the Co-operative Commonwealth. Such a medium needs no value whatever."

It is the constant contention of Socialism that—based upon the undeniable principle that labor is the sole producer of all wealth values—the only quality requisite to a rational
medium of exchange is that it specify the time expended by
the holder in contributing to the common stock; that in that
way only he who did so contribute could draw from that
stock; while today the reverse happens; he who does not
contribute gets the lion's share, while he who does must be
satisfied with a pittance; and that it is one of the irrational
features and results of capitalism that the medium of ex-
change must have value with all that thereby hangs. None
more than the Socialists recognize this principle and strive
for its establishment—by establishment of time certificatae
as a medium of exchange, without intrinsic value. Whence
then, their firm opposition to the "flat moneyists."
Simply
because the "flat moneyists" are striving after the impos-
sible, to wit, the establishment of the exchange medium of
the Co-operative Commonwealth under the capitalist system
of production.

The method of exchange is a reflex and sequence of the
method of production. So long as production is private and
individual, exchange must be controlled by the principles
that control it under barter: value for value. Before vouchers
for labor performed can generally serve as mediums of ex-
change, barter must cease. Barter cannot cease until produc-
tion ceases to be private and becomes collective, i. e., co-op-
erative. Vouchers for labor performed, i. e., time money, can
be effective only if redeemable by him who issues them and
for whom work was done. Consequently, it can be generally
effective only in the Co-operative Commonwealth. The road
to a rational system of exchange lies via the Co-operative
Commonwealth, and not vice versa. On the other hand, the
flat moneyists seem to aim at the Co-operative Common-
wealth, but imagine that it can be reached only by first improving the system of exchange. Let the distinction between us be thus sharply defined.

It is a common error that the collective ownership of the nation's machinery of production is the finishing touch to the social revolution, and that some other one thing is the start—flat money, for instance. The fact is that the social revolution must start with the collective ownership of the instruments of production. This is demonstrated by the whole course of social evolution. All revolutions are accompanied with shocks, and Socialism may not be an exception to the rule; we may and should be prepared for that. But to try to establish a medium of exchange that is based upon future society before that social system is on foot would bring on a crash that may be disastrous.

He who enters the social movement carries his life in his hand. The enemy in power is brutal and criminal, and desperate withal. The social reformer must not imagine it an impossibility that his life may be ended prematurely by felony. But to die by the hand of capital, battling against it, were no disgrace; on the contrary, it would redound to his eternal glory, and the memory of his martyrdom might be the best bequest left to his descendants to guide and fortify them in the conflicts and the trials of the future. But to die, perchance strung to a lamp-post, amid the execrations of those for whom the social reformer labored, but over whose heads his false tactics brought the house down, is, possibly, of all bitter deaths the bitterest. To agitate for money reform before agitating for the reform of the system of production is to invite a social cataclysm that would set
men wild; to agitate for the overthrow of capitalism by first making the instruments of production collective property, is to take evolution by the hand, and move forward with no disastrous friction.
ADDENDA
By Daniel De Leon.

I.
MONEY, AGAIN

[Daily People, January 28, 1911.]

"Is not 'means of payment' the use value of usurers' money, and how can that interfere with money's being a commodity in usurers' hands, just as 'means of telling time' does not interfere with a watch being a commodity?" is the question asked by a correspondent.

Fain would we tackle the question directly. We confess our inability so to do. We are unable so to do for the same reason that a mathematician will find himself unable to demonstrate directly an error in spheric trigonometry when he perceives the error has its roots in false plane geometry. The mathematician would have to go all the way back to plane geometry; unravel the initial, and step by step mount up to the final kink. We are bound to go back to plain economics, and thence into the elementals of money, before being able, to a purpose, to unravel the kink in our correspondent's question.

The following rapid sketch, and enunciation of successive principles may clarify the subject.

A commodity has two values—its "use value" and its "exchange value";

The "use value" of a commodity may be various—for instance: the "use value" of a diamond in a glazier's hand is
the diamond's quality to cut glass; on the brooch worn by a pretty girl, the "use value" of the diamond is to enhance her attractiveness; on the broad expanse of the shirt-front of a Democratic or Republican Alderman the "use value" of the diamond is to notify possible bribers that the wearer's "price" has risen above a glass of whiskey, or a ton of coal; etc.; etc.

The "exchange value" of a commodity is not various; it is ONE;—it consists in the amount of social labor requisite for its production. The "exchange value" of a diamond may rise and fall, according to the increasing or decreasing amount of social labor necessary, at a given time, to produce the diamond; nevertheless, whether high or low, its "exchange value" consists of crystallized labor-power.

Stick a pin there—

Money has its root in individual production for sale;
Where production is individual, and for sale, commerce or exchange is barter;—value for value;
Direct barter hampers exchange;
Exchange is facilitated by the differentiation of one category of commodities, which, uniting the requisite qualities thereto, serve as the standard of the exchange value for all;
That category of commodities is the precious metals—gold especially, and silver;
The differentiation of the precious metals, as the standard of the exchange value of all commodities, had for its first effect the transforming of direct barter into indirect barter;
Although indirect, the exchange of goods remains barter, value for value;—no longer diamonds for arms, or food, or
cloth; but diamonds or food, or arms, or cloth, etc., for gold or silver, and then silver or gold for diamonds, or food, or cloth, etc.;

The increased facility of exchange that was born of the transformation of direct barter into indirect, gave birth to a still greater facility in the same direction—coinage, or Money;

Coinage, or Money, saves the time of weighing in the process of exchange; the seal of organized society takes the place of scales and weights;

The birth of Money in society is the evidence of the meeting of two streams—the stream of exchange, as just sketched, and the stream of settling and finally settled political State;

The meeting of the two streams gives, in turn, birth to a large number of manifestations, some of them "legal fictions";

Among these "legal fictions" is that of "legal tender";

The Money, pronounced "legal tender" by law, presupposes, but does not guarantee "exchange value." The "legal fiction" is that the coin, pronounced "legal tender," contains the "exchange value" that is stamped on its face;

Hence a radical distinction in Money;

The same coin, stamped of the "exchange value" of 20 dollars; therefore, pronounced "legal tender"; and, therefore, compelling the creditor's acceptance in cancellation of a 20 dollar debt;—that identical coin can be refused by the identical creditor if offered to him by the identical debtor, not in the cancellation of a debt, but in the course of exchange, in the course of the purchase of some
article that the creditor deals in, and the "exchange value" of which article the creditor estimates at an amount of socially necessary labor-power equal to the labor-power necessary for the production of the amount of gold supposed to be represented by a $20 gold piece. If, for any reason of his own, the creditor, who in this instance figures not as creditor but as seller, believes the $20 gold piece, tendered to him in exchange for his goods, is of less value than the value stamped upon it, he will refuse the exchange. In this capacity he is a lawgiver unto himself, a court of last resort.

Accordingly, and finally, Money has two functions—the function of a "legal tender" enforcible regardless of the actual "exchange value" it may have at the time of payment: in that function Money is a "means of payment," a creature of law; secondly, the function of facilitating exchange: in that function Money is exclusively an economic entity: it is exclusively an economic entity that, all legal stamp notwithstanding, its economic quality is the sole determining factor—if the legal stamp coincides with the economic fact, the coin will pass in the exchange; if the legal stamp and economic fact do not coincide, then the coin will be rejected.

Now, then, combining the two serials of economic principles, and applying them to the question put by our correspondent, it follows that he is in a tangle of false terms:—

1. "Use value," in economics, is the quality of a COMMODITY. However various the "use values," they are inseparable from the COMMODITY. One of the two features of the thing called a commodity is its "exchange value" fact. That fact is not subject to whims, or laws, or legal fic-
tions. He who, accordingly, says, "use value," also implies "exchange value."

2. Money, as a means of payment of debts, being a legal fiction, a creature of law, lacks the indispensable "exchange value" quality, hence is no COMMODITY, except, to use the Marxian witticism, in the sense that "woman's honor" is a commodity in capitalist society, and has "value"—consequences, pure and simple, of the magic that accompanies capitalist society when it reaches the stage of legal fictions.

3. Not Money is the commodity, but the metal of which the coin is minted.

4. It is not the "means of payment" feature that interferes with Money's being a commodity. What interferes with Money's being a commodity is the fact that it is the creature of law enforceable without regard to the "exchange value" feature that marks all commodities.

The failure to grasp these principles is the fruitful source of all manner of economic fallacies.

II.

DIALOGUE ON "FIAT."

[The Uncle Sam and Brother Jonathan dialogues are a regular feature of the Weekly People. They were written by Daniel De Leon and covered political and economic matters and allied topics. Uncle Sam typifies the Socialist Labor Party position and Brother Jonathan the opponent's position.]

BROTHER JONATHAN—Have you time today to clear up to me that matter of "fiat" that you touched upon re-
cently? It seems to me that you have used the word in several meanings.

UNCLE SAM—Quite likely, I did. To understand what the "fiat of government" means, in the matter of money, we shall have to go back a little.

B. J.—Go as far as you like. I have time.

U. S. (takes a spic and span new silver dollar out of his pocket and holds it up to B. J.)—You see this piece of metal?

B. J.—I do.

U. S.—What do you call it?

B. J.—A silver dollar.

U. S. (takes a worn-out and dilapidated-looking silver dollar out of another pocket, and holds that up to B. J.)—And what do you call this piece of metal?

B. J. (examines the dollar)—Why, a silver dollar.

U. S.—Would you just as lief have this old and worn out fellow as this young and bright one?

B. J.—Well—yes—and no——

U. S.—Neither would I. Why?

B. J.—Well, the younger fellow looks better.

U. S.—And it is better. You sell hats——

B. J.—Mighty good hats! Do you want to buy one?

U. S.—Have you any dollar-hats?

B. J.—Sure, I cater to all tastes and classes.

U. S.—If I wanted one of your dollar-hats, would you gladly accept this worn-out old fellow in payment?

B. J. (hesitatingly)—Not unless trade was very slack.

U. S.—Why?
B. J.—You would not ask why, if you were in business. If trade is good we insist upon good pay. An unworn-out silver dollar will pass anywhere. If trade is slack, then we might accept that worn-out fellow, calculating that what I might lose on it will be more than made up by my profits.

U. S.—And why should you lose on it?

B. J.—Because I might have difficulty in getting rid of it. Others may not accept it.

U. S.—And why should they not?

B. J.—Because—because—be—

U. S.—Yes because, whether they give themselves an account of their mind or not, the worn-out dollar does not contain the full value of a silver dollar.

B. J.—Guess that’s it.

U. S.—Which means that when you sell a hat for one dollar, what you have done is to barter a hat for an amount of silver that is of equal value. What the amount of silver is, which is contained in the dollar, you do not bother to weigh. The government’s stamp tells you that the transaction is one of barter, you are not bound to accept the stamp of the government as correct. If you suspect that stamp is no longer truthful you can reject the proferred dollar, regardless of what the stamp of government says.

B. J.—Then the stamp is the “flat”?

U. S.—Yes and no. But not so fast. Suppose I want one of your dollar hats, but have not the money to pay, and you give me a month’s credit, and at the end of the month I brought you this worn-out fellow, and suppose trade is brisk—would you accept this worn-out dollar?

B. J.—No more than before!
U. S.—Would you reject it?
B. J.—Sure!
U. S.—And if I walked away?
B. J.—I would sue you.
U. S.—And your case would be thrown out of court.
B. J.—The devil you say.
U. S.—There is no devil in the case but Law. When I paid you, in the first transaction, we bartered—you, the hat for silver; I the silver for the hat. It being a case of barter, each of us was sovereign, individually sovereign. When, however, you gave me credit, and I later came to pay you, the dollar I gave you was a “legal tender”; that dollar, though remotely based on the barter of value for value, was now used, not as a medium of exchange, but as “means of payment.”

The dollar being “legal tender,” you have no cause of action against me. And the dollar IS a dollar, exercises the function of a dollar because the government’s stamp says so—that is the government’s FIAT, and the fiat is of controlling power in the payment of debts.

B. J. scratches the back of his ear.

U. S.—No wonder you are puzzled. The “fiat” is a storm center—impossible to understand without grasping the barter nature of some commercial transactions, and the debt-paying nature of others. Government chicanery and upper capitalist financial legislation often contribute to make the point more puzzling, and to impart to the fiat the aspect of swindle.
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