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MONETARY INFLATION

An increase of currency creates a privilege for debtors by making it possible to repay a debt with less labor than the loan represented. A decrease of currency creates a privilege for creditors by making it possible to obtain more labor than the loan represented. The authoritarian changing of the amount of currency changes the relationship between creditor and debtor and creates a privilege for one or the other. When governments of state have increased their amounts of currency to pay off their debts, it is the same as debt repudiation as well as a sneaky tax on savings. Whenever attempts have been made to forestall depressions by increasing the amount of currency, it has been at best, only temporary. Some people feel that the additional currency makes it easier to borrow in order to buy or lease land. This may help to maintain certain production levels until such time as the price of land again seems out of proportion. In the meantime, the continued production levels may serve as a political expedient for a certain administration. But to continue increasing the amounts of currency finally destroys that measure of value, upon which the facilitation of exchange depends.

This should make it evident that the amount of currency should never be changed. And this is true in spite of any anticipated or actual changes in future population and future production. However, this is not a recommendation for the old cliche of 'stabilizing the dollar' or for any attempt at regulating the value thereof. Rather this is a plea to permit the value of that unit to go freely and naturally where it will with a stable amount of currency.

Now if the amount of currency should never be changed, what is the proper amount which will best serve its purpose?

I submit that the main purpose of currency is to serve as a device for measuring value. To the extent currency serves this purpose well, its units will be generally acceptable as mediums of exchange. The concept of currency is often used as a measuring device upon numerous occasions when its units are not actually used as mediums of exchange. It is well to note here the difference between the 'measure of value' and 'mediums of exchange'. The device which measures value is the numerical total of all the physical units of currency. There are many and varied mediums of exchange which cannot be considered identical with currency, nor can they be considered in its sum total.

The criterion of a measuring device is that it must always consist of a constant number of composing parts. A measuring device which now and then has its number of composing parts increased or decreased begins to lose its effectiveness as a measuring device. So long as the sum total of units of currency remains stable, it can well serve its purpose. This seems to be true regardless of what that amount of currency may be. Such stability can be accomplished, not by new laws and new bureaus and new committees, but by abolishing the laws which create the instability, the main one being the Federal Reserve Act which was passed in 1913. This Act permits the increase and decrease of currency and permits monetizing the government debt.

This constant amount of currency is sufficient for all needs of future production and future population for the following reasons: (1) Any amount of currency can measure any value. (2) Its units can be used indefinitely for an infinite number of exchanges. (3) The possibilities of substituting mediums of exchange are unlimited.

If future production and future population happen to give such an increased value to a unit of currency that it becomes inconvenient to use, then smaller denominations of currency may be issued to represent lesser values in place of equivalent larger denominations. This would not change the total amount of currency in any way.

Any change in the value of a currency unit resulting from such natural causes as production or reproduction are obviously natural effects and such new values deserve right of expression without governmental interference. In an economy where currency is left alone and where there are no privileges, it would be impossible to get something for nothing. It is not necessary to juggle the currency to assure that each person receive his just share of production. In fact, juggling the currency, on any pretext, distorts the measure of value and contributes to an injustice.

Presently, the sum total of all our alloyed coins and the three paper currencies, the Silver Certificate, the United States Note, and the Federal Reserve Note, serve as our device for measuring value. All its units serve as mediums of exchange regardless of the origin of any issue, or its backing or any debt it represents. Any change in the some thirty billions of units of currency in this country would be both immoral and unscientific.

Currency need not be secured by precious metals to give it purpose. Nor is it necessary to coin gold and silver to make currency redeemable and convertible in such metal. Let such metals be bought and sold in the free market without coinage. The sum total of fiat paper currency and any alloyed coin of convenience may well serve as a measure of value and its individual units as mediums of exchange so long as people have reason to believe the total amount of such currency will remain stable

Counterfeiting currency, that process of imitating and increasing the amounts of the genuine article, will always be wrong whether accomplished by individuals, cooperatives, or by governments of state.

On the other hand, individuals, businesses, including banks should be free to create their own debt and credit to any amount without help or hindrance from the all-powerful State. All, however, should be put on guard that any embarrassing extension of debt or credit could not be underwritten nor subsidized by new issues of currency from some central authority.

Saving and even hoarding currency should be freely permitted as this represents voluntary abstinence of consumption. No one should be forced to spend or consume nor suffer demurrage for not doing so.

The Federal Reserve System should be completely separated from the Government and be made to stand upon its own feet as any other business. Let it merely serve as a banker's bank, a clearing house. The laws which now permit it to issue and retire notes must be swept away and it must be prohibited from making any future increase or decrease in the amount of currency. It is now time to separate Bank and State. A well-informed citizenry must restrain the government from conjuring up other methods for changing the amounts of currency from time to time.

Governments must learn to live by and within their own natural income, economic rent.