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"THE GARGOYLE"

HENRY GEORGE SCHOOL of NEW JERSEY No. 12 MAY 1957

## First Principles

Henry George's essay, "First Principles" points out that "for every social wrong there must be a remedy, but the remedy can be nothing less than the abolition of the wrong."

To cure the social disease which leads to embruting poverty and insecurity is to remove the injustice which causes it. "The just distribution of wealth is manifestly the natural distribution of wealth." And that is "That which gives wealth to him who makes it, and secures wealth to him who saves it....Nature gives wealth to labor, and to nothing but labor....And, no matter how great be the population, or how elaborate the society, no one can have more wealth than he produces and saves, unless he gets it as a free gift from some one else, or by appropriating the earnings of some one else.

He warned against the wild schemes of the socialists to redistribute the wealth by merely taking from the industrious and giving it to the poor, and reducing every one to the same dead level. Socialistic societies as envisioned by Louis Blanc are only possible when there is "a ddep, definite, intense, religous faith, so clear, so burning as utterly to melt away the thought of self."

George felt that while justice was not the highest quality in the moral hierarchy "it is the first. That which is above justice must be based on justice, and include justice, and be reached thru justice ...Until the eternal justice is perceived, the eternal love must be hidden. As the individual must be just before he can be truly generous, so must human society be based upon justice before it can be based on benevolence."

Though he honored those who gave to charities, he was shocked that there was such a great need for it, and proved that injustice was rampant. To those who feel it is hopeless to struggle he said, that "he who struggles for that recognition of justice which, by securing to each his own, will make it needless to beg for alms from one for another, is doing a greater and higher work than he who builds churches, or endows hospitals, or founds colleges and libraries.

He makes the very interesting observation that the idea of "God voluntarily descending to the help of men, which is embodied not merely in Christianity, but in other great religions" contains a deeper truth than is recognized. He shows that the deliverers, the liberators, the advancers of humanity are men who were moved by the sight of injustice, tho they themselves did not suffer to any extent. Moses, for example, came from the Court of Pharaoh to lead the Children of Israel out of the House of Bondage.

The deep religious fervour which animated George is clearly shown in this essay as he indicated that it isn't the wealth, fame or material possessions you accumulate which matters as it is how you have used the talent which the Master has entrusted to you to serve Him.

## Money Substitutes

Probably much of the confusion which exists in the minds of the public on money is occasioned by the fact that so much of the actual transference of wealth is accomplished by means of money-substitutes, and superficially, at least, money itself is hardly used.

Now, money is an article of wealth which is commonly used at a particular time and place as a medium of exchange.

A money-substitute may be defined as a claim to money payable upon demand.

## Money Certificates

Such a substitute might take the form of a simple receipt stating that a certain quantity of money (usually gold) is on deposit at a particular place and will be paid to the bearer upon presentation of the receipt. Goldsmiths issued such receipts to people who put their gold in the vaults of the goldsmiths for safe keeping. They are usually called money certificates today.

At first whenever an individual wished to purchase something he probably took his receipt (money certificate) to the goldsmith to redeem his gold, with which he then bought the thing he wanted. As it was quite likely the seller would then, in turn, place the gold with the same or another goldsmith for safekeeping, receiving a receipt for it, eventually it must have dawned on these traders that the same result could be accomplished if the buyer merely handed over to the seller the receipt for the gold. The seller could then redeem the gold himself if he wanted it. What was more likely, however, he probably would leave it in the goldsmith's valults and instead use the receipt for any purchases he wished to make.

It was, therefore, natural that these receipts (money certificates) circulated throughout the town effecting transfers of wealth. No doubt, as confidence in them grew, they were utilized more often than the actual gold itself and were probably only redeemed when the piece of paper became so worn as to be almost illegible.

No one was foolish enough to assume that these receipts were money any more than a person would be foolish enough to assume that a coat-check evidencing the fact that a coat was handing in some hotel's coat-room was a coat. But just as the ownership of the coat could be transferred merely by turning over the coat-check to some other person, so the ownership of the money (gold) was transferred by turning over the receipt.

It must be noted that while the gold was physically idle in the goldsmith's vaults, actually, in effect, it was very much in use. The ownership of the money was changing hands thru the medium of the receipts or money certificates. But it must be emphasized that no one would have taken the receipts if he were not certain he could redeem the receipt for money. The money (gold) was still the medium of exchange. The money-substitute (the receipt) was merely a convenient means of recording who owned the money. The money substitute, itself, was not the medium of exchange.

The old gold certificates which circulated before 1933 were true money certificates. They stated: "The United States of America will pay, on demand, Ten Dollars in Gold, or whatever other sum was involved. As the dollar was then defined as 25.8 grains of gold, nine-tenths fine, a ten dollar gold certificate meant the government would give you ten times 25.8 grs. or 258 grains of gold .900 fine.

Bills of Exchange (Checks)

Another money substitute which is widely used to this day, particularly in Europe, is the bill of exchange. It developed out of the transfer of goods between towns.

A merchant in Genoa might order some goods of another merchant in Venice. At first money (that is, a specific weight of a metal, as gold) would be sent with the order, and the goods would be received by the next caravan returning.

With the passage of time, however, it probably occured that a merchant, Mr. A in Genoa might ship goods to Mr. B in Venice, and require goods of some other merchant, Mr. C also in Venice. Mr. A would send along with the goods he sold to Mr. B, a note directing Mr. B to send the money over to Mr. C, who then, in turn would ship the goods to Mr. A. In this way, there was only a transfer of the particular commodities desired between the two towns. The money, itself was transferred between the two merchants in Venice, which was more economical and safer.

The order directing this transfer of money is called a bill of exchange. The maker of the order, Mr. A directs a second party, Mr. B. to pay money to a third party Mr. C.

There never was any question that this bill of exchange was merely a written order directing the payment of money. The bill of exchange was not money, and it is hardly likely that anybody considered it money. The money was the actual metal commonly used as the medium of exchange, gold or silver.

The common garden- variety check is a bill of exchange. It too has three parties to it, except that the second party is a bank. The drawer, or maker, of a check directs a second person (a Bank) to pay to a third person a certain sum of money. It is a money substitute. No one will accept a check if there is any question of it's ability to be redeemed in money.

The check is much more convenient than money in many instances, particularly where large sums are involved. It is, of course, much safer. In addition, by successively endorsing the check it is possible to transfer the ownership of the money in the bank to different people in succession, almost as easily as one transfers money by turning over money certificates to them.

(The fact that today in America neither checks nor money certificates can be redeemed in gold constitutes an arbitrary perversion of their function by the action of the government. This problem and the fact that economists talk of checks as "checking account money" will be discussed at some later time. This discussion on "Money Substitutes" will be concluded in next issue of The Gargoyle.

Oscar B. Johannsen

"And the First Shall Be Last."

Readers of The Gargoyle might possibly conclude that I am bemused with the leaders of the Henry George School in my profiles and thumb nail sketches. This is the time for me to disclaim any such impression. I have never mislaid the idea, nor has anyone else active in administrative or instruction for the School, that the real V.I.P. is the student, past, present, and future.

I now wish to give appreciation to the long procession of men and women who have sought us out; and have remained to search for answers to their questions. In many instances the subject matter was unfamiliar, difficult; for people have come from every sort of environment. For others, preconceived and cherished ideas were required to be discarded.

Many of the former students we shall never see again. But not a minute of their time was wasted, nor was that of the school. It is essential to remember that ideas and understanding can lie fallow, like the soil, for years before sprouting a crop.

There are hundreds of people all over New Jersey, and elsewhere who have earnestly accepted our economic teachings. The pressures of modern living have caused many to lose touch with us; but they are with us nonetheless. We sometimes tend to forget it ourselves; and we often fail to ctedit them with being our silent partners.

When we do remember to be aware of it, we are baffled that this subject, so fascinating, so challenging to us, fails to bring seekers after truth to the School by the tens of thousands. But we must constantly remind each other that it is not to be expected. Until very recently as time goes, communications were very faulty and every social entity, over the world, lived provincially. and locally. In the struggle for existence, people thought personally, and mostly in tangibles. Old custom and tradition are strong; and social consciousness isn't likely to develop thus suddenly in most individuals. But when this does occur, and new students result, each one deserves the greatest credit.

In my present thought, I am also considering the student of the future. The School, in the past several years, has done much experimenting. As a result, ambitious plans being what they are, many many a student will come to know our work and become acquainted with the logic of it. And who knows what our progress in the future will be?

Whatever it is, it will be done by the students of the Henry George School. I can't give you their names, their achievements, their hobbies, or foibles. In the aggregate, does it matter?

Virginia Harvey

## Is It True What They Say about Money?

Our twenty-fifth year and over the course of a quarter of a century we have been telling everyone, who would stick around long enough to listen, "that money is not wealth," except to the extent of the, negligible, exchange value of a little scrap of paper or piece of metal (gold coin excepted). Mr. Johannsen was among those who remained to listen, but not to believe what he heard. He now tells us "that money is not money unless it is wealth."

While in disagreement as to what money is we seem to agree as to its function. That is, whatever it may be, if what it is is generally accepted in exchange for goods or services, wherever or whenever, that something is money.

Over the course of time many things have been used as money. Beads, shells, stones, leather, metal and receipts for gold deposits. Now all of these things, excepting the receipts, are wealth, if as we assume, wealth is a tangible thing resulting from the application of human energy to land or a product of land and which has exchange value and or will satisfy desire. That is, any and all of these things, if they are to qualify as wealth, must be desixeable to the extent that they will be exchangeable on a barter basis. If any one of rhwm, the beads, were generally accepted in exchange for goods and services, they would take on the characteristic we ascribe to money. The beads, while being used as money, serve an only purpose and that is to be exchanged for something more desirable than what they were accepted for. When not being used as money they can, at anytime, revert to wealth and be used as an adornment. And that brings us to the scraps of paper, the receipts for gold deposits, likewise used in exchange for goods and services but unlikewise never, as such, convertible to any useful purpose. The receipt was a claim on wealth, the gold, which the claimant hoped, but could never be certain, was there to be claimed.

That gold receipt was the great great grandfather of our present monetary system and it is that system with which we are here and now concerned. The originators, of that first system, did not require a gold deposit for the issuance of a certificate. The pledge of an arm and a leg would do, but they did have some gold on hand. That is more than can be said for the managers of the present system. Mostly what they have on hand are figures in a book backed by the credit of "we the people" and the assets of businesses and individuals. What they issue against these figures, bank notes and check books, is what we use for money. Now these checks and bank notes have no ability, of their own, to satisfy desire such as we could attribute to the beads, the shells, and other items of wealth afore mentioned; and because if, as such, they cannot satisfy desire it follows that, as such, they have no exchange value and lacking both these qualifications, they can by no means be wealth.

If at the end of the week you receive a pay envelope it indicates that you have produced wealth and its contents are a receipt from the payer to whom you have relinquished it. The contents, of the envelope, would be of no use to you whatever if it were not for the expectation that they would get you something more desirable than that for which they were relinquished. And what an expectation! The goldsmith could never have imagined what the money system he started would let you lay claim to. And he, perhaps, before anyone else was fully award that expectations, claims, promises, the abstractions men live by can not be confused with the tangible wealth they live with.

John J. Devoe

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It is with deep regret that we announce the death on April 14th of Mr. Frank A. Berningham, formerly a member of the Faculty of the New Jersey School.

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The school will move shortly to 78 Clinton Ave., Newark 2, N.J. In the meantime -- please change the Zone No. of 1114 Broad St. from Newark 5 to Newark 2. Mail is seriously delayed when Zone 5 is inserted.

## Polite Remarks - (With Translations)

Congradulations on your promotion. I knew you were big league. (What have you got on the boss?)

I'll be delighted to serve on the committee. (You wouldn't get away with this if I didn't owe you a favor.)

You certainly have a most interesting interpretation of economics. (What comic book have you been reading/)

Of course, Doctor, you need three cars. You've earned them thru hard work. (Wonder how much income he's forgetting to report on his tax return.)

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What the world needs is a diplomat who can satisfy the Communists without giving them what they want.

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Prosperity is the period when it is easy to borrow money to buy things which you should be able to pay for out of your own income.

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A conservative is a fellow who thinks a rich man should have a square deal.

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Sometimes a nation abolishes God, but fortunately God is more tolerant.

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Communists seem to labor under the impression that everybody wants to die poor.

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A joint checking account is one in which the wife writes the checks and the husband makes the deposits.

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Anyone who thinks there are only two sides to an argument never listened to surviving relatives of a wealthy man who failed to leave a will.

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Too many people make the mistake of saving money for their old age instead of time.

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Daffnition: Close quarters - tight money.

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Socialism becomes popular whenever hard-working, thrifty people build something worth owning, which other people want.

## Make Your Vacation Plans Now

Arrange to help celebrate the 25th Anniversary of the Henry George School.

Plan to attend as many sessions as you can of the Annual Conference which will be at Wagner College, Staten Island, July 6-13th with some sessions at New York School -and possibly final session in Newark.

Meals and lodging on the campus at very reasonable rates. Full program later.

Stimulate Your Mind
Refresh Your Spirit
Relax Your Body.

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## PICNIC

Mr. Arnold Kleiner, one of the early graduates and loyal friends of the School, and his son Sid operate "Paradise Park - in the Heart of the Hunterdon Hills, at Califon, N.J. Facilities for swimming - fishing - recreation - tables and benches outdoor dance floor' - Luncheonetter and refreshments. A date late in May or early in June is to be set aside as Henry George School Day - when friends of the school - and their families will be guests of the Kleiners. Full details will be sent to all interested - drop a post card to the school office if you would like to attend. All that Mr. Kleiner asks is how many will be present.

## Meet the Director of Boston

"My father-in-law was an old 'Single Taxer' Mr. Rusby got me to go to the Newark school about 1935", says Mitchell S. Lurio. He was one of the original incorporators of the New Jersey School and served as a Trustee until 1940. In 1950 he became Director of the Boston School. Mike's wife Lucille is a daughter of Ezra Cohen a Trustee of the New York School. A son Herbert and daughter Alice make up the Lurio family. You are doing a fine job up in Massachusetts, Mike - our best to you and the family.

The Gargoyle.

HENRY GEORGE SCHOOL of NEW JERSEY
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