

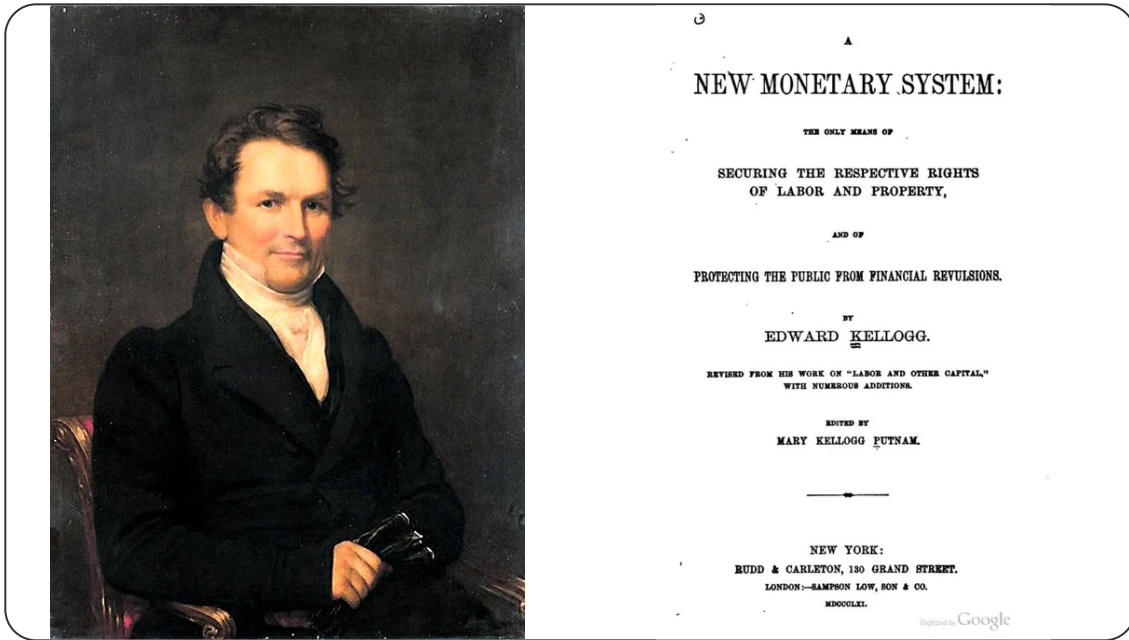
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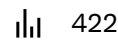


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Edward Kellogg

If any one is in doubt whether labor is the actual producer of the wealth, let him consider what would be the

situation of this or any other civilized nation, if the laborers should cease their toil for the brief term of five years, letting the earth for that period bring forth only her spontaneous productions. Let man neither sow nor reap, let manufacturing cease, commerce be suspended, and what would be the condition of our country at the end of the five years? Would not a large proportion of the people have sunk into their graves from starvation; and would not many who were living be almost naked like the barbarians? If the earth should open her chasms and spew out pure and malleable gold and silver, as plenty as the rocks in the mountains, it would afford no relief. But if she should cast out wheat, corn and vegetables, beef, pork, mutton, poultry, besides garments, houses, furniture and so forth, the people would be supplied with the means of subsistence. In such a case we might do without the labor of man. But if we had all the gold and silver money and all the paper obligations that have been made from the creation of the world to the present day, they would not be the least substitute for the productions of labor; and yet our laws make these legal instruments in the hands of the few to trample in the dust the rights of the laborer, on whom we depend for every-morsel of food that we eat,



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The injustice of the present distribution of products is still more conspicuous, when we consider that *present labor* is indispensable to human existence. Although all discoveries, inventions, and improvements, made by all previous labor, are transmitted, free of expense, to successors, yet the property, thus improved and inherited, cannot give support without *present labor*. The spontaneous productions of the earth cannot supply one-twentieth part of the population with food. Clothing can last but a few years, and buildings, unless repaired, must decay. Therefore, each generation must in the main provide its own means of subsistence. If a generation enact laws through which one-third of the succeeding

\* *Labor* signifies toil, which produces or distributes something actually useful; and this is the sense in which the term is used in this volume. When toil is directed to wrong ends, it does not deserve the name of labor.

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generation can live in luxury without labor, then the labor of the other two-thirds, besides supplying their own necessities, must also supply the wants of the first third. Although the idle rich man inherits wealth, yet he owes his present support to the labor of others.

Others must raise the grain that he consumes, manufacture cloth for his use, build his house, etc. If one-third of a generation own all the property, they have the means of supplying their wants by labor upon their own possessions; but the two-thirds who have no property, have not even the means of preserving their lives, unless the one-third allow them the use of property on which to expend their labor.



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Financial convulsions and "over-production"

In addition to this evil of greatly centralized wealth, all civilized nations are every few years visited with great revulsions in trade. Outstanding debts become unsafe, and many debtors bankrupt. There is usually an apparent overstock of goods and products, for which there is no ready market; houses will not sell or rent; manufactured goods lie in the stores and cannot be sold for the cost of making; and therefore laborers are out of employment, for why should more be produced to decrease still further the ruinous prices at which those already in market must be sold? At such periods, in our cities, one house is filled with families, one in each room from cellar to garret, and the adjoining house stands empty for want of tenants able to pay the rent. Goods are piled up in stores without sales, while great numbers of the laboring community are ragged and are begging from door to door for old clothes to shield themselves and their families from the piercing cold, and for the crumbs that fall from the tables of the rich to keep them from starving. When people look about to ascertain the cause of these things, seeing houses and stores untenanted, and great quantities of agricultural products

and manufactured goods on hand for which there appears to be no market, they generally come to the conclusion that over-production and over-trading have caused these miseries. It flies in the face of time, public measures should be taken to avert such disasters, by preventing an excess of labor. It is not strange that at the time when the amount of surplus production is a subject of national lamentation, the people who produce by their labor the very things which they need for their own use and comfort, are the ones who are often destitute of them; while a few capitalists who do little or nothing toward the production and distribution are supplied with all the comforts and luxuries of life at half, or less than half their usual price! That surplus of cotton has never remained because so over-accumulated. In 1844, nearly sixty thousand citizens of New York received the aid of public charity. All these needed additional cotton clothing. At least one-third the population of the whole country would have made a yearly purchase of five dollars' worth of additional cotton clothing, if they could have spent the money from their earnings. In one year ten millions of persons would have consumed \$60,000,000 worth of cotton clothing, in addition to the previous quantity. Cotton would then have remained a good price, and the surplus would have been consumed. If, during the years included between 1847 and 1848, the laborers in the city of New York and its vicinity, whose occupations were the building of houses, had been furnished with the work which they would have been willing to perform, they would have built a house for nearly every poor family in the city. If the unemployed laborers in the districts where the materials for building, bricks, mortar, timber, boards, nails, etc., are usually prepared, had been set at work, the materials might have been furnished, and the buildings erected and paid for by labor. The laborers,

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too, would have been much happier, for they begged for work without obtaining it, and many were dependent on public charity.

It is plain that there can be no real over-production unless a large surplus remains after all the people have been fully supplied with the necessities and comforts of life. The public cannot over-trade by distributing each year's productions among those who really need them to use. Too high prices cannot be paid for labor, unless the laborers in general actually gain more than their equitable share of the year's productions. Neither can there be an over-stock of laborers so long as thousands are suffering for want of the very articles these laborers would gladly produce, if they could be employed. There cannot be too many houses when they would be filled with tenants able to pay the rent if work could be obtained. We must look for the real cause of these calamities, not in over-production, but in the power that governs the distribution of the products.



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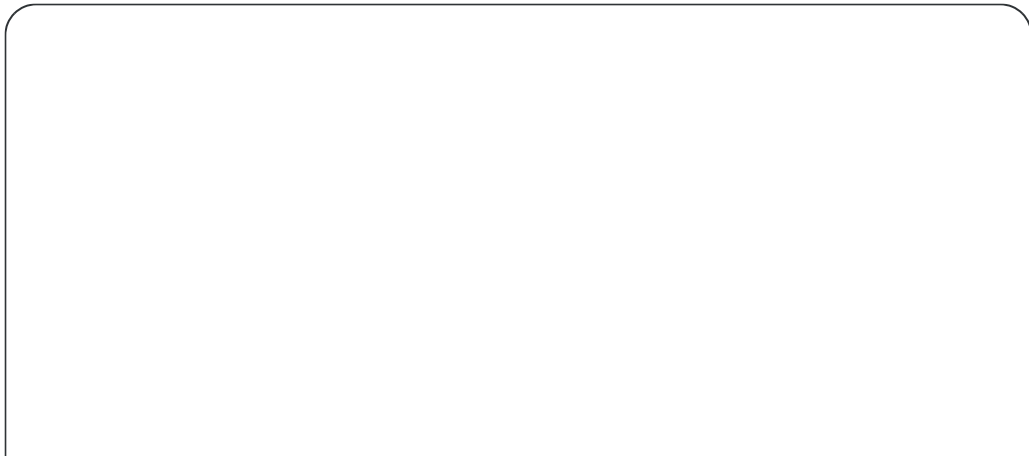
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"But a national standard of value like money, which forms the foundation of contracts,... must, if it be variable and uncertain, affect injuriously the interests of every individual, family and association, as far as the money circulates."









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Why you need money, or a STANDARD OF VALUE

A certain quantity of one kind of produce is worth as much as a certain quantity of another kind; and all civilized nations have adopted some *medium* by means of which all kinds of produce may be more easily exchanged than by direct barter. We hear it sometimes asserted that there is no need of a medium of exchange. But the articles of trade could not be divided and distributed to supply the numerous wants of a people without a representative of value through which the distribution could be made. For example, a man brings to market five hundred bushels of wheat. The purchaser tenders corn in payment; and they agree that seven hundred and fifty bushels of corn are worth as much as five hundred bushels of wheat. The seller can use but a small portion of the corn, and finds a purchaser, with whom he exchanges the surplus for hams. He disposes of the hams for hats and shoes. If he endeavor to divide the hats and shoes, and exchange them for the articles that he needs, he may spend two years before he can return to his farm to raise a second crop of wheat. Yet he is fairly dealt with. All those with whom he exchanges, give him, as nearly as possible, an equivalent of actual value for the actual value that they receive; and all the articles are such as all need. In fact, all trade is simply a barter of one useful thing for another. A person who produces more of an article than he needs

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for his own use, exchanges his surplus for the surplus articles of others. If the farmer had sold the wheat for *money*, the money would have been a tender for any other article that he wished to purchase.

The value and prices of all products are estimated by money, the legal standard of value. In making out a bill, the articles sold are set down at the prices agreed upon, extended and footed up, and they amount to so much *money*. How could contracts for various articles be made, and bills of them be made out and summed up, without money? Should it be said that a pint of Indian corn was equal to four rows of pins, and a pound of cotton to twenty needles; and, if so, must there not be a description of the quality of the pins and needles, as well as of the cotton and corn? If it should be said that ten pounds of sugar were of equal value with a boy's cap, would it not be necessary to describe the quality of the sugar, as well as the material, workmanship, and size of the cap, in order to make the contract just? A *standard of value* is manifestly indispensable to a just and convenient exchange of commodities.



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"Monetary laws are the most important that are enacted. All individuals are compelled to found their contracts for the necessities of life upon the standard fixed by law. The continual fluctuations in the value of money make a sort of gambling system of all trade."

Monetary laws are the most important that are enacted; for, by these laws, money is made the tender for debts and the medium of exchange for products. All individuals are compelled to found their contracts for the necessities of life upon the standard fixed by law. However good the intentions of the parties, their contracts will partake of the evil of the monetary laws upon which they are founded, and every law that goes to support the fulfilment of the contracts will partake of the same evil. We have laws to prohibit the fulfilment of contracts made upon certain acknowledged unjust principles. Contracts made in gambling are void in law. In gambling, each player stakes a certain sum, and all agree that the winner shall take the whole. This contract would be perfectly fair or just, if the first or fundamental

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principle were just. But the principle upon which gambling is founded is, that what one gains, others lose; for no production is made by gambling, and no equivalent is given to losers for their money. The laws make money the foundation for all business contracts. The value of this foundation is unjust and continually varying; so that parties in fulfilling their contracts are compelled to give either more or less than a just equivalent for their purchases. The results of all contracts are as varying and unjust as their foundation. The continual fluctuations in the value of money make a sort of gambling system of all trade.

For an example of the effects of variations in the value of money, suppose the bonds of the government be issued, payable in twenty years, and bearing six per cent. interest. If we had no foreign market for these bonds, and the interest on money in our own country were unalterably fixed at six per cent., the bonds would be worth exactly par, and would continue of the same value throughout the twenty years. But if the interest on money should rise to nine per cent., and to obtain a loan at that rate the best security were required, the government bonds would fall, and would not be good security for more than three-fourths of their par value. If the government issue a bond at par, and, by pressure in the money market, the holder be compelled to sell it at three-fourths of its par value to meet his engagements, the government takes, or allows others to take, one-fourth of his money, for which he no more receives an equivalent than the gambler receives an equivalent when he gambles away one-fourth of his money. The government reserves the right to coin money and regulate its value, and yet allows its value to change incessantly, and thus, by its own acts, deprives a man of a fourth of his money without rendering to him any equivalent.

Under our present monetary laws, when interest is low



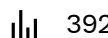
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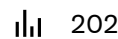


"The money of a nation, instead of being a power by which a few capitalists may monopolize the greater part of the earnings of labor, ought to be a power which should distribute products to producers, according to their labor expended in the production."

Among political economists, the nature and regulation of money appear to have been subjects of the utmost difficulty. We have no full account of its functions, and no satisfactory answer to the numerous and perplexing questions which arise concerning its value and regulation. The alternate abundance and scarcity of money, and the variations of interest, are supposed to be irremediable evils. It would seem that gold and silver coins inherently possess a mysterious power, which defies all regulation, and renders impossible a comprehensible monetary system. It is doubtless true, that while the nature of a thing is not understood, all attempts to regulate it must prove ineffectual, and legislative bodies have hitherto instituted money in a very imperfect way. The money of

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A nation, instead of being a power by which a few capitalists may monopolize the greater part of the earnings of labor, ought to be a power which *should distribute products to producers*, according to their labor expended in the production.



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"Money is the NATIONAL standard of distribution, therefore the evils inevitable upon its present institution, are NATIONAL evils, which can only be removed by the action of the general government."

Many people seem to be opposed to *innovation*. They do not consider that all improvements in the mechanical arts, or in laws, are innovations upon former things and former laws. The establishment of our republican government was an innovation upon monarchies. People do believe that changes may be made for the better, for each year they assemble legislative bodies to remodel old laws, and to make new ones. Every modification of a law is an innovation, and every new law is an innovation upon former laws. Every moral improvement is an innovation upon the previous evil. Those who talk against innovation are often great innovators. They are doing, or advocating something to improve the condition of man.

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The antiquity of laws and customs is not a proof of their excellence. In all ages, and in all nations the producing classes have been ill paid for their labor. Let us no longer recur to ancient laws and usages to uphold our unjust standard of distribution. Our producing classes are vastly more interested in knowing how the products of their own daily labor are disposed of, than in knowing how the ancients disposed of theirs. We cannot alter the evils of the past; we must set for the present and the future. Suppose a legislature enact a law which gives a certain part of their constituents great advantages over the remainder. They discover the error, and amend the law so as to operate equally upon all. The alteration is not an infringement of the rights of those who received undue advantages from the former law. It only renders justice to those previously injured. Money is as much the representative of the property of the people, as the legislature are the representatives of their constituents. Its erroneous construction and undue power have made a few rich, and have plunged thousands into poverty. They have sent hundreds to premature graves, starved the widow and the orphan, and given untold wealth to the miser. They have been the cause of incalculable moral and social evils. It is not to be understood that those who now possess the wealth are worse than others who do not possess it, or that others, if they could have obtained it, would not have appropriated it in the same manner. But one thing is certain, that an enormous and universal wrong exists, which nothing but an entire change of our laws, respecting money, can remedy. Money is the *national* standard of distribution, therefore the evils inevitable upon its present institution, are *national* evils, which can only be removed by the action of the general government.







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end of introduction

The correction and due regulation of money will make no change in the present ownership of property. The changes effected by the establishment of a sound monetary system will be gentle, immediate, gradual, sure. Only such will ensue as will naturally result from securing to the laborer a fair compensation. Its object will be to protect producers in their rights, and not to retaliate for past injuries. No agrarian distribution will be necessary, but a just standard, that will at once begin to regulate the distribution of products, so as to reward the labor performed, and which will in process of time distribute property in accordance with individual and general rights and interests. Although the bearings of money upon labor may be deemed a somewhat dry subject, yet, under its present new aspect, it is believed that it will prove deeply interesting to all classes. The patient and continuous attention of the reader is solicited to the important facts and principles now to be presented relative to the uses and abuses of money, and to the new plan to be suggested for its institution and regulation.



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money actually isn't even real

There are two kinds of value: *actual value*, and *legal value*. *Actual value* belongs to anything that inherently possesses the means of affording food, or which can be employed for clothing, shelter, or some other useful purpose, ornamental or otherwise, *without being exchanged for any other thing*.

*Legal value* belongs to anything which represents *actual value*, or *capital*. Its existence depends upon actual value. The worth of things of legal value depends upon their capability to be exchanged for things of actual value.



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Money is a public lien upon all property that is for sale in the nation.

**The power of money, like the power of a bond and mortgage, is legal. A mortgage upon a specific piece of land gives the owner of this paper instrument a right to a certain portion of the value of the land. A mortgage is a specific lien, by which one individual binds a certain portion of his property to another. A lien on property, in the technical acceptation, is a judgment recorded on the docket of a court, or a mortgage recorded in the county clerk's office. These instruments hold a right over the property of the debtor, in defiance of him, or of any other person who may have the property in possession. Money is a public lien upon all property that is for sale in the nation; and the holder of money can, at all times, procure with it the amount of property which it represents, as much as the holder of a mortgage can procure the specified amount of property upon which the mortgage is a lien. Money is, however, a lien superior to all mortgages and judgments; because, if the specified amount of money be tendered, the owner of the mortgage, or judgment, is compelled to cancel it.**



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"In the discussion of the nature of money, it will appear that its properties are, in truth, the creation of law, and entirely different from the properties of the things which it exchanges."

"Money must represent actual value — that is, the value of property or labor."





SECTION I.

THE NATURE AND PROPERTIES OF MONEY.

MONEY is the national medium of exchange for property and products. It must be instituted, and its value must be fixed by the laws of the nation, in order to make it a public tender in payment of debts. No debt can be paid with property or with individual notes, except by consent of the creditor; but when money is tendered, all creditors are compelled to receive it in full satisfaction of debts. The aim of legislation in regulating the value of money is to insure to all individuals, in making exchanges of their property for money, the full value of their products or property. Debts are postponements of the time of payment for the property or products received; and loans of money, and all rents of property, are mere rents of the use of certain amounts of legal or actual value, which use is to be paid for at the expiration of a specified period. Money is the legal tender, and must be offered and received in payment for all these debts.

Certain properties are by law given to some substance.

medium of exchange, which possesses all the qualifications necessary to effect a just exchange of property. In the discussion of the nature of money, it will appear that its properties are, in truth, the creation of law, and entirely different from the properties of the things which it exchanges.

Money has four properties or powers, viz.: *power to represent value, power to measure value, power to accumulate value by interest, and power to exchange value.* These properties are co-essential to a medium of exchange: it is impossible that any one of them should exist in such a medium independently of the others. The material of money is a *legalized agent*, employed to express these powers, and render them available in trade. The powers of money, which alone render it useful, are created by legislation; therefore, money can possess none but legal value. As all legal value depends upon the actual value which it holds or represents, money must represent actual value—that is, the value of property or



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But if the nation should be annihilated, and the ambassador should reach his destination in safety, he would cease to be a representative: he would have nothing to represent.

SECTION II.

THE POWER OF MONEY TO REPRESENT VALUE.

Money must be a *legal representative* of property, for it is impossible to find any light and portable material possessing the requisite inherent value to equal and balance the value of the property and products to be exchanged. The real value is in the property and products, and the money is only the legal medium by which this value is represented and by which exchanges of the property and products are made.

Every representative is distinct from the thing which it represents; and its presence implies the absence of the thing represented. A representative has power to act for, or in lieu of something else. The power to represent

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is always independent of the actual or inherent power of the representative, in its expenditure and disposal, and ceases when the original exhibition and quality of the agent. Delegated authority gives the agent, the person or thing, power over other persons or things, which, with nearly his natural capabilities, he cannot possess. Acting for himself alone, his acts are all individual, and incapable of binding any but himself. For instance, he cannot give a vote, hold or deed, which will bind others, or the property of others, unless the power be expressly delegated to him. Many representatives are given a vote or hold binding the property of the people or the nation. The authority given the delegate or other his capabilities as an individual; it is separated to his natural endowment. An ambassador represents our nation as a foreign agent. If he be lost at sea, the nation loses but one individual, although he represents and acts for thirty millions. But if the nation should be annihilated, and the ambassador should reach his destination in safety, he would cease to be a representative; he would have nothing to represent. He would, however, possess all his powers as an individual—he would have only his delegated authority as a representative. A representative to Congress is chosen by the people, and is empowered to act for or in lieu of them. Still it is not possible that he possesses so much knowledge and skill as all his constituents. They are farmers, mechanics, manufacturers, and merchants. Of many of the arts with which they are familiar, the members of Congress are ignorant. He is their representative to do a specific purpose—*e. g.*, to make laws to govern the people. He has a moral perception of justice, and this fits him to be their representative in making laws. Money is a medium to facilitate the exchange of products. To be capable of effecting this exchange, it must be authorized

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with a legal power to represent actual value; for it possesses no inherent quality which makes it equivalent to products or labor more than the representative in Congress possesses all the knowledge and abilities of his constituents. It holds for the time being in lieu of property; we cannot own it as property, and if we wish to use actual property we must obtain it by giving the legal representative, money, in exchange for it. A representative in Congress has the sole authority to act for us, and the people think the representative our natural agent, our voice in making the laws which he helps to enact; but the laws which he helps to enact have a binding force on the conditions and terms. So if money, when it is made a representative of value it creates and determines the value of labor and property, while there here no power to control and regulate the value of the money. The money is the only thing tendered for debts, and all property and labor are as powerless to discharge an obligation as the conditions of a representative are to act in Congress after they have delegated their power to that assembly. The representative of value should no more have power to accumulate property in the hands of a few than the representative of the people should be allowed to legislate for the benefit of a few of the conditions. Such are mere representatives, endowed with powers for specific purposes; the former to exchange products, the latter to enact laws. The preceding claims direct and support the members of Congress, who are bound to make laws for the equal benefit of the people. The people also furnish the material of money and the property which it represents; and the representative of value should be such as to coincide in the highest degree to their wishes.



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The difference between money and bread

It is a popular error that the value of money depends upon the *material* of which it is made. As this misconception of the nature of money is of long standing, we shall endeavor to point out its inconsistency, in connection with each property of money. The value of money perpetually depends upon its power to represent value, and not upon its material, because money never reaches a point at which it can be used as an article of actual value. Suppose twenty-six individuals owe \$100 each,

borrow from a bank a bank-note for \$100 and pay it to B., B. pays it to C., C. to D., and so on, until it passes down to Z., who owes and pays it to the bank from which A. borrowed it. The same bank-bill pays twenty-six debts, and in the evening is in the ownership, and possession of the same bank as in the morning. Suppose that, instead of money, each of the twenty-six persons owes in the same order a loaf of bread, and each must have the loaf to use on the specified day or suffer from hunger. In the morning A. goes to a baker, borrows a loaf and pays it to B., B. pays it to C., C. to D., and so on through the alphabet to Z., who pays it over to the baker. The money in passing through this routine answers every man's purpose, and in meeting the contract fulfils the function for which money is designed, but the bread does not fulfil the purpose for which bread is designed, nor can a single loaf short of twenty-six answer

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There's no Washington in that...

