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Roosevelt Dollars, 1938

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ROOSEVELT DOLLARS

A principal preoccupation of the New Deal administration is tossing our dollars about. It contrives to give various groups of farmers more dollars, for their comfort and to increase their purchasing power. On similar grounds, it would have more dollars paid wage-earners. It would redistribute the national wealth and income,--in dollars. It would give, or cause to be paid, more dollars to "the underprivileged third" of the nation, to increase their comfort and purchasing power. It safeguards, up to a certain sum, dollar deposits in banks. It lends dollars right and left. It shows anxiety for the dollar solvency of some businesses. It would relax the requirements of bank examiners to encourage the flow of dollars. It would have dollars extraordinarily numerous. It takes in in taxes an incredible number of dollars. And it has borrowed dollars up to dreamland digits.

Now a dollar is just a token. It is a requisition in return for which, on presentation in the market, there will be given some fraction of the available supply of the national wealth. The size of that fraction (which is all the dollar is worth to its possessor) depends on the amount of the available national wealth at the time. Just now that wealth is relatively small, because production of wealth is low and is diminishing. Work, capital investment, and thrift afford the only way to wealth. All three have been discouraged by the New Deal.

How much a dollar will buy depends also upon whether dollars are scarce or numerous; or, more exactly, upon whether many dollars or few dollars are being presented in the market in exchange for goods. Conceive of an immense bowl containing all the food, clothing, and other things that people want that have been produced for sale at the moment. Evidently the more the bowl contains, the greater the share each dollar could command. Suppose there existed only $100. Then each dollar, if presented in exchange, would be a claim to one one-hundredth part of the contents of the bowl. If there were $300., and all were presented in exchange for goods, then it would require three dollars to buy a one hundredth share of the bowl's contents. In other words, everybody's dollar would buy only one-third as much as before. If there existed $300., but only $100. of them were presented to claim a share of the wealth, while the other $200. remained idle in the bank, then the share each dollar might draw from the bowl would remain about the same as if the idle $200. did not exist. But so soon as the idle dollars got busy, the amount each dollar could draw from the bowl would fall towards a three hundredth instead of a one hundredth share. Put another way, prices would have trippled. That is inflation. When it occurred in Germany, the value of the German mark of that time actually went to zero, never to return. And with it went to zero all the savings and incomes, large or small, that were payable in that mark. Towards the end, big sums were paid for any tangible object of the slightest value. At the end, all the money in Germany was not worth a loaf of bread.

Government monkeying with money makes no wealth for anyone. It may make more "money" that a government in power can use to keep itself in power; and when it makes more "money", to that extent it reduces the value (i.e. purchasing power) of whatever money anyone receives. The only way to make more wealth is to increase production of goods, services, and instrumentalities for producing wealth. These alone fill up the bowl pictured as containing the national wealth and income. If we have all the money there is, if that bowl is empty, we starve. If we have too much money circulating in proportion to the wealth in the bowl, we have seen that prices will be too high. Correspondingly, it is true that if we have too little money circulating, in proportion to the contents of the bowl, prices will be low. Low prices will embarrass some producers; but every single person who receives a dollar, will profit by getting more for his money. Since every person is a consumer of vastly more kinds of things than those he produces, low prices, i.e. getting one's money's worth, is best for everyone. Excessive dollar wages, like excessive taxes and any other excessive charges, make excessive costs of production, and therefore excessive prices. These entirely defeat the purpose of a better living for wage-earners and the people at large.

And what is this dollar that the New Deal treats as the source rather than the mere symbol of wealth; that it would distribute widely; that it would use to juggle our prices up and down; that it finds such a convenient weapon in its campaign to keep itself in power at any cost to the nation? It is a promise to pay another promise to pay, based mostly on other promises to pay. To pay what? Why, promises to pay. Examine the money in your pocketbook, if you are lucky enough to have any in it. Possibly you have a silver dollar and some smaller silver coins. None of them contains silver enough to be worth the money it represents. The rest is alloy. You are not allowed to possess any gold coins, nor even certificates redeemable in gold. You have some certificates redeemable in silver dollars. You have other pieces of paper redeemable in "lawful money of the United States". Federal reserve notes, bank notes,--all are just pieces of paper, for which you can get only other pieces of paper.

Except for some silver coins the metal in which has a market value ~~very far~~ below their conventional value, we have, so far as

American citizens are concerned, nothing but an irredeemable paper currency. It would conform to the facts to give up the time-honored "promise to pay" and instead just to stamp the piece of paper, "THIS IS A DOLLAR". Our money has a theoretical backing of 40% gold; but, since we are not allowed to get the gold, as security it is as good as a mortgage that it is forbidden to foreclose. The rest is almost entirely debt,--government promises to pay that very indefinite thing, the dollar of today. The vast gold stocks hoarded by our government can serve to balance international payments, if and when we are debtors on balance in our foreign trade and financial relations with the rest of the world. Their building up has boomed the 80% foreign gold-mining industry. They afford a medium for foreign exchange speculation. At present, they are of no use to us within our own country.

In the "horse and buggy" days, and indeed throughout human history since money took the place of barter, gold and silver were money because they were conveniently compact and divisible and were less fluctuating in supply than any other suitable commodities. When money, representing the savings from past labor, had to be idle for a while, metallic money afforded a fairly safe storage for it. Paper money was redeemable in precious metal. For decades before the New Deal, it was redeemable in gold. And paper money was "backed" by a goodly proportion of gold and, for the rest, by commercial paper representing real wealth in production or in transit; wealth fully worth the money it represented and automatically creating its face value in money with the maturity of the commercial paper. All that was real money, with real wealth behind it, and redeemable in a precious metal.

① Moreover, if all the rest of the world abandoned the gold standard, our ~~costly~~ hoard of gold would be good for nothing but wedding rings and tooth fillings

Some day, by agreement between Great Britain and the United States, sterling and the dollar, there will be a return to something like the old money; and "managed money" will be largely forgotten. In the meantime, as we see, our American dollars have none but a scarcity value. They have this because the "dollar" is the customary medium of exchange, and because only the government and those authorized by it have the right to issue "money". We see that the value of the dollar (which is only what it will buy) is entirely at the mercy of New Deal whims or theories or interests. It is curious to see Mr. Roosevelt's administration leaning so heavily upon the dollar as the chief instrument of its economic, social, and political policies. For, at the same time, by profligate spending, unbalanced budgets, waste of capital, and other inflationary measures, it works for the destruction of the very dollar it so leans upon. Those on relief, and all others so eager for dollars, will do well to realize that these dollars, so managed, may easily evaporate to nothingness in their hands. The laws of economics cannot be talked away. Work, capital investment, and thrift are still the only means to prosperity.