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DIALOGUE

UNCLE SAM & BROTHER JONATHAN. {72}

By DANIEL DE LEON

BROTHER JONATHAN—The platform adopted by the Kansas Populists on last June 13 declares that the free coinage of silver at the ratio of 16 to 1 means much to the wage-earners.

UNCLE SAM—So it does; it means much to them; it means their ruination a good deal faster than it is going on now.

B.J.—You don't say so! Explain that to me!

U.S.—We talked upon this money question a few weeks ago—

B.J.—And you agreed to show me how the workers would not be benefited by a flood of fiat money.

U.S.—I propose to do better than that; I shall show you how the workers would suffer greatly, while the small producer or debtor would, for a little while, have a picnic.

B.J.—That's about what you said and what I would like to understand.

U.S.—Do you remember the two points we settled that day?

B.J.—I remember three points—

U.S.—Which was the third?

B.J.—That I lost my wager about the cider.

U.S.—Right you are. Now, let me recall the other two.

B.J.—I would prefer to state them myself, to see whether I got it straight now.

U.S.—Very well.

B.J.—Money has two functions—



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U.S.—Two distinct and well marked functions.

B.J.—One function is to pay debts, another function is to serve as a medium of exchange or a standard of value.

U.S.—Correct. I think I shall let you loose among the Populists; they will be able to learn something from you.

B.J.—Quit your fooling; I am very earnest about this.

U.S.—I am glad to hear that.

B.J.—When money is used to pay debts its value depends upon “the picture on the coin.”

U.S.—You got it!

B.J.—But when money is used as a circulating medium, or medium of exchange, then its value does not depend upon the “picture.”

U.S.—Or no dozen pictures.

B.J.—Then its value depends substantially, like the value of steel rails, sardines, carrots or toothpicks, upon the quantity of human labor that may be needed to reproduce it.

U.S.—That’s it!

B.J.—Or, to put it another way, money as a means to pay debts has a fiat value, it is legal tender, its value is established by what the Government may say. If the Government says the tip of a pig’s tail, with a certain Government mark upon it, is an American \$20 piece—

U.S.—An American \$20 piece it is.

B.J.—Yes; but money used as a medium of exchange is not taken at its word, so to speak.

U.S.—That’s cleverly put.

B.J.—There is no legal tender about it; it must have the value it purports or it may and will be rejected in exchange; for the same reason that no one would, under ordinary conditions, exchange a load of hay worth \$1 for a carrot worth a fraction of a cent, would he exchange that load of hay worth \$1 for a coin worth half a dollar.

U.S.—You certainly got the thing now straight as a die.

B.J.—Now proceed to show me how purely fiat money, that is to say, money with a

legal tender value higher than its exchange value, would hurt the workers.

U.S.—Your definition of purely fiat money is excellent. A certain coin may be worth 100 cents, and say so. In that case the fiat tallies with the actual value; the legal tender and the exchange value are identical. The coin cannot be said to be purely fiat, but a coin worth 50 cents in exchange value with the Government fiat of 100 is purely fiat. Its legal tender value does not tally, but is inferior to its exchange value.

B.J.—Now proceed.

U.S.—Before I proceed, there is one more point we must fully realize.

B.J.—Which?

U.S.—By reason of all we have said it follows that one and the same coin may actually have two very different values.

B.J.—W-h-a-t?

U.S.—A coin worth an exchange value of 50 cents, but with the Government fiat of 100 stamped on it.

B.J.—Yes, yes; right you are. That identical coin, when used in payment of a debt may cancel a debt of 100 cents, but when used in exchange, that is to say in purchase and sale, it will fetch only 50 cents' worth of goods.

U.S.—Now we are ready to tackle the point that the wage earner would suffer by purely fiat money.

B.J.—Let us straight at it!

U.S.—Suppose a farm hand offers his services to a farmer, or a mill hand to a boss, and the farmer or mill boss agrees with the farm hand or mill hand to pay him \$1 a day, what is meant by that?

B.J.—What is meant is as clear as the nose on your face.

U.S.—It means, does it not, that the wage worker in this case needs 100 cents to feed, clothe and house himself. Let us make the case clear and think only of food. It means, we shall say, that he needs 100 cents' worth of bread, meat, sugar and potatoes to live on.

B.J.—Agreed.

U.S.—When the farmer or the mill boss and the applicant for work say “\$1,” what is it they do?

B.J. (brightening up)—They use technical language. Instead of saying: “This wage earner needs so much bread, meat, sugar and potatoes to live on,” they condense the whole sentence into this: “This wage earner needs \$1 to live on.”

U.S.—Now, suppose the Government stamps a fiat value of 100 cents on a piece of metal worth in exchange only 50 cents, calls that thing “\$1,” and loans one morning to our farmer or our mill boss five hundred of these things as a mortgage on their land. On the evening of that morning the wage earner is paid as usual, and he is given one of those things called “\$1.” Has he got 100 cents of exchange value?

B.J.—Hem!

U.S.—He goes to the groceryman and butcher for 100 cents’ worth of stuff as usual. Can he get that 100 cents’ worth of stuff as usual?

B.J.—Not much!

U.S.—The trader will refuse to take that thing for 100 cents?

B.J.—Most assuredly!

U.S.—He will give him for it only 50 cents worth of stuff?

B.J.—Exactly.

U.S.—Why?

B.J.—Because in that transaction money figures only as a medium of exchange.

U.S.—Another question. When the farmer or the mill hand handed over to the wage-earner on that evening that thing called “\$1,” could the wage-earner refuse to accept payment and claim two of those things on the ground that each was worth only half the wages agreed upon?

B.J.—Hem! N—o!

U.S.—Why?

B.J.—Because when his employer pays him his wages money figures as means of payment.

U.S.—As legal tender?

B.J.—Exactly!

U.S.—Now, do you see the fix that wage-earner would be in? He would be compelled to accept, because given in payment, a coin of purely fiat value, and when he turns around to buy goods with that selfsame coin he must rest satisfied with one-half

what he got before, because, in buying, his money figures as a medium of exchange.

B.J.—Let him strike for higher wages!

U.S.—Strike, when there are three men to every job, and with the police and militia in the hands of the bosses?

B.J.—No; striking would bring little aid.

U.S.—Now, then, the present ratio of silver to gold in exchange is nearer to 32 to 1. A bit of silver called “\$1” coined at the ratio of 16 to 1 would have a value in {ex}change of only about 50 cents!

B.J. (Striking his clenched fist violently on the palm of his left hand)—Why, that 16 to 1 game is the darnedest skin game on the workers ever schemed!

Transcribed and edited by Robert Bills for the official Web site of the Socialist Labor Party of America.

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