

À

MONEY AND CURRENCY

IN RELATION TO INDUSTRY,
PRICES, AND THE RATE
OF INTEREST

BY

JOSEPH FRENCH JOHNSON

PROFESSOR OF POLITICAL ECONOMY IN NEW YORK UNIVERSITY
AND DEAN OF THE SCHOOL OF COMMERCE,
ACCOUNTS, AND FINANCE

REVISED EDITION

GINN AND COMPANY

BOSTON · NEW YORK · CHICAGO · LONDON

TO
MY FRIEND
HERMANN HENRY KOHLSAAT
A STANCH FRIEND
OF
SOUND MONEY

PREFACE

There are so many books upon money that the author of a new one needs to offer a word of justification. This book differs from others in several important respects. While it is intended to be a complete exposition of the science of money, aiming its appeal at the understanding rather than at the prejudices of men, its unique characteristics, if it possess any, will be found in the deep practical significance it discovers in the phenomena of price, in its analysis of the demand for money, in its exposition of credit as related to prices and the rate of interest, and in the clearness it gives to the concepts of commodity money, fiat money, and credit money.

This book deals with money as an independent economic entity, and seeks to bring out the fact that "price" in the world of business is a more important word than "value." Economists have too generally assumed that money, being only a medium of exchange, can be left out of calculation in a scientific explanation of the phenomena of production and consumption. They reduce trade to terms of barter, assuming that men work for goods and that they exchange goods for goods. Money cannot thus be set aside. It is itself an economic good, one of the most important in the entire list; and changes in its value exert a powerful influence on the production and distribution of wealth. Indeed, the welfare of society is influenced more by changes in its value than by changes in the value of any other commodity. As is pointed out in Chapter VI, the maladjustment of prices caused by a change of relation between the money demand and the money supply is equivalent to a new alignment of values. As a result, the markets for goods are