# CHAPTER XIV

## THE STANDARD OF VALUE

(*Note:* In this chapter there is presented the substance of an address delivered by the author in February, 1920, before the Commonwealth Club of California. He was at that time President of the Club.)

During the world war and the years immediately following, it was brought home to millions of people in this country and abroad, that there is something radically wrong with the functioning of the generally approved and accepted monetary systems of all civilized countries. The rapid decline of the purchasing power of the money unit, whether the same is called pound, dollar, franc, lire, mark, ruble or yen, has been one of the immediate results of the world war. This has set the masses to wondering and to thinking. They are astounded at the sudden very considerable shrinkage in the value of long-time credits and the country's best thought is directed toward finding a remedy. Credits in the sense in which here used should be considered to mean the right to obtain a specified, definite sum of money at some future time. There has been shrinkage of the real value, not only of the bond which was bought before the war, its value being measured by the desirable things which the money which it commands will buy, but also, in every wage and salary which was not increased in full correspondence with the increase in the cost of living. When employment is accepted at an agreed wage or salary it is ordinarily understood that the wage or salary will continue either for a fixed term or for an indefinite time in the future. In either case time is an element which enters into the transaction, and whenever any considerable length of time must elapse before the transaction is complete the parties thereto are, in a sense, speculating. They stand to gain or lose in direct proportion to the change in the purchasing power of the dollar (the dollar representing any money unit) during the time involved in the transaction.