STANDARD MONEY IN VICTOR JINGA'S OPINION

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The author of this article has aimed to analyse Victor Jinga's opinion on currency or on standard money, with respect to the importance he gave to the stability of the buying power of the currency and especially to the source of this stability.

Keywords: standard money, buying power, paper money, stability

JEL code: A10

Victor Jinga's fundamental work about money entitled **Moneda şi problemele ei contemporane (Currency and its current problems)** was published in Cluj-Napoca in two volumes at Dacia Publishing House in 1981. The following ideas spring, generally, from this work. Jinga also has other works about money but I considered that, in its size and content, and considering the author's age at the time of publishing, this work practically reflects his overall view upon money, a view established after a long and mature experience. Thus, as the title of this article states, what we assume to find out and present in this article is Jinga's view upon money, as it transpires from this fundamental work and, of course, the way we managed to grasp it. The task has not been an easy one because Jinga's book is quite big; it is also particularly complex, maybe even slightly complicated and highly illustrated with quotations and references; some several times (e.g. paragraph one page 114 and paragraph two page147; or, Nogaro's quote page 188 and the same idea presented without reference on pages 76-77) and others contradictory indeed; without any comment, any argument or any evaluation from Jinga; he plainly exposes them and the readers can help themselves with whatever they like. Indeed, the literature consulted by Jinga for elaborating this work is really impressive.
Before moving forward we need to state that Victor Jinga prefers the word currency instead of the word money and we believe him to be right in doing so because in this work he is primarily preoccupied by the state and the evolution of the buying power of the currency. Indeed, understanding the essence of money boils down to understanding the essence of the currency, respectively of the monetary unit or the standard money. Thus, what does money or the currency look like in Victor Jinga's view?
The first thing that drives our attention is Jinga's insistence on the stability of the buying power of the monetary unit, an idea presented along the entire work "an essential quality of the currency –Jinga states on page 108, volume I – is the stability of the of its buying power; having this quality – he continues – a currency is considered 'healthy'. Its stable buying power – Jinga says – means stable prices." Hence, it is only by prices, by their static or dynamic nature that we realize what happens to the buying power of the monetary unit. On the other hand Jinga claims that "stability does not mean immobility … the ocean does not rest at all – he argues – but in the vastness of its bed it is stable" (page182 volume I). Finally, to close one idea, let's give another quotation: "any attempt to 'stabilize' the buying power of the currency is useless. As long as the economic organism is alive – Jinga goes on –, nothing stays the same; obviously, the succession of instabilities should not exceed a certain average line" (page 148 volume I). As we can note, it takes a lot of attention to interpret Jinga's thoughts as his statements are sometimes contradictory; at least apparently because the last part of the quotation, the part with "average line" shows though that Jinga is consistent. At the same time, regarding his ideas about inflation as well –

which we widely dealt with in another work (2) – we reach the conclusion that the stability of the buying power of the currency remains a constant of his thinking.

Another idea, as important as the former one and closely connected to it, is represented by the **source** of the stability of the buying power of the monetary unit. Where does this stability derive from and what does it assure or what **can** it assure? The problem is the more important as in real life we can notice that the stability of the buying power of money is more of an illusion, a fiction. On the other hand, the lack of stability most commonly manifesting in the form of inflation, sometimes raging, has disastrous consequences on the economic activity, being able to trigger even crises – as Rothbard states (3) – and a strong redistribution of the population's buying power against those with relatively constant incomes like budgeteers and especially retired people (4); as Jinga claims also. Consequently, lack of stability (of course relative stability, as professor Jinga accurately saw it) can generate great social inequities (in fact, that's what it does), with extremely serious consequences on people's participation to the economic life and so on the results obtained. Given these reasons, especially in the pages covering inflation, Jinga vehemently argues it and with scientific and convincing arguments. Thus, which is the source of the stability of the buying power of the monetary unit in Victor Jinga's opinion?

While going through the pages of Jinga's book I got increasingly curious even more as Murray N. Rothbard, the author of a recent work on money work of money to which I have referred to, relates this stability to the material the money is or, more precisely was, made of (gold or silver) and to the taking of the monopoly of coin manufacturing or monetary issue from the state and giving this activity to the private sector (3). At contrast, Jinga claims from the very beginning of his work and all along it that the link between money and precious metals has broken, has deteriorated and, at any rate, it does no longer present any importance currently, except perhaps in foreign trade for a given time. Why is that? Because, Jinga says, "Gold is – even when monetized – a merchandise as well, whose price fluctuates and thus cannot be a stable reference element, an essential feature for the currency in order to fulfil its role of general equivalent" (page 86, volume I). A few pages on, Jinga states again: "Previous standards have been and are based, more or less, on gold. So, monetary stability, the stability of the standards are dependent on the stability of the value of gold. We are aware how fluctuant this value has been for the last 150 years. A healthy currency, though, – Jinga goes on – doesn't have to be necessarily a golden coin but a coin with a constant buying power" (page 180 volume I); "a perfect standard – Jinga had written a bit earlier – supposes theoretically a stabile price of gold, stability practically unattainable" (page 83, volume I).

Constantly rising, along the book, against the gold standard, Jinga states at a point the following: "this standard claims a large quantity of gold whilst gold is so little, which triggers price reduction and bad trade (page 187, volume I). Incidentally – Jinga says – "Gold is not only little (…) but also wrongly distributed among the various nations" (page 87-88, volume I). Seeing these statements of Jinga's thinking, a few questions occurred to me. I wonder if the instability of gold value on the world market has been and is greater than instability of the buying power of the banknotes of the various countries from the moment of their complete abandon of the standard. The information we have about the price of gold on the world market, at least for the past 50 years, makes us believe it hasn't and it isn't. In this respect, let us consider what had happened to the Romanian currency since 1990 and by the time of its replacement with the current money; or to the US dollars after 1965 or, finally, to the German mark before Hitler's coming to power. Since 1991, since I observe even more carefully the evolution of the price of gold on the world market, this price has slightly and almost constantly increased, even more pronounced since the crisis began; perhaps because, as mass-media state, the demand for it has increased steeply in the time of crisis. This means that, in fact, the dollar devalued and not necessarily, as Jinga believed that the gold increased in value. As a matter of fact, at a point, Jinga stated in his usual note quoting an indirect source without commenting it: "It is not that gold increased in price, but the dollar that depreciated as compared to gold" (page109, volume 1).

I also wondered if the stability of the buying power of the banknotes is bigger from the moment of the abandoning of the gold standard, than it was before, when currencies were defined by reference to gold and were, at the same time, convertible into gold. Without deep search into the matter I would, however, think not. This opinion is based both on information rather inconstant, as those which we mentioned above were, and on logic; but especially on certain works of specialty as the book of the American economist we talked about.

As for the other reasons that Jinga considered to be at the basis of renunciation to gold as a base for stability of the buying power of the currency, such as 'littleness' and the gold's "inequitable distribution among nations", we have to say for very beginning that these are not sufficiently serious grounds to support this. First of all, because as the 'littleness of the gold' is concerned there is this principle of the Romanian peasant or, at any rate, of the Transylvanian one, that works properly, principle stating "if there is a lot, it will be used, if there is little, it will do"; be gold as little as it may, it is always enough as means of exchange, because the buying power of monetary unit grows proportionally to the decrease of the quantity of gold. In what its distribution among various nations is concerned, this depends on the competitiveness of the products of different countries and the customs duties system which both are at each country's determination. On the other hand, the dollars or euros, as paper money are particularly concentrated in a few countries, even though, at a world level, they are plenty (perhaps too many). Otherwise, Romania wouldn't have recently had to borrow almost 20 billion dollars or euros from the international institutions, while the USA didn't borrow any, though facing difficulties derived from the crisis, difficulties maybe even bigger than in Romania.

Thus, Jinga does not regret the abandon of the relation between paper money and gold, but on the contrary. But then, however, what is the source of the stability of the buying power of the monetary unit that Jinga, perfectly correctly, considers a sine qua non condition of the monetary health? However strange it may seem, this source is, in Jinga's opinion, the state: "Currency is currency - Victor Jinga writes - because this is what the state decides, and those that use it ratify this decision; can they do differently?" Jinga asks rhetorically (page 28).

A few pages further, Jinga argues again: "The socialist economy has vast and varied opportunities to socially plan and manage; it assures as many premises that favour a firm control of the monetary phenomenon and of the monetary stability" (page 32). Drawing a comparison between money and ordinary goods, especially as some economists argue that money itself is originally a merchandise like all the others, Victor Jinga argues: "The goods bear nothing more than the mark of their quality, it is not conditioned by laws and rules, it is not charged with certain forms and contents, while the currency has an established figure, is manufactured according to strict legal advice, it has the approval and guarantee of the state or of an issuing institute." (page 35, volume 1). All these statements of Jinga and, of course, many others in his work on money, which underlie our views, demonstrate that, from his point of view, the state's institutions are, or should be, the source of monetary stability.

We should not be misled into thinking that for Jinga the state's institutions have already solved the problem of the stability of the buying power of the monetary unit; not even in the former socialist countries at that time. Still, we must admit, the stability of the buying power of money in these countries was, however, much bigger than it was in the Western capitalist countries, as professor Jinga very properly appreciated, or bigger than it is nowadays in Romania or in other countries. Jinga thinks the state can and must assure the stability of paper money and, for that, it is not necessary that paper money are related to gold and defined by reference to the yellow metal. He even expresses his hope that sooner or later the world states will agree even on global paper money which would be stable and would allow international exchange without any disturbances or, at any rate, without the disturbances common to the previous decades. "We could also note - Victor Jinga writes - that only an entirely superior organization of the human society could at a point establish and accept a non-metallic universal currency, bearing the approval and under the authority of a great monetary board unanimously acknowledged. (page 141, volume 1)

Unlike Jinga, Murray N. Rothbard, we previously referred to, does not trust at all the state's institutions, which historically have proved incapable or, better said, subjective and unfair in intentions, using the money to redistribute incomes in favour of their interests groups and, consequently, he hopes in a stable currency, as aforementioned, by readopting gold and silver coins, or gold only, manufactured by the private sector with no interference from the state. As we know, in the period 1990-1993, the American economist of Romanian origin Anghel Rugină came to Romania with high hopes and a proposition to put into circulation silver money instead of paper money. Vain hopes, because Romanian politicians did not pay much attention, but out of conventional courtesy. As well known, Rugină published a book in Romania in which he supports his ideas (5). He there pleads for returning to precious metals money or, at least, to compulsorily cover paper money, a 100 percent, in precious metals or, otherwise, completing with stocks of certain goods which can be stored for a long period of time. The reason - a bigger financial discipline of the state institutions. As we know, there isn't currently anywhere in the civilized world and, of course, neither in Romania, sufficient financial discipline or gold coverage of paper money.

Victor Jinga knew, of course, Rugină's ideas, but would not agree with them: "A. N. Rugină firmly assimilated the idea of monetary gold standard - Jinga writes – considering it the only one capable of bringing a sense of order in the difficulties created by the contradictory and controversial monetary experiments in the recent decades (…) And this option can be considered a prejudice as well, in favour of gold this time." (page 63, volume 1)

As we can note, in literature of specialty there appeared finally two directions concerning the monetary phenomenon: one, being led by prestigious names as Anghel Rugină, Murray N. Rothbard, J. G. Hulsmann, Ludwig von Mises etc., who relate the stability of the buying power of the monetary unit either to the manufacturing of money from precious metals in the private sector or, at least, to the obligativity for the state to entirely cover the paper money in precious metals or, in other words, to the limitation of paper money issuance to silver and gold stocks or to gold stocks only compulsorily constituted at the state's disposal; the other, supported by prestigious economists again, such as J. M. Keynes, for instance, Roy Harrod, Milton Friedman, Paul A. Samuelson or Victor Jinga who hope the states institutions shall stabilize the buying power of the monetary unit. The latter consider it may be obsolete to maintain a connection between paper money and the yellow metal, in modern times; let alone their manufacturing of gold and silver. Which of the two groups is right?

With no presumption to have thoroughly established a position towards this dispute, we can notice that, if we follow the evolution of the stability of the buying power of money, as it develops or, more precisely, as paper money move away from the metals it was initially manufactured of, we tend to be in favour of first group. Indeed, instability of paper money has increased over time, as the link between it and the yellow metal has been broken. As Jinga says: "In the past, inflation was a singular phenomenon, even accidental, while today, in the capitalist world, it has become an ordinary and almost generalized fact." (page199, volume 1). A return to the precious metal seems, therefore, a return to peace and more monetary stability. But if we think that in order to return to the gold and silver money or to the free manufacturing in the private sector of gold and silver coin or, at least, to the obligation of the state to cover the paper money in these precious metals, we must somehow grab these rights from the hands of the state, which, as we can realize, will not willingly agree to it, then it seems quite as easy to force the state's institutions into being more careful and more accurate, into taking care that the paper money should maintain its buying power as stable as possible. The former socialist countries have demonstrated that this is possible. It is true, though, that we cannot point out or evaluate, at this moment, what economic and social consequences this could bring about. Therefore, Victor Jinga seems to be right.

On the other hand, while the return to the gold and silver coins and to freely manufacturing them in the private sector involves a single dispute with the state's institutions (if successful, of course), the pressure exerted by the civil society upon state's institutions, in order to force them to maintain the buying power of the monetary unit as stable as possible in the case of paper money, even with coverage, should be permanent and, therefore, much more difficult. Still, a return to the past seems almost impossible. Jinga claims, even from the first pages of his book, that money means power as well. He gives plenty of references regarding this idea, accepting them without any comment. Indeed, today money in the government's hands also means an instrument of economic policy, inclusively or especially at an international level. The devaluation or revaluation of one country's money in relation to other currencies represents a means of stimulating or inhibiting exports and imports (as appropriate) in order to equilibrate the balance of payments or to temporise its disequilibrium. To deprive state of this lever means, under current circumstances, to let economy function according to monetary decisions of other states, which cannot be an advantage for the country in question. Of course, if all countries in the world simultaneously embraced paper money instead of precious metals money or the obligation of entire coverage of paper money in these metals then we could talk about a triumphal return to the past. But who would do that? And how? A country nowadays embracing by itself gold and/or silver coins could well end up without them, overnight, unless having forbidden their taking out of the country. But in the latter case, the country would have big problems with international trade. Therefore, Rugină had no chance with his proposition back in the '90s. In fact, in old times, when money was made of gold and silver, kings and emperors often withdrew from circulation a part of the money (as much as they could) and remelted the coins, only to put them back into circulation with a lower precious metal content, though. In other words, with a lower buying power. This argument also supports Jinga's opinion. Nowadays, the world economies are so closely connected to one another that we can only proceed together; either towards better or to the final disaster.

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