A Scientific Exposure

of the

Errors in Our Monetary System.

a new chapter in political economy

by

Mrs. Mary E. Hobart

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The most fundamental and important truths in relation to the nature of money,
have always been so covered up by the technicalities of law as completely to deceive
the people respecting its true character, *******

Notwithstanding this mystification about money, its true character and power are very simple,
and need only to be clearly and fairly stated to meet the approval of the common mind;
—Kellogg

Seattle, Washington
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PREFACE

Kind reader, before perusing this little work, you are earnestly requested to lay aside all prejudice and preconceived ideas, and examine the facts and demonstrations herein set forth in the spirit of a truth seeker.

The subject of money has for so many centuries been surrounded by complexities and superstitions, and shrouded in mystifications, purposely imposed upon the unthinking masses, that it would seem like egotism on the part of any ordinary mortal to attempt to clear the subject of its obscurities.

The confusion of thought which now exists in the public mind in regard to one of the most vital questions of the day is a lamentable fact, and is the effect of attempting to maintain the worn-out system of an ignorant past, couple with the methods of word tricksters and political demagogues. The words “honest dollar,” “cheap dollar,” “cheap men,” “good as gold,” and many others of like character are only used for the purpose of mystification. Honesty and dishonesty are qualities that can only be attributed to intelligent beings, and can only mean that men are bought and sold, and articles which are “as good as gold” are nearly good for nothing.

The author of this work does not depend upon the legerdemain of words, but relies entirely upon logical reasoning and mathematical demonstrations to discover the errors which have been so long imbedded in our monetary system. If these do not reveal to us our true position, then, indeed, we are drifting upon the waves of an unknown sea, without chart or compass, and our Republic will meet the same disasters which have befallen so many Republics before.

A reward has been offered for the purpose of giving prominence to a fact which is a disturbing element in our financial system, and which clearly accounts for the vast number of business failures which are taking place yearly throughout the United States.

This mathematical law seems to have been unobserved by all our writers on finance, and it is to be hoped that this formula will unite all scientists in condemning the system of loaning money.

This reward will also serve as a standing challenge to all those who oppose reform, and as long as it remains untaken it will be absolute proof that the demonstration is unanswerable, and if unanswerable it is scientific, and scientific truth will force reform.

If any criticism are to be made on this work, let them be made in the name of science and supported by logical and mathematical demonstration. Let not the mere say so of anyone stand for proof. If these pages aid any in reasoning upon an abstruse subject, or lift from the mind the veil of superstition, or lead any to see the great necessity for reform, it will have accomplished its mission.

New Whatcom, Washington, 1891.
M.E.H.

INTRODUCTION.

The term Political Economy is a name which has been applied to the science of wealth. The word science meaning in this case the systematical classification and arrangement of the natural laws of social prosperity.

We may regard this science as an undeveloped one where only a part of the laws which God has established for the equitable conduct of society have been discovered much less obeyed.

As currently taught and believed it is in very much the same condition today that the science of astronomy was in before the masterly genius of Copernicus demonstrated that the sun was the center of the solar system. Men observed his risings in the morning and his setting in the evening and nothing could be more natural than to assume that the earth was the center around which he revolved. But this assumption led them into a thousand complexities out of which they could deduce no reasonable science.

When this great leading fundamental law was discovered all the conflicting data of the science was transmuted into harmony and perfection.

So when we shall recognize the fundamental natural rights of man, out of his poverty, want and degradation, shall come a harmony, a perfection, a glory that it hath not yet entered into the heart of man to conceive. With an undying faith in the possibilities of regenerated society and a zeal that knows no abating, let us turn our faces from the theories which consign men to want and ignorance, and build a science which recognizes the fundamental rights of men to an equal share of the wealth which their labor creates.

Let us not rest satisfied with any condition of society that does not give to all the comforts of a comfortable home, the privileges of a thorough education and a reduction of the hours of toil in proportion to the inventions of machinery. Nothing short of this befits the dignity of human existence, nothing short of this will insure the perpetuity of our Republic.

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Chapter I.

OUR FINANCIAL CONDITIONS CLEARLY STATED.

A complete history of all the want, misery, crime and distress brought to the people of the United States by the means of financial panics brought about by the suspension of specie payments and bank failures would fill volumes with records of untold suffering. Upon every page would be inscribed the wail of starving children, the breaking hearts of women, and the blighting despair which comes to manhood when the toil of his best years has been swept away forever.

Twelve times in the short period of eighty years this country has been desolated by what is commonly termed a financial panic, which has brought ruin and robbery to hundreds and thousands of its people.

Millions upon millions of dollars' worth of property have been consigned to the hands of a receiver and sacrificed under the sheriff's hammer. Millions more have been foreclosed at one-third its real value.

The hard earnings of a lifetime have been swept away, and the aged and despoiled have found their only solace in the comforts of a county poorhouse. Men, women and children have faced starvation for weeks and months, and then utterly perished within a stone's throw of gigantic granaries literally bursting with the golden fruits of earth. Hundreds, nay, thousands, of self-sustaining men have been converted into tramps and beggars. Suicide and crime have been the legitimate offsprings of these disastrous times.

On the other hand we see a class of individuals who are always ready and able to take advantage of these financial conditions, and what becomes one man's loss becomes another's gain. Men so favored double and quadruple their estates at every turn in the wheel of fortune until their wealth rolls into millions thus accumulated. They reap what they did not sow. They possess what they did not produce. They live in luxurious idleness upon the wealth which others have created. They control legislation in favor of these conditions, and see no wrong in thus exploiting their fellow-man.

These economic phenomena are occurring every day. Their frequency have so stupefied our faculties that we do not grasp the enormity of the crime. Society has so long lived under these conditions that it has lost sight of the primal rights of man and does not recognize that business can be conducted on any other basic principle.

No thoughtful man or woman can contemplate this picture so dark, so distressing in all its features, without feeling that there is some cause for these dire calamities ; for philosophy teaches us that no result can exist without a cause, and no effect can ever cease until its cause is removed.

This social problem, this problem of the age, of which some one has said : happy our generation if science sometime gives the key, stands at the very GATES OF THIS REPUBLIC knocking for a solution, and if the intelligence of this nineteenth century fails to interpret it, then disaster and calamity such as we little know must overtake and engulf the generations of the twentieth.

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Chapter II.

FOUR FINANCIAL FALLACIES.

It will be the object of this article to expose the fundamental fallacies which underline our present financial system. We shall find the solution of this problem by analyzing the arrangements and laws which men have made for conducting trade and commercial exchange.

First— All civilized nations have assumed that trade and commercial exchange can only be effected by means of a metallic currency the metals of which must in themselves contain intrinsic value.

Secondly— They have assumed that gold and silver in themselves possess intrinsic value.

Thirdly— They have legalized this medium of exchange with the power of accumulation. In other words, they have given the dollar the power to draw interest.

Fourthly— Legislation has awarded to private corporations and individuals the right to LOAN the medium of exchange, to control its circulation, its expansion and contraction.

Now in what way does this method of providing for a medium of exchange, based upon these principles, bring upon the people periodically such wide-spread and far-reaching disaster ?

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Chapter III.

FINANCIAL FALLACY OF A METALLIC CURRENCY.

Let us examine the assumption that a medium of exchange must possess intrinsic value. This idea, no doubt, originated in the crude ages of society, when trade and commerce were conducted by means of barter, and articles of one value were only exchanged for articles which were supposed to possess an equal value.

Gold and silver were discovered long before man had outgrown his barbaric love for ostentatious show. Therefore, these shining bits of metal, on account of their scarcity and beauty, were most eagerly sought for ornamental purposes and personal adornment.

Like the American Indian, who would give all he possessed for a bright chintz shirt, so these barbaric ancestors of ours would part with everything that could be spared for these shining bits of gold and silver. From this fact they derived the name precious metals.

So universally did men desire these metals for ornament, that they became measures of value and mediums of exchange. These ancients actually believed that gold and silver did possess intrinsic value. They had not advanced in the scale of enlightenment far enough to see that utilities are more valuable than ornaments, and this method of exchange was the natural outgrowth of these crude notions of society.

Men, at that time, cut their grain with a reap-hook, threshed it with a flail, and ground it in stone mortars. This made bread which preserved life, but we all agree that society has outgrow these methods, and starvation would ensue if we should attempt to follow them.

So likewise the increase of population and the number of exchanges which men desired to make, soon outgrew the capacity of gold and silver to effect them. There was not enough to go around, and various plans were adopted to expand the volume of currency. Reducing the weight of bullion in coins was frequently resorted to as a method of increasing the currency.

In the time of William the Conqueror the English pound was actually a pound in weight of silver, which was divided into 240 pence. In 1300, Edward I coined a pound of silver into 243 pence. In 1344 Edward III divided it into 360 pence. Henry V in 1412 coined 360 pence from the pound, and history informs us that this process of expanding the currency was resorted to 186 times, until in 1601 Queen Elizabeth coined 744 pence from one pound of silver.

The fact that many other nations of Europe did this almost simultaneously, shows plainly that they did so on account of the failing capacity of gold and silver to exchange the productions of the people.

This honest attempt of the crowned kings and queens of Europe to relieve the necessities of their people, is severely rebuked by the "uncrowned kings" and "plumed knight" of our Republic, who are demanding that the weight of silver in the dollar shall be increased, thus lessening the amount of currency, and making it more difficult for the people to make their exchanges.

Bills of exchange was another device which nations early resorted to to facilitate and expand the capacity of gold and silver.

The specie basis system which was adopted, by Great Britain nearly 200 years ago, owes its origin to the same cause—the necessity of increasing its volume of currency.

This system of inflation was put into operation by the Bank of England in 1694. This bank was chartered by a company or an association of persons who loaned the English government £1,200,000 and who received in exchange for it a perpetual annuity, a right to a series of payments forever from the state. In other words it created a perpetual debt upon which the people of England must forever pay interest.

Centuries before the establishment of this bank, the increase of population, trade and commerce outgrew the capacity of gold and silver to meet the demands of business. This rendered it impossible for the people to make their exchanges with cash. They were obliged largely to exchange their property and commodities by "means of promissory notes, book accounts and other devices of the credit system."

The true functions and relations of money to society were not well understood and the government made no effort to relieve the difficulties the people labored under in effecting their exchanges.

This condition of commerce was ripe for just such operations as the Bank of England engaged in. It very soon conceived the idea of purchasing at a discount these bills of exchange, promissory notes and other evidences of debt, which were payable at some future time, with its own promissory notes payable on demand with gold and silver.

This was a new departure in the system of banking, and was an unscientific and dangerous step which is largely answerable for the evils and robberies of modern banking. "Strictly speaking, it could only pay coin when it received coin." It could only redeem its own note when the security which it purchased with it came to maturity. "It could give no reason for doing this except that which was given for the issue of bank notes payable on demand without the money, namely, that it would not be asked to do so."

This brief history has been given because the Bank of England formulated nearly 200 years ago when the functions of money were imperfectly understood and when the demands of commerce were not one-thousandth part what they now are, is almost the exact prototype of our own banking system.

Our National Banks are founded upon the bonds which capitalists obtained from the government during the war.

Here it becomes necessary to explain the mechanism of a bank, and show the relations which it sustains to the community and to its business. A bank is an institution the largest part of whose business is to trade in debts and credits.

Many suppose the business of a bank to be to borrow money of one person and loan it to another. It does this incidentally, to be sure, but this forms an insignificant part of its transactions.

As has been stated before, the largest field of its operations is to deal in debts and credits. That is the banker says to the community, let me have your debts at a discount and I will give you my credit at a premium. Now if there was money enough either of gold, silver or paper, or all three taken together, rightly issued, to do the business of the country, there would be no necessity of creating debts to any extent. The inhabitants of the United States is something over sixty-four millions. The valuation of all our property is sixty-four billions.

The best estimates that we can obtain give the amount of gold, silver and paper money in circulation to be less than one billion. (The exact amount never can be known.) Calling it one billion, we have one dollar to represent sixty-four dollars of valuation, and only fifteen dollars per capita.

It is utterly impossible to make these fifteen dollars circulate rapidly enough to exchange our productions. Therefore, when we buy and sell, we must do so by creating debts; that is by giving promissory notes, promising to pay money at some future time.

The banker steps in here and takes advantage of this condition of affairs. A real transaction in business life will best explain. In an eastern city is an old and reliable canning factory, which employs hundreds of persons in raising and canning fruit. It cans two or three hundred thousands of dollars' worth every year.

This establishment deals very largely with wholesale grocery merchants, who buy from a thousand to ten thousand dollars' worth of goods at a time. There is not one of these merchants in a hundred who can pay spot cash in such a heavy transaction. Hence he gives the manufacturers his individual promissory note with security, due thirty, sixty or ninety days hence.

The manufacturer cannot use this promissory note of the wholesale merchant in paying off his obligations; neither can he wait for the note to mature, for his employes are day laborers and must be paid weekly. Therefore he must sell or discount this promissory note, which, in business language, is called commercial paper.

The banker is the man to whom he must go as the one who deals in commercial paper. In ordinary times the banker will buy this promissory note, if well secured, at a discount, the amount of discount depending upon the security of the and the condition of the money market, or, in other words, the amount of money in the banks. This discount usually rates from 10 to 25 per cent. The note discounted frequently draws interest, so that the banker is able to draw a double tribute, a discount from the manufacturer and an interest from the merchant.

Now, because of the scarcity of money, the manufacturer and merchant were compelled to trade in such way that the banker, without risk or toil, is able to secure a very fine per cent of the deal. Is it not easily to be seen why we are told that we have the "best banking system the world ever saw ?" Indeed it is a very fine thing for the banker, but a decided injustice to the consumer, for the manufacturer and the merchant are enabled to add this discount and interest to the price of their goods and thus shift the burden upon the consumer.

This accounts for the indifference which the mercantile world exhibits to-day towards the injustice and robberies of our banking system. They would raise a storm of indignation if the burden fell upon them as does upon the farmers and laborers.

But the banker's grip upon the community does not end here. He may get another chance at these same canned goods before they reach the consumer. The wholesale merchant has bought these goods with the expectation of selling them to the retail merchants, and the retail merchants are, on account of the scarcity of money, obliged very often to buy from the wholesale merchant with their individual promissory notes, and these notes are quite likely to be taken to the banker and discounted, so that between the manufacturer and the consumer there is in nearly all large transactions two promissory notes upon which the banker is able to secure two heavy discounts upon their price, which must be added to their cost.

The consumer in all cases foots the bill. In this way the laborers pay the interest for our medium of exchange without being aware of it.

Just stop here, and consider what a vast number of such transactions are occurring in the United States every year. Think of the vast number of exchanges that sixty-four million people must make. Think of the vast number of industries and the variety of the manufactures which are carried on here, and then consider that between the manufacturer and consumer there is in nearly all large transactions at least two promissory notes, upon which the banker reaps the profit of two or three discounts, and you can form something of an idea why it is that the money power is upholding this glorious banking system of ours with the tenacity of veritable bulldogs.

Yes, their grip is on our throats, and we may stand in the two old parties and shake till the last breath of life leaves our bodies and we can NEVER shake them off.

Our only hope, our only salvation is to come out from among them and form a PEOPLE'S PARTY. We must organize and educate until the mass of American laborers shall understand just how it is that the money power reaps such rich harvests without toil; how it is that the laborer unconsciously is constantly paying tribute to the banker and money-loaner; how it is that he who toils from morning till night for a bare existence is robbed of the just reward of his labor; how it is that the banker's wife rides in silks and jewels while the laborer's wife toils in rags; how it is that the banker's children are educated in Europe while the laborer's children are sent to the nearest factory, and their young lives crushed in toil.

STOP NOT, REST NOT, until this crime against humanity is wiped out forever.

But there is another chapter to be written of this iniquitous system. If these robberies, enormous as they are, were the only evils which accrue from our banking system, society would be abundantly justified in destroying it, root and branch.

But when we consider that the banking system is the DIRECT and ONLY cause of all our financial panics and by which men are robbed of their property, by foreclosure and bankrupt sales; by which all the wheels of industry are clogged; by which thousands of men are thrown out of employment and their families are robbed of the necessities of life.

When we consider that this system by the mathematical law of limitation is COMPELLED to disturb the business and industries of sixty-four million people, to lose their factories, bankrupt their merchants, foreclose their real estate and convert thousands of industrious men into tramps and beggars, is it not time to hurl this iniquitous system of robbery into that eternal oblivion which shall know no resurrection this side of time ?

To show just how these financial panics are brought about it will be necessary to examine what is called the Specie Basis System. This system originated 200 years ago, when the Bank of England was founded. As has been said before, this bank was established by an association of persons who loaned the government £1,200,000 and received as security from the government what in this country is called bonds, but in England is called funds.

Now, this bank did not absolutely hold the gold and silver in its vaults, but it held the securities of the English government, which were considered equivalent to gold. No bank of issue could aid commerce in any way if it did not issue bank notes, which are the promissory notes of the association, in excess of the cash or cash securities held in its vaults. Because one dollar in gold or silver will transact just as much business as a one-dollar bank note.

No help could come to the people from this bank only by inflation; that is, by issuing bank notes to several times the amount of cash or cash securities held in its vaults. This would enlarge the volume of currency, and hence people could transact more business than they could with the actual cash. The bank theorized that one dollar in gold or silver could safely circulate as money three or four dollars of bank notes. It did this upon the belief that it would not be called upon to redeem all its issues at once, and that when one party drew upon it for the cash another would deposit cash with it, just as our government reasoned when we resumed specie payments in 1879. We did so by holding in the United States Treasury 100,000,000 gold dollars to redeem 346,000,000 in greenbacks.

The Bank of England placed its notes in circulation by loans and by purchasing the promissory notes of individuals at a discount.

Here let us examine this mathematical law of limitation which comes in to disturb our business. If we had nothing but the gold and silver of the country for our currency it is evident that the amount of this gold and silver would limit the number of business transactions which could be made with it. If all the wheat raised in the United States had to be measured in one half-bushel it is evident we could not get it measured in time to prevent people from starving.

So if we have but a small amount of gold and silver and an enormous number of business exchanges this small amount of gold and silver cannot be made to circulate rapidly enough to make them, hence business will be depressed. Some men will want work, while other men will want the goods which they could make, but the medium by which they effect their exchanges is deficient. It cannot get around fast enough to keep the wheels of industry in motion. Now the specie basis system stepped in here 200 years ago to supply this deficiency of gold and silver by issuing bank notes to three or four times the amount of gold and silver.

As there is a limit to the gold and silver there must be a limit to the paper which is based upon it. The issues of the banks in this country are limited by law. Hence the amount of commercial paper, which the banker can discount, and the loans he can make also limited. They never can exceed the amount of money in the banks. When the banks reach this point of limitation they suddenly stop loaning money and discounting commercial paper, and rapidly call in their loans.

What is the effect ? The manufacturers cannot sell their goods to the merchants because the merchants' paper cannot be discounted, and if they cannot sell they cannot make. Factories are closed. Men are thrown out of employment. Business is depressed; not because of over-production, but because the medium which measures and exchanges goods is withdrawn from public use. The banker is adjusting his accounts, and while he is doing it the business of sixty-four millions of people must come to a standstill.

It is of no consequence how many men are thrown out of employment; how many women and children are destitute, cold and hungry; how many merchants are bankrupt; how many farms are foreclosed; how many little homes of the wage-earners are swept away. The banker is adjusting his accounts. "He is saving himself from the ruin he has brought upon others." The people have given their medium of exchange into his hands to control, and to expand and contract as best suits his interests, irrespective of the wants and needs of society, and he runs his business for personal gain and not for public good.

The condition of affairs may be easily illustrated (a small number is used merely for convenience.) Let A be a banker with $200, B and C customers of the bank.

B borrows $100 at 10 per cent for one year, and C borrows $100 for two years at the same rate. B raises corn and sells to the amount of $110 and pays off his indebtedness at the end of the year, at which time D borrows this same $110 for two years.

You will now observe that the banker has out two notes, one calling for $100 plus $20 interest and the other calling for $110 plus $22 interest, making the people's indebtedness to him $252, while there is but $200 in circulation.

C raises wheat, and at the end of two years pays his note of $120, at which time E borrows it for one year. At the end of this year both D's and E's notes fall due.

D owes the bank $132 and E owes it $132, but in circulation there is but $200, consequently there is $64 more due than there is in circulation.*

The bank has reached the mathematical law of limitation beyond which it can no further aid society, and one or both of these men must fail. It makes no difference how much wheat and corn have been raised, there is but $200 in circulation, and it cannot sell for more money than there is.

Now, the mathematical law which governs these $200 will govern any amount of dollars which may compose our circulating medium, and the law will hold good whether the banker collects his interest in advance or at the maturity of the note, or whether he loans his money or buys commercial paper.

You will now see that a bank is organized in such a way that it is COMPELLED to produce failure. It is in the constitution of its arrangements, and arises from the mathematical law which will forever prevent four from making six. The civilized world has now reached the same financial condition that our ancestors reached 200 years ago. The capacity of gold and silver failed to make the exchanges of that people, and their ingenuity devised the specie basis system, based upon gold and silver, and now we have outgrown this system. Its capacity has reached its limit.

To carry it farther would be supremely ridiculous. Gold and silver do not any longer enter into the actual transactions of trade to any appreciable extent. Why should we hamper our business any longer by trying to limit upon exchanges to the amount of credit can be built upon a specie basis ?

As long ago as 1857 a London house doing business to the extent of £1,000,000 yearly, reported to a committee of the House of Commons that gold did not enter into transactions to the extent of 2 per cent. All the rest was done by means of checks, drafts, bills exchange and bank notes.

* Upon D and E falls the weight of paying all the interest which has accrued upon the original $200, besides the interest which accrues upon the interest that B and C paid into the bank through the manipulation of loaning and re-loaning money.

Andrew Carnegie, in speaking of the confidence(?) the world has in gold, says that in this country a tower of credit has been built upon it so high, so vast, that all the gold, silver, greenbacks and government notes only perform 8 per cent of the exchanges of the country. Subtracting the silver and paper money, which he mentions, gold would perform less than 2 per cent. Can human superstition become more attenuated without bursting ? Can we enlarge this superstructure of credit upon this fictitious basis without engulfing the nation in utter ruin ?

If we can do 98 per cent of our business with what Mr. Carnegie calls little bits of paper called checks and drafts, while the gold lays idle in the bank vaults and the Treasury Department, why in the name of common sense can we not do the other 2 per cent and let the gold lie in the vaults of the Sierra Nevada ?

We have already reached a point of debt beyond the power of gold and silver to redeem, and each year sinks us deeper and deeper. If we are loyal to our creditors, some other system must be devised to make payment. If we attempt to limit our medium of exchange to the narrow basis of a metallic currency, we shall eventually pile up an amount of debt which will lead to repudiation from which there can be no escape. Just now it is becoming fashionable for designing men to make their contracts in gold, but this will only hasten the day when all men will see the fallacies of this theory.

The experience of the last two hundred years demonstrates conclusively that the innate quality of money is not based upon the intrinsic value of gold and silver, but it is based upon the abiding CONFIDENCE in the STABILITY and CONTINUITY of society.

When we accept a dollar for services rendered to the community, whether it is made of gold, silver or paper, we do so with an abiding faith in the ability and willingness of the community to redeem this dollar in the productions we want at our demand. Even the gold dollar would be useless if society did not accept it for the productions and services which we need and desire.

No one who takes a paper dollar for services rendered to the community asks or thinks about the possible gold dollar lying over in Washington for the purpose of its redemption. All one cares to know is that it will discharge debt and be accepted by society for the articles which one desires to possess.

This is the ultimate redemption of all money. To believe that men are toiling month after month and year after year that they might sometime clutch a few gold dollars is supremely ridiculous. We toil to accumulate the necessities and luxuries of life. We desire to exchange the articles that we produce for those articles which we cannot produce.

It is not gold for which we toil, but the productions of society, which is the only redemption that any money, whether made of gold, silver or paper, can give us. It is the only redemption we want. This investigation clearly demonstrates that business exchanges are conducted without a metallic currency, for no one can have the superstition to believe that 2 per cent of gold can or does form a basis of 98 per cent of paper, and the assumption of the older nations that a metallic currency containing within itself intrinsic value is essential to effect exchanges is false and falls to the ground when viewed in the light of reason and experience.

If we may believe history the specie basis system was never adequate for a people whose transportation was the stage coach, whose communication was the post boy, and whose manufactures were hand-made ; but for a people whose ingenuity has devised the steamboat, the engine, the telegraph, the cable, the telephone, whose inventions of machinery have multiplied the productive power of labor a thousand times and whose consumption and exchanges have consequently been multiplied by thousands, this system breaks down at every point, and we find ourselves unable to cope with the situation.

On one side we see factories and warehouses filled with the good things of this world and their owners anxious to sell them, on the other side the industrial classes stand idle and destitute, begging for the work which would enable them to produce these things, and still beside them stands a third class who desire to employ their labor for the planting of new enterprises or the sustaining of old ones, but the medium of exchange is deficient and these three classes are unable to bring about their exchanges.

This is illustrated by the actual condition of hundreds of our towns and cities. On the one side a city with unguarded and unpaved streets, without sewerage, without sidewalks, without waterworks, while side by side on street corners stand the idle men, hungry for the work, and its warehouses filled with the material necessary for the improvements. The deficiency of the present system gives us but one available recourse to set these forces to work and that is to bond the city and enslave future generations in paying interest.

When work is performed and the laborer who did the work paid in full, why should future generations be taxed to pay interest upon the instrument which measured the valuation of these exchanges ?

It would be just as consistent to tax the future for the use of the yardstick which our merchants use in measuring the fabrics which are sold today.

Again, we see the deficiency of our system at tax-paying time. All over this broad land, in every city, town and hamlet, on the farm and in the factory, at the forge and in the mine, men are unable to gather enough money through the year to meet their taxes, and so we submit to another robbery—the tax sale.

The advertisements of these forfeit lands fill columns in our newspapers every year. Think you that men are so devoid of interest in their holdings; so regardless of the heavy penalties that a tax sale imposes; so indifferent to the humiliation of having their property sold for taxes, that they would permit these sales if they could escape them ? No, never. Our medium of exchange is deficient.

Our government exacts taxation, but devoid of justice, fails to provide the means in sufficient quantity to meet these exactions. A government "by the people, of the people, and for the people," demanding from the people that which it is impossible for them to obtain ! Can human tyranny sink to lower depths of infamy ? And has it come to this in our free Republic, that the people, armed with the ballot, have not the power to provide themselves with a currency sufficiently large to pay their taxes ? Have we no right as a people to establish a currency which will be sufficient in quantity to adjust our social debts and credits ? Then, indeed, Republics are in vain, and self-government a farce; Freedom is but another name for tyranny, and Liberty is but a galling chain of bondage.

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Chapter IV.

FALLACY OF INTRINSIC VALUE IN GOLD AND SILVER.

Our investigations must now turn to the second assumption, that gold and silver possess intrinsic value. Laying aside all superstition, prejudice and preconceived notions, let us examine this subject in the light of common sense and reason.

First, let us determine the meaning of the term intrinsic value. Intrinsic value is that quality of an article which renders it capable of satisfying human want, and that article which can satisfy the most imperative wants of human existence possesses the greatest amount of intrinsic value.

Hence it follows, that any article which does not possess the quality of satisfying the reasonable wants of human existence does not possess intrinsic value. The great essentials of life are food, fuel, clothing, shelter and implements with which to produce these articles. Now, articles which supply these demands are articles which in themselves possess a large amount of intrinsic value.

Applying this test to gold and silver, what essential want of human existence is supplied by them ? There is no essential want and but few reasonable ones that cannot be supplied without them. They are not food; neither fuel, clothing, shelter, nor implements can be made from them.

We may suppose for a moment all the gold and silver in the world to be utterly destroyed, sunk to the center of the earth where no man can again possess it. In what way would man suffer from its loss ? The sun would shine, the rain would descend, the earth would bring forth her grains, fruits and flowers. Nature would still paint the azure sky, the rolling cloud, the sparkling wave, the nodding leaf, with the same lovely tints which now so beautify and adorn her. The arm of man would be just as strong to produce the essentials of life as before. His ingenuity would quickly devise some plan by which he could conduct his exchanges.

Before passing let us present this in another way. Let us suppose the earth to be swept by fire, flood and cyclone, so that not one vestige of man's production remains. In what possible way could piles of gold and silver at each man's feet aid him in procuring the necessities of his existence ?

These illustrations demonstrate that the destruction of gold and silver would not increase want, and the increasing of them would not in any way satisfy want.

In applying this test to iron, how changed would be the conditions of man's welfare. If iron were destroyed he would be utterly helpless. Without tools, without implements, without means of protection, he would immediately sink into irretrievable barbarism. In the second case, if iron were left him he would have ample resources with which to rebuild his shattered fortunes.

These illustrations prove conclusively that gold and silver—the pretended basis of our banking system—do not possess intrinsic value to the extent of any vital importance.

We pity the benighted heathen who bows with his fear and reverence before his idols of wood and stone, but who shall pity his enlightened(?) brother who toils in mines of midnight darkness thousands of feet below God's sunshine for a mere handful of glittering dust which his barbaric superstition endows with the imaginary quality of intrinsic value, and who imagines when he obtains it that he has found the basis of all exchange !

Who can depict the ignorance, the darkness of that mind that has not risen above such folly ? Who shall be strong enough in his strength to arise and burst the fetters that bind man's reason to the false traditions of an ignorant past ? Who shall tear away this veil of superstition which clouds his intellect and darkens his faculties ? When will the lamp of science guide his feet into the path of economic truth ? When will he learn that his ability to create wealth should never be limited by any narrow, artificial basis of exchange ?

A medium of exchange should continually expand with the increase of population, with intellectual growth, with invention and discovery, so that no man should stand unwillingly idle while another wants and needs the articles which he can make. The enforced idleness of the last 100 years would build a palace for every family in the land and furnish it with oriental luxury. Why then should men be consigned to huts and hovels ?

The earth is replete with building material. The clay, the lime, the slate, the marble, the stone and the timber have been furnished with liberal abundance. What is it that interposes between man and the comforts which the Creator has supplied so abundantly ? Three words only tell the story. The monopoly of land and money.

The monopoly of money creates the monopoly of land and the two debar man from his God-given rights and privileges. Land monopoly deprives him of the right to utilize nature's opportunities and money monopoly deprives him of the right to a free exchange of productions with his fellow man. To understand these relations we must analyze the subject of interest and abide by the result.

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Chapter V.

MATHEMATICAL FALLACY OF INTEREST.

The great robber of all our financial prosperity is the *legalized power* of the dollar to draw interest. It is only *legalized power* because the dollar is a dead, inanimate piece of matter utterly destitute of the power of increase and when we give it the power to draw interest we give it the power to disturb our business, bankrupt our merchants, to foreclose our real estate and to rob labor of its just rewards.

To substantiate these statements we need not at all resort to theory. There is an abundant mathematical proof. Whenever we operate with numbers we have mathematical law and the operations which we perform with numbers must conform to mathematical law and be susceptible of mathematical proof.

Our present monetary system was established by *legislation*, without any reference to the mathematical science of numbers. Our legislators did not understand that their mandate could not set aside the immutable laws of the universe, and most terribly have the people of this country and England suffered for their stupidity. It is a universal belief that our system is founded in harmony with mathematical law. Turn the pages of all the political economies from Adam Smith to Henry George, and you will search in vain for a single sentence stating that interest is an imaginary quantity, or that a contract calling for interest is a contract calling for the *production of money*.

Our law-makers assumed that contracts calling for the *production of money* could be *eliminated* or *canceled* by the *production of values*.

An interest obligation is a contract calling for sum of money called the principal, plus another sum of money called the interest. If we suppose a principal to be ten dollars and the interest one dollar, then this one dollar calls for the production of money. It cannot be canceled by the production of valuation, that is by producing cattle, corn or wheat.

Our banking system contains a definite number of interest-bearing contracts, every one of which calls for an absolute increase of money. The banker does not take for his interest cattle, wheat, corn or hogs. He demands all the money he loaned plus an imaginary sum called the interest. This interest is nowhere in sight. It is not in existence, neither does the government provide for its creation, hence it must be imaginary.

The dollar does not reproduce itself. It remains a dollar forever, whether lying in the vaults of a bank or passing from hand to hand in the legitimate channels of trade.

Neither do we make any more dollars when we produce corn, wheat and cattle, and there is a mathematical difference between a contract which calls for an increase of money and one that can be satisfied by the production of values.

Let us now apply to this problem the rigid law of mathematics. According to the reports of the United States Comptroller of Currency our circulating medium consists of something over nine hundred millions of gold, silver and paper dollars. Let us suppose that one man is the sole possessor of this entire amount, and he says to A, B and C, I will loan you this money for ten years at 10 per cent, simple interest, on good security, can anyone deny that at the end of ten years eighteen hundred millions will be due to the loaner. We all know that 10 per cent interest obligations double in ten years.

Now, provided no more money has been issued and the loaner demands the money and nothing else, how can A, B and C meet their liabilities ? If payment is made, must not their securities be foreclosed ? Is not this mathematical proof that interest is an imaginary quantity, and cannot be paid without the production of money ?

It is possible that A and B may be successful in business, and at the end of ten years hold the amount of their indebtedness, in which case C's failure is inevitable. Not only must C fail, but he must sacrifice property to the amount of four or five times the sum borrowed, if the loaner loaned on what is called good business principles.

In the above case did not the legalized power of the dollar to draw interest compel C's failure ? If the policy of the government under which these men lived had been to contract the currency, must not another failure have been inevitable also ? Had A, B and C understood that principal alone cannot pay principal and interest, they would have known that their securities must be sacrificed.

Now what is true of principal and interest when loaned by one man to a half dozen, is just as true when loaned by a thousand and the debtors are a nation. The same law which governs one must govern the other. Hence this must be a scientific solution. Ought money to be legalized with such a power of robbery ? Ought governments to confer upon bankers the privilege of loaning, expanding and contracting the currency and by these means robbing the community of their estates ?

The thought is monstrous. It is closely allied to that legislation which permitted ownership in the blood and muscle of the slave. In fact, there can be no difference in stealing a man's labor from day to day and stealing the accumulations of years at one fell swoop.

But some one is sure to say that all this is not true—that money circulates and ten dollars by repeated circulation can be made to pay a hundred dollars. There are some circumstances in which that might be possible, but not under our present system. It is certainly impossible when we have it to borrow.

The following illustration will demonstrate the manner in which borrowed money circulates :

> Let us suppose a circle to be composed of a thousand men. Each man owes to his right-hand neighbor $1000. Let us also suppose that there is but one dollar in that circle. It is plain that a thousand revolutions will meet the obligations of every man to his neighbor.
>
> Now let some one step into that circle who owns that dollar and owes no one. He is willing to loan it on condition that he is to receive ten cents for every revolution which it makes. When it has made a thousand revolutions it has, as before, paid a thousand one-thousand-dollar debts; but to the loaner there is due a thousand ten-cent pieces, or $100.
>
> Is it possible by any repeated circulation of that dollar to meet the loaner's demand of $100 ?
>
> Most certainly not, for no one can obtain that dollar without increasing the indebtedness $1.10 more. There are but two ways by which this can be paid; either the loaner must foreclose his securities or make purchase of some article belonging to the circle for that amount. There is certainly not much inducement for him to make purchase when he can foreclose his securities at one-fifth their value.
>
> The same mathematical principle which governs one dollar will govern any number of dollars which may compose our circulating medium.

To make entirely sure that our reasoning upon the impossibility of paying interest when the principal is all loaned without the production or coining of money is logically and mathematically true, we will apply to our problem the test of higher mathematics.

In examining the credit system we find that it must be composed of a definite number of interest-bearing contracts. By analyzing one of these contracts we shall find two parties are concerned in them, the borrower and the loaner. The loaner loans a stipulated sum of money called the principal; the borrower receives it and agrees to return a like sum together with a premium called the interest, which is estimated at a legal rate per cent on the sum loaned for a given time. Failure of the borrower to comply with these conditions calls for the forfeiture of his securities.

This comprises all the quantities and considerations of an interest-bearing contract. It may be algebraically expressed thus :

Let

A == the amount of a contract (which is the sum of the principal and interest).

P == the principal.

R == the rate per cent.

T == the time

Now

$P == A$ at the date the contract is drawn,

and

$P + PRT/100 == A$ at the time the contract expires.

Quantities that are equal to like quantities are equal to each other.
Hence

$$P == P + PRT/100$$

which is impossible

This formula shows that the contract is impossible, that $PRT/100$ calls for a production of money and cannot be canceled by a production of values. Neither can it be eliminated by a contraction of T, which constantly increases $PR/100$.

This being true of one contract it must be true of any number of contracts with the credit system may contain. This formula solves one of the important problems of the age and is presented to the scientific people of America for inspection.*

* A reward of $500 will be given to the first person who demonstrates this formula to be mathematically false.

The mathematical conclusion which must be drawn from this formula is that the interest on our circulating medium is imaginary and impossible, and under our present system must be satisfied by securities, which is legalized robbery.

We will now examine all the elements which prevent it from being practically true.

To meet interest we have the actual increase of money by the coinage of gold, silver, nickel and copper. We have the balance of our exports over imports when there is any, and the money which bankers and money-loaners pay for the expenses of living and conducting their business.

If the interest upon our debts is greater than the sum of these, it must be met by the foreclosure of securities.

The strongest possible proof that the accruing interest is greater than what is provided for by coinage, etc., is found in the fact of the failures which are continually taking place throughout the United States.

The reports of Bradstreet and Dunn show an annual crop of over 13,000 business failures. This represents not less than 30,000 men who are yearly swallowed in the vortex of financial ruin. Not only do these men fail, but thousands who have trusted them fail to get their just reward. These reports do not include the minor failures and the foreclosure of real estate.

But we are all able to see that one piece after another is rapidly passing into the hands of the bankers and money-loaners. We know that our farms are covered with mortgages and that men who are in debt are unable to meet their payments. We know, too—those of us who are old enough to remember back so far—that forty years ago there was scarcely a tenant farmer in all America.

How is it to-day ? At least one-half of the agricultural population are either tenant farmers or are living on farms for which they can never pay, and at the present rate of centralizing wealth, twenty-five years more the other half will be no better off.

This condition corresponds precisely to the past history of the credit system. It has centralized the real estate of Great Britain into the hands of the noble(?) few and converted her hardy yeomanry into tenant farmers and paupers. One half of England is said to be actually owned by twelve persons and the other half by less than 20,000. What this system has done for Great Britain it will do for America.

No one who has not given this subject a thorough and exhaustive investigation, can form any just conception of the vast accumulative power which money derives from interest, for under our present system our circulating medium is not merely loaned once annually, but it is loaned and re-loaned a great number of times, so that the dollar draws from society not merely six or eight per cent interest yearly, but it draws ten or twelve times this rate.

Statistics clearly prove this position. According to the last annual report of the United States Comptroller of Currency, we have 6573 banks of deposit, including national banks, private banks, saving banks, and loan and trust companies. The amount of their deposits was given as being over three billion dollars, while our circulating medium was given less than one billion.

This, one billion, could not pile up three billion deposits only through the loaning and re-loaning process. For instance, A borrows money of the bank to pay off a note due. B, who, having no immediate use for it, deposits it in the bank. In less than an hour C may borrow this identical money and pass it to a fourth party who again deposits it.

Now, if these deposits had been loaned the banks by the people at the rate of six per cent, each dollar is drawing eighteen per cent interest,* the banker loans it at eight and ten per cent and discounts at a much higher rate, which would show that each dollar is earning for the banker at least thirty per cent, making the dollar draw forty-eight per cent interest through the agency of the banks alone.

* This is giving the bankers more credit than is their due, for there are vast sums deposited with them on which they do not pay a cent of interest.

But this does not by one-half complete the chapter, for there are hundreds of insurance companies and building associations, and thousands of private individuals who are loaning money at like rates.

This indicates that we are paying at least 100 per cent interest for the use of every dollar in circulation. This is equivalent to saying that ten persons are each obligated to pay ten per cent interest on every dollar in use, or on an average every man, woman and child in the United States is paying annually fourteen dollars tribute to the money power for the use of a circulating medium ! No wonder the debt-ridden people are clamoring for cheap money. A dollar which draws 100 per cent interest to keep it in circulation, is not only a very expensive but a very oppressive money for one class of American citizens, and a bonanza of wealth for another.

Lest this be thought to be an over estimate, we have another method of approximately arriving at the amount of interest which we annually pay for the use of our circulating medium, and which leads us to nearly the same conclusion.

The recent reports of Bradstreet & Co. (October 3), gives the bank clearings of fifty-six of our large cities for the last nine months to be $40,808,146,010.

At like ratio, their yearly clearings would foot up in round numbers $54,664,000,000.

If this vast sum of payments costs the payers on an average sixty day’s interest, or one per cent on the whole amount, it will make the sum paid yearly by these cities for the use of bank credit $546,640,000.

It would be safe to conclude that the business of the rest of the country would swell this sum to $900,000,000, which is equivalent to our entire circulating medium.

It must ever be kept in mind that when we borrow the dollar and obligate ourselves to pay interest upon it, we can only make one exchange with it, and if we should borrow it for ten years, this one exchange would cost us ten times the rate of interest paid.

The entire interest-bearing debts of this country are variously estimated at from thirty-two to forty billions. This indebtedness includes the United States bonds, railroad bonds, state bonds, city bonds, county bonds, township bonds and school bonds, together with our mortgage and promissory notes. This estimate does not seem beyond probability. We will consider it even lower.

Say it is $30,000,000,000. This vast sum is drawing on an average not less than six per cent interest, which would give us $1,800,000,000 annual interest to be paid on this enormous debt, or twice the sum of our circulation, and which is equal to twenty-seven dollars for every man, woman and child in the United States.

This will require 1,800,000,000 bushels of wheat sold at one dollar per bushel, and will absorb all the surplus which may come to us from the sale of our grain to famine-stricken Europe.

This vast debt is like the mad waters of a mighty river, whose swollen volume has burst the boundaries of its natural channel and is sweeping onward, ever onward, carrying ruin and devastation in its path, while we, like the people of Johnstown, who heeded not the voice of the warning stranger, sleep in peaceful and happy indifference. This enormous volume of debt is yearly increasing, and can never be liquidated under our present system, because our circulating medium can only be obtained by borrowing, thus still further increasing the debt.

The only remedy suggested, is to open the flood-gate of coinage and give the river a little more power. This enormous debt is a monument of our ignorance and stupidity. We possess the intelligence to measure vast distances of suns and worlds, to weigh their masses and determine their chemical compositions, but we have utterly failed to frame a system by which we can adjust and balance our social debts and credits without leaving an evidence of debt behind in the form of bonds, mortgages and interest.

How marvelous is our condition as a nation. A little more than a hundred years measures the time of our national existence. We, as a people, have had the central and best part of a great continent, whose natural resources of wealth were never exceeded, whose variety of productions was never equaled. We have the most energetic, inventive and intelligent people on the globe, yet in the short period of a hundred years we have placed upon our back the burden of a thirty billion dollar debt, which, under present conditions, can never be eliminated until all our valuations are swept away.

We made the fatal mistake of England, and like her we are seeing our wealth centralize in the hands of the few. This is the natural sequence of placing interest upon the dollar. Our medium is so entirely insufficient for business requirements that we are obliged to annually loan and re-loan each dollar a great number of times.

If our government legalizes the dollar to draw interest, she is in duty bound to provide for the legitimate and legal increase of coinage. Let us ever bear in mind that our financial failures are the result of the government's failing to provide coinage for the increase of interest, and these failures represent the scapegoats of our financial system.

In compiling these statements it has not been the purpose of the author to overdraw or misrepresent; it is believed that they will fall much below actual facts. Discount and interest have been computed far below the rates usually charged. No mention has yet been made of the extortions which have grown up under our system. A work of this character would hardly be complete without ventilating some of these operations.

Our monetary system is so elastic that it accommodates itself to three classes or conditions of society. The banks discount commercial paper and thus provide for mercantile operations. Eastern loan and trust companies, building associations, insurance companies and private individuals loan to persons who can give good security upon land, these loans provide for the smaller transactions of business; and the pawn shops and money brokers, which comprise a set of smaller-sized money sharks, who, devoid of principle and conscience, prey upon people who are in distress, and their extortions are oftentimes past human belief.

Through these three agencies the people are obliged to obtain their medium of exchange with which to do business. These three classes on money-loaners are never found among the "calamity wailers." Their wails will be loud and long, however, when men learn that business can be done with a dollar that does not draw interest.

The process of obtaining money from a bank has been explained. We will now give the methods employed by those who loan upon land securities :

Firs, the cost of application ....$ 5.00
The cost of abstract 10.00
Submitting statement to company's attorney .. 10.00
Appraisement of land 8.00
Insurance of buildings 1½ to 10 percent of their value
Commission of insurance agent............. 1 per cent
Commission of loan agent .... 5 per cent
Six month's interest in advance .... 4 per cent
If any defect in description, a surveyor's bill $ -----
Incidental traveling expenses, etc. .... -------
Making out papers, recording, witnessing, etc.. 3.00

The cost of obtaining small loans is thus made to eat up from one-fourth to on-third the entire amount borrowed before it reaches the borrower's hands.

The cost of obtaining $500 by the above proceeding, where the buildings are worth $500, and without counting surveyor's bill and incidentals, would be $130, which is 26 per cent of the sum borrowed.

These loans are secured by mortgage and ironclad notes which virtually give up all defense on their face, and the whole debt becomes due on failure to meet any installment, and, if suit be entered, 10 per cent attorney's fees is added to the cost of foreclosure.

Men protected by such laws and surrounded by such privileges and immunities have no occasion for “calamity wailing.” In fact, their condition is so prosperous, their lives are so full of ease and comfort, the world contains so many good things for them, that they do not realize that it is any harder to pay this interest than it is to receive it, and they imagine that the complaints of a long-suffering people are the “calamity wailings” of visionary cranks.

The third class of borrowers are landless people in distress, who are compelled to resort to that class of money extortionists who accept pawns and chattel mortgages for security. They have no established rates of usury, but dictate terms according to the condition and distress of the borrowers.

These are the only methods which our most “excellent civilization” has provided to obtain the medium which measures and exchanges our valuations.

He who understands the full scope of this chapter can see “whither we are drifting as a nation.”

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Chapter VI.

BONDED DEBTS.

All the preceding chapters of this work have been devoted in giving exposure to the errors of our monetary system without any suggestion for a remedy. Our bonded debts are evidences of our inability to adjust our debts and credits as we go. We perform the work, furnish the material, and pay the laborers, and yet find ourselves in debt to the extent of the full cost of the improvement.

It is as if a man who wishing to build a house owns the material of which it is made and himself does the work and yet when it is finished he confronts the paradoxical situation of finding himself in debt for the entire cost of the building.

Why should a country find itself in debt to a Wall Street money broker for the entire cost of its court house when it owns the land on which it is placed, furnishes the material of which it is made and whose citizens do the work ? This condition can only occur from our inability to adjust our debts and credits among ourselves as the work is done.

To illustrate, we find ourselves much in need of a good market house. This improvement would be beneficial to both the people of the city and country by bringing the consumer and producer directly together, thus saving the profits of the middle man, but in the county treasury there are no funds which can be appropriated for the purpose. taxes are already so high that we do not feel that they ought to be increased.

In this condition we are too apt to think that we are too poor to build the house or if we do, it is best to borrow the money, bond the county and defer the evil day of payment for at least ten years. Under this method of providing the means let us see how much our house will cost at the end of ten years. We will suppose the estimated cost of our market house to be $45,000. We shall have to bond the county for at least $50,000 to provide for ten per cent discount. These bonds at the lowest calculation will draw six per cent interest annually. The interest for ten years would be $30,000. Summing up, we find our market house, which should cost but $45,000, now costs $80,000 on a bonded contract. For the sake of employment we are often glad to accept even such extortionate terms as these.

For this bonded method let us substitute another plan of operation which will build the house, pay the laborers, leave the county out of debt, save $35,000, and save the disgrace of placing our burdens upon future generations.

A market house should be built by the county for the accommodation of farmers, who should not be taxed for its use. We will suppose the annual expenses of the county to be $180,000, which is provided for by our yearly taxation. To this tax we will add $45,000, and provide for its payment with county scrip made receivable for county taxes. This scrip will be as good as county bonds, as the securities are just the same. The taxes against the people will now be $180,000 in money and $45,000 in scrip. That is, 20 per cent of our taxes will be payable in county scrip. Every man who does not pay scrip must pay money.

In this way everyone in the county who pays taxes will be interested in obtaining enough to pay his taxes. It is also plain if everyone should hold this scrip until after tax-paying time it can be exchanged for the money. To provide against bankers and money loaners reaping a discount from laborers, let the county treasurer be drawn upon to discount small amounts from each laborer at the rate of three per cent. Every man in the county who has anything to sell would be willing to take this scrip at its face value from the laborers, so that they would seldom have need for the actual cash.

The material and labor can now be paid for in scrip. The burden would not be felt by anyone.

The house can now be built, the material paid for, and the laborers paid, and $35,000 saved. This plan is a practical one and has been put into operation, which proves that our exchanges can be made with paper that is not based upon gold. If the people of a county can make their exchanges in this manner, the people of a state could carry the same plan into operation. This system might be employed in the construction of public highways and bridges by making the receipt of the Supervisor receivable for taxes. Other county and city improvements might be provided for by the same method, and thus save the bonded debt which is now prevailing to such an alarming extent.

It may be added that men employed upon these public works should be paid slightly higher wages to provide against the loss of discount. This county scrip is the fiat of the county. North Carolina at one time carried between $400,000 and $500,000 of paper scrip at par with gold when only $100,000 was receivable yearly for taxes.

This ought to convince us that bonded debts are unnecessary burdens and should never be tolerated. In examining into this question farther we find that when we bond the county for ten years and the bonds draw six per cent interest, we pay sixty per cent on the dollar for the privilege of making one exchange !

No matter how long we agree to pay interest on the dollar all it can do for us is to make one exchange. The same fundamental reason could be given for taking interest from money that is given for taking toll from the public highways. Money is a common necessity; the humblest individual has need for it just as he has need for the right to use the public highway.

The banks are nothing more than toll-gates closing up the highways and avenues of public trade and exacting toll in the form of interest for the use of a medium of exchange which they have no right ethically to own.

Chapter VII.

THE FALLACY OF AWARDING TO BANKERS, CORPORATIONS AND PRIVATE INDIVIDUALS THE RIGHT TO LOAN AND CONTROL OUR MEDIUM OF EXCHANGE.

Our medium of exchange should be based upon the credit of the nation and issued by the people in their sovereign capacity.

It has been shown that banks produce financial panics by the mathematical law of limitation; that interest must be largely canceled by foreclosure; that gold and silver do not possess intrinsic value, and are not the real basis of the credit system; that they are only nominally considered such for the purpose of making money scarce, and thus enabling the money power to literally reap a profit upon every trade which the people make, and that they do this so completely that it requires an annual tax of fourteen dollars from every man, woman and child to keep money in circulation.

It would now scarcely seem necessary to give further reasons for basing money upon public credit and issuing it from the hands of the general government at a low rate of interest. Banks can furnish nothing more than the private capital of a comparatively small number of individuals for a basis of credit. This is entirely insufficient to perform the exchanges of sixty-four million people.

Hence, at all times, business is dull and depressed, and men, deprived of land and money, are compelled to stand idle and either beg, steal, or starve. One thing more remains to be shown, and that is, that the permitting of corporations to furnish their credit at a premium for a medium of exchange conflicts with the inalienable rights of man.

To do this we must enquire into the functions of money, the nature of interest and the relations which they sustain to society, and clearly establish the inalienable right of men to make their exchanges without paying tribute to any privileged corporation.

We shall now attempt to explore this field of thought by analyzing and examining all the complex relations of modern commerce, but we may begin at the foundation of society and there learn what is morally right between man and man. To illustrate, we may suppose that a new continent has been discovered upon whose hills and valleys the foot of man has not yet pressed. Someone more adventurous than his associates, seeks this new and unexplored spot for the purpose of establishing a home. He must, by his own exertion, supply every want of himself and family. He has no need for money, for he can exchange his productions with no one.

When in the course of time the second immigrant arrives, there is an advantage to be gained by trade and exchange. We will suppose that A's farm is best adapted to produce wheat, B's to grow corn. They can now find advantages in exchange. A's wheat is ready for market two months before B's corn. B needs the wheat now. A is willing to part with it if he can receive some evidence which will entitle him to an equivalent of B's corn.

B has no gold or silver, but is willing to give A a receipt of credit. A willingly accepts it. Here, then, we find the *basis* of the *credit system*. It is the *faith*, the *confidence*, the *credit* that A has in B's ability and willingness to give him back an equivalent of corn, secured by the broad acres of B's farm.

Now this transaction between A and B is the unit of all exchange. It is the starting point, the foundation, the basis of all commerce, just as the unit one is the basis of all arithmetical calculations. All our commercial relations are nothing more than the aggregations of this one unit of exchange.

If we can discover what is reasonable, what is right, what is just between these men we can establish what is just, right and reasonable between all men. The law which governs this unit of exchange must govern every other exchange, and will provide a standard of justice by which all commercial relations may he governed. These men have now entered a social compact, and are called upon to establish a medium of exchange. It is true, they have not many exchanges to make, but it will be convenient to establish some system that will record and witness the exchanges which pass between them.

We will first enquire into the reasonableness of these men ransacking all creation in search of some mine of gold or silver and spending weeks and months in digging out those "shining monuments" of man's superstition upon which to stamp the agreements that pass between them.

No one can help seeing that this would be supreme folly. No one who has common sense can be so blind as not to see that the promise of B to give corn to A is just as binding when written upon paper as when stamped upon gold or silver, and this paper can record the number of bushels of corn which A is entitled to just as accurately as the gold or silver. In other words it can express B's indebtedness to A. It can be made a perfect measure of valuation. Upon it can be stamped the exact amount of every transaction whether it involves one dollar or one million.

Value is created by labor and if these men can agree that a dollar is a receipt for a certain number of hours of toil they can establish with exact certainty a standard of measurement which can be used to measure all their created values. It follows then that it would make no difference whether this measurement was stamped upon gold or paper. It is an admitted fact that the value of the gold dollar is measured by the amount of labor which is required to procure it, hence *labor* is the standard measurement of all values, and the dollar is a receipt or title of credit which expresses the amount of estimated value that the holder has parted with and also the amount which he is entitled to.

The material of which it is made cannot possibly change these relations. After we have established the length of the yardstick its length will be no greater when made of gold than when made of wood. In case of B's refusal to pay A, A's *Right of Action* against B is just as valid as if the agreement had been placed upon gold.

If B had actually paid gold for A's wheat, A would have claimed its redemption in B's corn as soon as it was ready for market, proving that the ultimate redemption of the, "honest" gold dollar is nothing more than the productions of society.

We find then that in every light in which this transaction can be viewed, that paper is an article sufficiently expensive and best adapted on account of its cheapness to record the exchanges which pass between them. They need look no farther for a basic article upon which to stamp their agreements. They can better employ their time in improving their farms and homes than in tunneling the earth in search of glittering baubles which superstition endows with intrinsic value, and which when they have obtained all that is possible is not sufficient to measure and record a thousandth part of their exchanges. Having determined upon a *reasonable material* upon which to witness and record commercial transactions, let us see if we can establish what is right and just.

Have these men an unconditional right to trade ? Has any man in the universe a right to say them nay ? Has any man in the universe a right to impose a tax upon them because they find it mutually beneficial to exchange their productions ? If a man has a right to make, to produce, to manufacture, has he not the inalienable and undeniable right to exchange and dispose of what he has produced ?

It has been stated that A is willing to part with his wheat if he can receive some evidence which will entitle him to an equivalent of B's corn. B's receipt of credit written upon paper, properly signed, is all that is necessary, for it would be secured by B's land. Is there any justice in the government's allowing a third man, C, to write this receipt of credit and charge B ten per cent for its use ?

All will see that this would be a tax levied by C upon these men because they desire to mutually profit by exchange. What right has a government to bestow upon C such a privilege ? All must at once recognize the cruel injustice of such a transaction.

If C has no right to levy a tax upon the trade of two men, will he have the right when the third immigrant arrives or when one hundred form this little colony ? If he has no right to tax a hundred, will he have the right when the colony becomes a nation ?

If the government under which these men live award to C the privilege of writing their receipts of credit and charging them ten per cent for the use of them, is not the nature of this transaction precisely of the same character as the law which establishes banks and permits bankers to charge interest for the use of the dollar ?

If the government assumes the control and supervision of our medium of exchange, and her provisions are so recklessly devoid of justice, a pint of education will be reached when the people will rise in the majesty of divine right and constitutionally destroy this system of legalized robbery.

Bankers literally own and control our medium of exchange, and before we can obtain it we must obligate ourselves to pay interest upon it. Interest is nothing more than a tax, which a privileged class are permitted to impose upon trade. If logical reasoning ever established the right of human beings, it has been clearly established that A and B have an inalienable right to own the receipts of credit which pass between them without a tax being imposed upon them for its use.

Hence all men united by social compact have a right to own the receipts of credit with which they make their exchanges. But these receipts of credit are what is commonly called money; therefore, all men united under one form of government, have **a right in their sovereign capacity as a nation to absolutely own their own currency**, without paying tribute to any corporation of bankers, and the *fiat* of the government stamped upon paper is the only just currency which can be provided for a nation's exchanges.

The laws of this country force us to use the credit of banks for our medium of exchange and pay a premium for it when we have the absolute right to use our own credit for this purpose. The fiat of the government is nothing more than the expressed will of the people stamped upon money, and to deny that the people have a right to use their own credit for a medium of exchange, is to deny the people the right of self-government.

The dollar is a measure of all values. The bushel is a measure of specific values, and it would be just as consistent to say that the bushel measure, which measures wheat, shall be made of gold to the amount of the worth of the wheat measured, as to say that the dollar which measures all values shall be made of gold to the amount of the value measured.

If the government should assume the right to control the manufacture and distribution of these bushel measures, and should award the ownership of them to a privileged class, who are permitted to charge a high per cent for their use, and who can at all times control their issue and circulation, and who will at no time let out enough to measure the grain of the country, this procedure would scarcely bring more distress to the people than the present method of controlling the currency, which is the people's power to measure and exchange their created values.

Money is the implement of commerce. The plow is the implement of agriculture. What would be the condition of the country if all the plows were owned by bankers who kept constant and jealous guard over their issue and circulation so that the community could only obtain about one-fourth of the number actually needed for agricultural purposes, so that on every side were uncultivated fields, idle men and starving people, and if in addition on an average of about once in six years they should conclude that it would be for their interest to very greatly restrict the number that are usually let out so that still greater numbers of men are thrown idle and still greater numbers must meet starvation; and if in the face of this condition, the banker of plows should seek to control every legislative enactment which could bring relief to the people by telling them that there is great danger that the country will become the dumping ground for the plows of all Europe; that we could not at all stand up under such a pressure; and that every effort to manufacture must be restricted so that we can keep an "honest" plow; that it is better to have uncultivated fields, idle men, starving women and children than that we should lower the standard and flood the country with "cheap" plows !

All will agree that such legislation as this would be monstrous. Yet the villainy of it would not be greater than the present control of the implements of commerce. Nothing but the obscurity of the functions of money and its relations to society has prevented this iniquitous system of banking from having been abolished long ago.

The dollar is nothing more than a measure and receipt of created value, and we cannot possibly use more than the number required to measure and receipt the values which we create and wish to exchange. The manufacture of bushel measures does not produce wheat; neither does the digging of gold and silver and coining them into dollars in any sense create value, but the providing of a medium of exchange in sufficient quantity to measure and exchange the values which men desire to create and exchange does promote the welfare and prosperity of a people.

We have now found the legitimate and natural functions of money. It is a receipt of credit showing that the holder has parted with some product of wealth for the good of the community for an equivalent of wealth. In the language of Bastiat,

> "You have a crown piece. What does it mean in your hands ? It is, as it were, the witness and the proof that you have at some time done some work which, instead of profiting by, you have allowed society to enjoy in the person of your client.
>
> This crown piece witnesses that you have rendered a service to society, and, moreover, it states the value of it. It witnesses, besides, that you have not received back from society a real equivalent service, as was your right.
>
> To put it in your power to exercise this right when and how you please, society, by the hands of your client, has given you an acknowledgment or Title, an Order of the State, a Token—a crown piece, in short, which does not differ from other titles of credit (Promissory Notes) * * * and if you can read with the eye of the mind the inscription which it bears you can distinctly see, 'Pay to the bearer a service equivalent to that which he has rendered to society.

> Value received stated, proved and measured by that which is on me.' After that you cede your crown piece to me. Either it is a present or it is in exchange for something else.
>
> If you give it to me as the price of a service, see what follows : Your account as regards the real satisfaction with society is satisfied, balanced, closed. You rendered it a service in exchange for a crown piece; you now restore it the crown piece in exchange for a service.
>
> So far as regards you, the account is settled. But I am now just in the position you were before. It is I now who have done a service to society in your person. It is I now who have become its creditor for the value of the work which I have done for you. * * * It is into my hands, therefore, that this Title of Credit should pass, the witness and proof of this social debt.

These Titles of Credit are from their very nature public property, and should never be given into the hands of private corporations, who levy a tax upon the community for the use of that which belongs to the community.

He who comprehends the meaning of this chapter and still believes that the dollar should be legalized with power to draw interest, should also believe in framing a system of coinage which would provide amply for its legalized increase so that the values which labor creates may not be so unjustly centralized in the hands of the few.

If, as has been shown, our annual interest is $1,800,000,000, the government should see to it that the increase in coinage should be sufficient to prevent business failures and the foreclosure of real estate. Instead of fearing the free coinage of silver, our gravest apprehension should be that there is not enough in all the mines of the world to keep pace with the increase given to money by the power of interest.

What a system of incongruities, inconsistencies and impossibilities this monetary system has been proven to be ! Examined in all its parts and phases it is nothing more than a fabrication of lies and robberies ! The soul sickens at the crimes and disasters which have befallen the people through its agency. Hoary-headed with the age of two centuries it is sustained by the influence of crowned heads, by titled nobility, by moneyed and landed aristocracy, by crafty and designing men, but lo ! verily, its days are numbered.

Under the freedom of the bright stars and broad stripes of the American flag, civilization has taken a bolder, grander flight and no worn out system of a superstitious and ignorant past can be adapted to the social conditions of the present.

We are in the throes of a great revolution. The battle is on and never until human industry is freed from the bondage of class legislation will this warfare for the emancipation of industrial slavery cease.

The "tramp, tramp, tramp," of the toiling millions tell us that "the day of our redemption draweth nigh."

> " *Truth crushed to earth shall rise again.*
> *The eternal years of God are her's.*
> *But error wounded, writhes in pain*
> *And dies amid her worshipers."*