Two Treatises on Competitive Currency and Banking

LYSANDER SPOONER

Edited and with introduction by Phillip W. Magness

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By Lysander Spooner

2018 introductory essay by Phillip W. Magness

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AIER | AMERICAN INSTITUTE *for* ECONOMIC RESEARCH

Dedicated to the
entrepreneurs of
free and open monetary
competition,
past and present.

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Introduction

Lysander Spooner (1808-1887) is primarily remembered today as a sharp-witted legal theorist who penned a number of influential attacks on the institution of slavery in the decades preceding the American Civil War. An uncompromising logician, his preferred means of argument entailed taking an agreeable premise—usually from the common law or observed convention—and methodically developing it to an unwavering extreme, intended to tease out uncomfortable truths it revealed about societal hypocrisies and injustices. He was a self-professed enemy of political authority, although he operated within its own turf of the legal system. His most famous works in his lifetime deployed the U.S. Constitution against its own most notorious clauses, effectively arguing that the continued tolerance of slavery under constitutional auspices would render the document—and the government based upon it—void. After the Civil War he extended this reasoning to the concept of government more generally, using strict legal literalism to cast doubt upon the social contractarianism and any constitution that ostensibly rested upon its assumptions.

Spooner's economic views have received a distant tertiary level of historical attention relative to his abolitionism and his contributions to political philosophy. This circumstance should come as little surprise for a man who, at various points in his life, plotted with John Brown, offered legal services to assist fugitive slaves, schemed to build a private competitor to the U.S. post office, indulged in verbal sparring with the leading figures of American politics for almost five decades in public life, and eventually called for the legal invalidation of the federal government itself on account of an abrogated contract with its citizenry. Of his surviving writings though, we know him to have been a radical adherent of the right of private contract, a believer in paper currency, a staunch defender of private property, and yet also a man who cared deeply about the conditions of labor and the inequities of wealth he observed in the world around him.

With slavery extinguished and the Civil War an object of memory, the intellectual firebrands of Massachusetts' abolitionist community increasingly turned their energies to economic issues—even to the point that economic matters became the dominant theme of a succession of politically liberal, radical, and free-thinker journals published in and around Boston in the final three decades of the 19th century. No single event initiated this shift in focus, although it found ample subject matter in the now-overlooked debates over monetary and tax policies in the immediate postbellum period. With the end of the war came the political entrenchment of protective tariffs, the monetary populism of Greenbacks and, later, Silverites, and an age of public graft fueled by state-subsidized railroad speculation and insider contracts dispersed through the spoils of machine politics.

Anti-slavery veterans like Spooner, Thomas Wentworth Higginson, William Lloyd Garrison, academics like Amasa Walker and William Graham Sumner, and an emerging community of radical journalists and pamphleteers—Benjamin Tucker, Stephen Pearl Andrews, and William Batchelder Greene, among the more notable names—turned their attention to a multitude of questions surrounding not only the economic mechanisms of wage labor, international trade, currency, and credit, but the relation of each to political interferences and intrusions upon voluntary financial relationships. Though diffuse in its nature, the resulting public economic discussion ran continuously across roughly three decades of time and involved most of the leading public intellectual figures of Massachusetts in some capacity.

They formed public debating societies structured as "Liberal Clubs," which held monthly meetings to present contesting viewpoints on topics of political economy and society. Spooner was the featured speaker at over a dozen such gatherings between roughly 1870 and his death in 1887. The viewpoints contested at these events ran the gamut from laissez-faire market anarchism to Cobdenite free trade and anti-imperialism to fantastically Utopian strains of socialism, albeit of the kind that usually asserted its own dissociation from the state. Their conversants debated theories of value, alternative systems of currency and banking, the function of land as capital, and the philosophical validity of private property.

To his credit, Spooner never wavered from his contract law-inspired commitment to individual property rights and thereby avoided the more far-fetched political naiveties found among some of his peers. Indeed, as the contents of this volume amply illustrate, Spooner's assessment of the political world itself was marked by disdain. In politics he saw only the instruments of appropriating the private individual's property, of burdening them with restrictions that intruded upon their livelihoods, of swindling them of justly acquired possessions, and of general knavery.

As with most matters, Spooner identified the sources of recession, unemployment, tight credit, and other economic ills in the authority of the state. The granting of privileges to the politically connected, the erection of statutory barriers against new businesses, and above all the violation of an individual's right to freely contract as he or she saw fit fostered a social inequity that pitted not the rich against the poor, but the politically empowered against the rest of society.

Economically speaking, Spooner's most direct imprint was likely upon his protégé and literary heir, the individualist-anarchist publisher Benjamin Tucker (1854–1939). In fact, competing claimants to Spooner's own ideological placement often filter through a similarly contested lens around Tucker. The latter's reputation ranges from an early libertarian to an anarchistic socialist, defined in his terms as repudiating the collective instruments of the better-known theories of state socialism while still clinging to an individually-tailored labor theory of value.

Working from a handful of passages in Spooner's *Letter to Grover Cleveland* (1886) and several short pamphlets on banking, currency, and industry, it is possible to plausibly situate Spooner in Tucker's sphere, excepting their notable divergence over the validity of intellectual property. Spooner is thus similarly claimed as a libertarian, a property theorist, a laissez-faire thinker, an anti-capitalist, and even a "market socialist" of sorts—although the contents of the present volume should disabuse us of that final designation. As we shall see, Spooner was far too firmly anchored to an individualist concept of private property to indulge such hallucinations. On one known occasion where the subject presented itself—a Boston Liberal Club debate in 1884—Spooner categorically rejected the posited "dissension or variance between capitalists and laborers" at the heart of contemporary socialist and communal theorizing. "Both of them are necessary in the present state of society," he maintained. Furthermore the proper object of economic policy was to simply "give every man a sufficiency with which to carry on business for himself," after which distributional equity would follow. Spooner's remarks turned next to his proposed means of clearing impediments to economic self-sufficiency. As indicated in incompletely-summarized remarks, he proposed "that what is done by the Government should be allowed to individuals," namely the liberty to issue their own private currencies and other forms of credit.[1]

No matter where we might designate Spooner economically, almost all assessments to this point are burdened with incomplete information of the present day. This was not the case with Spooner's contemporaries in 1884, who understood his remarks as a synopsis of an elaborate monetary argument that he sketched out a few years prior. From shortly after Spooner's death until the present day, scholars have lacked access to, or even awareness of, the core exposition of his theory of currency and credit.

Charles Shively assembled Spooner's extant economic pamphlets into two small volumes in his *Collected Works*, published in 1971, containing a succession of tracts that argued for competitive credit instruments and the breaking of government monopolies over the money supply.[2] Yet Spooner's two most substantive economic treatises are not to be found in this series. They were inaccessible at the time, and likely presumed lost—their contents unknown beyond speculative inferences from their titles.

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1 "Boston Liberal Club," *Boston Investigator,* December 24, 1884.

2 Vols. V-IV, in Charles Shively, ed. (1971) *The Collected Works of Lysander Spooner,* M&S Press.

A bibliography of Spooner's contributions in Tucker's obituary for *Liberty* magazine identifies two works entitled "*What is a Dollar* and an uncompleted serial *Financial Imposters,*" each published about a dozen years before his death in a magazine edited by their mutual associate, the Boston-based Unitarian minister James Martin Luther Babcock.[3] These tracts were never reprinted and the originals, assuming they still existed at the time of Spooner's death, likely vanished in the fire that gutted Tucker's Unique Book Shop and printing press in 1908.

This volume presents Spooner's two lost economic essays in full, making them available to scholars and readers alike for the first time in over 140 years. They are assembled here from their serialized form in Rev. Babcock's *The New Age,* and are offered as Spooner first arranged them. The periodical itself presented something of a challenge to track down on its own. The short-lived weekly magazine ran from roughly November 1875 until late 1877, drawing contributors from Boston's political liberal and free-thinker communities in which both Spooner and Tucker operated. Surviving copies are rare, and assembling the full serialized material required consulting three different fragmentary collections of its run. The search nonetheless yielded over a hundred pages of lost print material containing Spooner's two essays and accompanying commentary from the magazine.

Spooner's contributions share a common theme in articulating his theory of competitive currency and banking. Indeed, cross-references in the works indicate he intended them to be read jointly. The first and shorter of the two serials, *What is a Dollar*? began its run in July 1876 and appears to have functioned as something of a publicity tool to draw readers to the infant magazine. Addressing the economic circumstances of the country in the wake of the Panic of 1873, the serial developed a theory of radically decentralized credit that he first hinted at in his antebellum writings on currency and later articulated, in rudimentary form, as a

3 Benjamin Tucker, "Our Nestor Taken From Us." *Liberty,* May 28, 1887.

proposed banking system for the postwar south in 1866.[4] The magazine began its run of *Financial Imposters* that October, touting it in somewhat exaggerated flare as a treatise to "revolutionize opinion and practice in reference to finance."[5] More pertinent to the moment, the piece offered to provide an explanation of financial panics, including the still-lingering effects of 1873, by examining the question of what induces banks to suspend specie payment or, in extreme cases, to become insolvent.

Financial regulation of the banks and derivative political manipulations of currency by the state sit at the heart of Spooner's theory. Rather than serving a protective function for consumers against the peaks and troughs of a business cycle, state action is itself the cyclical disruptor. Spooner pinpointed the general regulation of credit issuance under the banking system, and in a more radical move, the monopolization of money around a single designated currency as the culprits. Illiquidity, in his mind, arose from the legal monopoly afforded to the state-backed monetary instrument itself to the exclusion of any would-be competitor, whatever its source or basis.

In both areas of policy—credit regulation and official monetary unit designation—monetary instruments were left vulnerable to political manipulation by unscrupulous state actors, creating a constant threat of economic destabilization. Their persistence not only bred inequities by reallocating wealth to the political classes—it also, in Spooner's mind, intruded upon the fundamental individual right to freely contract for the use and extension of one's own private property, including the private extensions of credit upon it. Far from spelling financial ruin, the elimination of these legal distortions and barriers, in Spooner's mind, would foster a reputationally driven competitive currency base subject to the self-regulating corrective pressures of choice.

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4 Spooner, Lysander. "Proposed Banking System for the South," *DeBow's Review,* August 1866. See also Spooner, 1873. "A New Banking System: The Needful Capital for Rebuilding the Burnt District." A. Williams & Co.

5 "Mr. Spooner on the Currency Question," *The New Age,* October 26, 1876.

The 1876 serials begin with a general question of what sustains a solvent and functional item as money. Here Spooner presents an argument for a radically decentralized currency base rooted in private credit issuance and operationalized through a free and openly competitive banking system. The ensuing project is self-consciously expansive in scope and intended to rapidly expand monetary liquidity through private competitive currency offerings—mainly paper issuance tied to any tangible asset the owner saw fit to extend as credit. Land was the most obvious fit for the scheme, mainly because a clear property title and a physical location offered an uncontested public record of the credit instrument in plain sight. The resulting banking system, he predicted, would operate on private reputation in unimpeded market competition, its visible ledger of land and other property serving as information cues to both prospective parties.

Spooner's scheme was fanciful, and even prone to Utopian predictions wherein the expansive liquidity injections of private currency became a panacea for economic downturns and distributional equity alike. Yet it was also grounded in tangible economic practices. As his extended discussion reveals, the primary historical impetus for Spooner's proposal was the financial system of Scotland in its free-banking period of 1716 to 1845. Spooner saw the associated credit expansion of this relatively unhindered system as the instrument behind Scotland's rapid industrialization in the 18th and 19th century. Using England's comparatively centralized banking system and politically controlled credit instruments as foils, he argues the case that Scotland's comparative insulation from bank failures and comparative stability during economic crises offered a natural experiment that validated the free-banking approach. His solution to the Panic of 1873, and indeed all panics, was to adapt similar mechanisms to the United States by removing money from political control and relieving the current banking system of its dependence upon state-imposed barriers to entry into the issuance of credit.

As with most of Spooner's works, the charge of legal malfeasance lay at the heart of his complaint. Government was the culprit for the reason that it had intruded upon the natural state of affairs under the common law, among them the right of individuals to freely exercise domain over their property and to freely contract upon it—including in terms of credit issued upon one's own clearly titled holdings. Much of the second treatise, and particularly its extended appendix, is therefore devoted to displaying Spooner's ire with the so-called "imposters" that he blamed for admitting the state into the business of banking and credit. He accordingly directs a fair amount of scorn at the leading theorists of political economy—at Hume, Smith, Ricardo, Mill and among his own contemporaries such American writers as Amasa Walker, David A. Wells, and Charles Holt Carroll.

It would be a mistake though to view Spooner's actions as a repudiation of the free-market theories associated with these thinkers, as Spooner's grievance held that they each betrayed a more free and decentralized market commitment by even admitting the propriety of state intrusion into matters of currency and credit in the first place. Mirroring a pattern seen in his earlier abolitionist work, replete with clashes that pitted him against his intellectual peers and allies William Lloyd Garrison and Wendell Phillips, Spooner constructed his case as a broadside against what he saw to be the deep injustices of the state. But he also reserved his harshest particular judgment for those would-be allies who, in his assessment, undermined the case he was constructing by indirectly legitimizing the very same regulatory interventions he had set out to knock down. What emerges in Spooner's critique is neither a repudiation of the "capitalism" of banking nor a rejection of sound and stable currency, but a more radical and, in his mind, pure vision of each, self-regulating by the reputational effects of the competitive free market and completely unhampered by political interference.

Despite the acerbic nature of his pamphleteering, Spooner actually evinced a deep intellectual respect for his Massachusetts-based interlocutors. The rigorous interrogation emanating from his pen served the function of pressing them to confront errors in their own premises. Some time prior to their publication in the *New Age*, Spooner shared an early account of his competitive currency argument with Amasa Walker (1799-1875), an economist of some repute then based at

Amherst College. Although Walker enjoyed a reputation as an "inveterate hard money man," he reportedly credited Spooner's theory as "the best paper system that was ever invented."[6] Their differences were a matter of emphasis in addressing certain commonly acknowledged problems. Whereas the hard money theorists saw gold as an institutional constraint upon political manipulation, Spooner had come to view the same as an unsustainable promise, no more reliable or enforceable than the safeguards of the Constitution of "no authority" that he famously denounced in his other works.

Spooner's monetary system evinces the imprint of its own date, preceding both modern business cycle theory and—importantly—the emergence of subjective theories of value in the economics profession of the late 19th century. Some elements will accordingly strike the modern reader as dated, naïve, or eccentric. Yet in meaningful ways, Spooner also anticipated some of the most intriguing monetary developments of our own time. Two warrant mention in particular.

First, Spooner's vigorous defense of the Scottish banking system presaged the revival of this topic in the late 20th century as a subject of scholarly inquiry. The long-forgotten Scottish free-banking era has undergone a conceptual renaissance in recent decades, attached to accompanying theories of a general free-banking system that stress a number of similar principles that Spooner deduced from his comparative analysis of England.[7] The role of reputational characteristics in self-regulating the marketplace for credit, the argument that free-banking would help to absorb economic panics, the predicted effects of interest rate stabilization under openly competitive market conditions, and the notion that free-banking provides a buffer against the political mischiefs

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6 Lysander Spooner to David A. Wells, April 29, 1871, Lysander Spooner Papers, Boston Public Library

7 For modern discussions of the economics of free-banking see, e.g. Hayek, F. A. (1990). *Denationalisation of Money: the argument refined: an analysis of the theory and practice of concurrent currencies* (Vol. 70). Institute of Economic Affairs; White, Lawrence H. (1984). *Free banking in Britain: Theory, experience, and debate, 1800–1845*. Cambridge University Press; Selgin, George A. (1988) *The Theory of Free Banking: Money supply under competitive note issue*. Rowman & Littlefield, 1988.

of monetary manipulation are now mainstays of the economic literature on the subject.

Second, Spooner's articulated theory of radically decentralized competitive currencies might be seen as something of an intellectual grandfather to the rise of cryptocurrency in the present day. The age of Bitcoin and other electronic currencies remains in its technological infancy, including widespread uncertainties about their qualification as true monetary instruments as well as their long term viability. Yet the issues and opportunities they raise show a number of striking similarities for Spooner's own "low-tech" precursor. Much as Spooner stressed the public visibility of property-backed paper currency as a security mechanism against deception, theft, and fraud, the blockchain mechanism of today attempts to resolve similar problems (albeit with arguably mixed results) by maintaining a publicly visible ledger.

Cryptocurrencies similarly trade on their own reputational features, aided by product variation and relatively unrestricted entry for new coin offerings. The clearest similarity, of course, is the mutual goal of Spooner's system and its technological successors, which is a currency market that operates beyond the reach and control of political authority. Whether cryptocurrency can stay ahead of the state in this dimension remains an open question as regulatory bodies seek to classify, regulate, and tax their yields and operations, although the currently unfolding game of cat and mouse evinces a spirit that would have likely met with Spooner's approval.

Spooner's two treatises elicited a fair amount of political discussion in its own day. Charles Holt Carroll, a contemporary writer of some note who espoused a hardline gold-based monetary system, reacted in the pages of *The New Age*. To Carroll, Spooner presented "a silly, an untrue, and abusive article" that imperiled commodity grounding of sound money in gold. His paper-based competitive currency system offered promissory debt in its place and with it a potential to "do infinite mischief." Interestingly enough, Carroll viewed gold's primary monetary status as existing prior to and therefore independent of government, even as specific governments had shown a propensity toward "driv[ing] it away by adulterating it with paper and cheap tokens." Spooner's retort, offered in a short supplemental letter, charged Carroll with espousing a specie base that depended upon the state to preserve its own non-interference with the commodity, gold, that he expected to be afforded legal primacy in transactions. Carroll, he contended, was thus complicit in monopolizing the standing of gold to the exclusion of any monetary alternative.[8]

Spooner's treatises found a following in some factions of the Massachusetts Greenback movement of the 1880s. James Sumner, a prominent attorney in Boston and associate of Babcock, described his proposal as "one of the best systems for honest banking that was ever devised."[9] Another contemporary review of the treatises praised Spooner's display of "what skillful and plausible dialectics revolutionary methods and principles may be defended."[10] Spooner's friend and longtime correspondent Daniel McFarland, living in Indiana at the time, similarly wrote to convey his approval of the essays. Affirming the emergence of Massachusetts as a late 19th century locus of monetary theory, he paused to comment upon his fascination with how "the social and financial questions were being discussed as a specialty in Boston, and with much spirit and utility as I learn from the papers you have sent me."[11]

Spooner's correspondence with McFarland offers one of the only surviving glimpses into the author's private witness of the reception of his work. He solicited McFarland's opinion of the two treatises after mailing him a serialized copy. Although ever the intellectual entrepreneur, Spooner seldom enjoyed financial security. Yet in this instance he held forth optimistically that he "shall someday get [competitive currency] established" in the United States if he "could just get the means to make it

8 Letters of Charles Carroll and Lysander Spooner, *The New Age,* August 7, 1877

9 James Sumner, "Tribute in Memoriam to John Martin Luther Babcock," Boston: Read & Monaghan (1895), p. 50

10 *Boston Daily Advertiser,* April 13, 1877

11 Daniel McFarland to Spooner, February 24, 1879, Lysander Spooner Papers, New York Historical Society

known."[12] No doubt, the state's intrusions into the monetary system had vandalous effects upon economic stability. Whereas others had sought to enchain this troublesome creature by binding it to the rigidity of a metallic standard and entrusting it to self-enforce its constraints, Spooner had far grander ideas in mind. He wished to render the state a monetary non-entity by outcompeting it, and by operating beyond the capabilities and reach of political design.

What is a Dollar and *Financial Imposters* spawned other works in the years that followed. Readers will therefore notice a similarity to Spooner's essays "Our Financiers: Their Ignorance, Usurpations, and Frauds," "The Law of Prices," and "Gold and Silver as Standards of Value," each printed in Tucker's short-lived quarterly, the *Radical Review* (1877–78). The first presents a polemical attack upon the political deception he considered implicit in designating a monetary base by law, the commentary occasioned by a then-pending bond reconversion scheme proposed by Benjamin F. Butler. The next two works develop a theory of product valuation rooted in the demand for circulating money, building toward the repudiation of a legally-enshrined specie-based monetary system. Drawing again upon the free-banking examples he developed in the serials for the *New Age*, here Spooner turns conventional gold standard arguments on their head by declaring even the soundest currency base inadequate on account of its political subservience. Curiously, this move pushes Spooner's monetary theorizing in a radical and unfettered free-market direction that inverts the conventional logic of a specie system as its own safeguard against political manipulation. Here even the specie system becomes a product of political intrusion upon what Spooner saw as man's natural right to contract freely.

In presenting these two "lost" treatises, I seek neither to endorse nor refute Spooner's conclusions, but rather to offer them as an insight into the mind of one of America's most original and provocative thinkers. Although reflective of his own lifetime, his arguments carry fascinating

12 Spooner to McFarland, February 6, 1879, Lysander Spooner Papers, New York Historical Society

parallels to our own grappling with competitive currencies and banking. By making them available again after more than a century in seclusion, it is my hope that they will both further our historical understanding of the time in which they were written and offer relevant insights to the evolution of economic ideas in the present day.

— Phillip W. Magness

What is a Dollar?

Or, how many dollars have we? And how much money can we have?

(1876)

SECTION I.

To settle the currency question, it is only needful that we should know what a dollar really is. We shall then know how many dollars we have, and, consequently, how much money we can have, and have a right to have.

What, then, is a dollar?

The word dollar has two significations: the one legal and technical, the other commercial and practical.

The legal or statutory dollar is a coin, fabricated by the government, containing 24¾ grains of pure gold.

The dollar of commerce, on the other hand, is any vendible commodity whatever, *that has an equal value in the market with the gold dollar.*

While, therefore, the legal or statutory dollar consists wholly of gold, the dollars of commerce consist of all those commodities which mankind are constantly producing, buying, selling, using and consuming, for their subsistence, and for the gratification of their wants and desires.

There are, in the United States, not more than two hundred millions (200,000,000) of gold dollars. But the census of 1870 showed that there were then, in the United States, about thirty thousand millions (30,000,000,000) of the dollars of commerce.

There are, in the United States, at least a hundred and fifty times as many of the dollars of commerce as there are legal, statutory, or gold dollars.

These dollars of commerce also consist of substances that are as necessary for mankind—many of them infinitely more necessary—than are the gold dollars. In fact, the gold dollars are of so little practical importance, in comparison with the dollars of commerce, that the great body of mankind seldom or never touch a gold dollar, except as a means of purchasing one of the dollars of commerce; and, in commercial countries at least, they seldom or never would touch one of them, *even for that purpose,* if they were not coerced into doing so by the tyranny of their governments; because, in modern times, commercial peoples have learned that these commercial dollars can be exchanged for each other, by means of contracts on paper representing them—such contracts as notes, checks, drafts, and bills of exchange—much more easily, rapidly, and equitably, than through the medium of the gold dollars.

And here it is necessary to note that every *solvent* piece of paper, of either of the kinds mentioned—whether checks, notes, drafts, or bills of exchange—represents real commercial dollars—that is, actual property—*existing somewhere,* that is legally holden for the redemption of the paper, and that can either be itself delivered, *or be otherwise made available,* for the redemption of the paper.

All the commerce of the world—in so far as it is carried on by means of checks, notes, drafts, and bills of exchange—is carried on upon the assumption that these contracts all represent actual property, *that exists somewhere,* and that is legally holden, and can either be itself delivered, or be otherwise made available for the redemption of the paper.

It is especially to be observed that although these contracts almost universally promise to pay *gold* dollars; and although the holders of the contracts can demand gold dollars on them, *if they so elect,* yet at the times when the contracts are entered into, it is seldom or never considered that the property of the promissors—the property that is represented by the contracts, and that is legally holden for the payment of them—*then* exists, in the hands of the promissors, *in the shape of gold dollars.* On the contrary, it is almost universally considered that it exists only in the shape of commodities that can, if it should become necessary, be sold for gold dollars, and thus be made available for the fulfillment of contracts.

When, therefore, men are legally and technically dealing in gold dollars, they are really and practically dealing in commercial dollars; and both parties so understand it. And nearly all the traffic of the world—especially of the most productive and commercial peoples of the world—is carried on by means of these contracts, which legally and technically call for gold dollars, but which really and practically represent only commercial dollars; and which are finally paid—*and that, too, by the choice of both parties*— not in gold dollars, but in commercial dollars.

Thus all the figures that stand on the books of bankers, merchants, manufacturers, and others, and all that appear in their checks, notes, drafts, and bills of exchange, although legally and technically they call for gold dollars, really represent only commercial dollars, and are finally paid only in commercial dollars.

But the all important fact to be now observed, in regard to these commercial dollars, is, that each of them has precisely the same amount—or at least an equal amount—of true and natural market value with a gold dollar; as is proved by the facts that they not only bring as much in the market as the gold dollars, but are generally even preferred to the gold dollars; and by the still further fact that the holders of the contracts could *legally* demand and receive, in fulfillment of them, gold dollars, instead of commercial dollars, if they simply chose to do so.

What, then, it will be asked, is the difference between the gold dollar and the dollar of commerce? The answer is that there is no difference at all, *so far as their true and natural market value is concerned*. And the only difference, of sufficient importance to be noticed at this point, is this: that when one man promises to pay another given number of dollars, without specifying what kind of dollars, the courts will understand that the parties mean gold dollars. And the creditor, if he so elect, can then compel the debtor to pay gold dollars; and the debtor, if he so elect, can compel the creditor to accept gold dollars, or nothing. But inasmuch as creditors are rarely so foolish or malicious as to compel a debtor to pay a gold dollar, when it is worth no more in the market than a commercial dollar; and inasmuch as a debtor is seldom so foolish or malicious as to compel a creditor to accept a gold dollar, when it is worth *no less* in the market than a commercial dollar, they rarely have any controversy in regard to it; but the debtor pays, and the creditor accepts, whichever dollar happens to be most convenient for the parties, either or both, at the time.

With very rare exceptions—and those originating usually in malice—it is only when a debtor seeks to pay in something that is *called* a dollar, but which really has not a market value equal to a gold dollar, that the creditor insists upon being paid in the gold dollar.

These things bring us to this vital fact; viz., that in *commerce* a dollar is not any particular coin, nor any fixed amount of any *one* specific substance—gold, silver, or any other—*but that it is a certain quantum or amount of true and natural market value, to wit, an amount of market value equal to that which exists in a certain coin; and that it is the same amount of market value, whether it exists in that coin, or in any other vendible commodity, that has an equal value in the market with the coin.*

If, for example, a bushel of wheat has the same amount of market value with a gold dollar, then, *commercially speaking,* it *is* a dollar. *In commerce,* it is just as really a dollar as is a gold dollar. And the same is true of every other vendible commodity that has an equal amount of market value with the gold dollar.

All legitimate commerce recognizes this principle and proceeds upon it. Whenever, for example, a bushel of wheat and a gold dollar are voluntarily exchanged for each other, the exchange is made upon the assumption that the wheat is the equivalent of the gold; that a dollar in wheat has the same amount of market value as a dollar in gold; and that, consequently, *so far as value is concerned, it is as much a dollar as is the gold.*

And what is true of wheat is equally true of houses and lands, of horses and cattle, of fruits and grains, of coal and iron, of wool, cotton, and leather, and of every commodity whatever that is bought and sold in exchange for gold dollars. In all these cases, the exchange proceeds upon the assumption that the commodity that is exchanged for the gold dollar, has the same amount of true and natural market value with the gold dollar, and is, consequently, *so far as value is concerned, as much a dollar as is the gold.*

If, now, we will but recognize this principle in practice, and carry it out to its legitimate results, the whole currency question will be solved; for we shall then have at least thirty thousand millions (30,000,000,000) of dollars of money (if we can use so much), instead of, at most, not more than two hundred millions (200,000,000), or only a one hundred and fiftieth part of what we might have.

All that is necessary to make these thirty thousand millions of dollars into money, is that they should be represented by contracts on paper, promising to deliver them, or their equivalents in gold, on demand, or at times agreed on.

Nobody would be required to accept any of these contracts unless he so pleased; and no government has the right to forbid any one to accept such of them as he pleases. The giving and receiving of them as money would be a purely voluntary act on the part of everybody, so far as they should be given and received at all. For a government to prohibit the purchase or sale of such contracts, is equivalent to prohibiting the purchase and sale of the property which the contracts represent, and is as great a tyranny as it would be to prohibit the purchase and sale of the same property in any other way.

SECTION II.

But it will be said that these dollars of commerce—that is, the houses and lands, the horses and cattle, the agricultural commodities, the goods, wares, and merchandise, that make up the thirty thousand millions of dollars which compose the material wealth of the United States—cannot serve the purposes of money, because they can neither be carried about in the pocket, so as to be readily exchanged for each other, nor can they be cut up into pieces or parcels of such precise, accurate, and equal values as are the gold dollars.

It is true that these thirty thousand millions of commercial dollars cannot be carried about in the pocket, like so many gold dollars. It is also true that they cannot, like gold, be literally and actually cut up into so many separate pieces, each having a value precisely equal to that of every other. But these difficulties are overcome by means of contracts on paper—that is, notes, checks, drafts, and bills of exchange—representing these commercial dollars, and promising to deliver them, or their equivalents in gold, on demand, or at times agreed on. By means of these contracts, all material property can be cut up into any desirable number of pieces, each piece precisely equal to every other, and each piece also precisely equal in value to a gold dollar. And these contracts on paper, representing these commercial dollars, can be carried about in the pocket, not only as conveniently, but even more conveniently, than so many gold dollars. And when they are known to be solvent, they are just as acceptable, and generally much more acceptable, as money, than so many gold dollars. That they have equal value, dollar for dollar, with the gold dollars, is proved by the facts that they are constantly bought and sold in the market at a price equal to the gold dollars; and that, in reality, they are generally preferred, as money, to the gold dollars.

All these things, in regard to them, have, in some countries, been demonstrated over and over by the experience of a hundred years or more. And today, in most commercial countries, more than ninety per cent. of all the dollars bought and sold are the dollars of commerce, represented by paper, in preference to gold dollars.

But, in addition to all this testimony of experience in their favor, we all know that nothing but legal prohibitions upon their circulation as money, has prevented their being circulated much more than they have been. And those persons, who are opposed to their circulation as money, now rely wholly upon legal prohibitions, and are constantly crying out for legal prohibitions, as the only means of preventing a great increase in the circulation of these commercial dollars as money. All the books and arguments that were ever put forth against the use of these commercial dollars as money, would all go for nothing in preventing that use, but for the legal prohibitions that are employed for that purpose.

It is, therefore, useless for anybody to attempt to deny that these commercial dollars, represented by paper, are adapted to use and circulation as money; since their demonstrated success in some countries for a hundred years, and the present advocacy of them by one portion of the people, and the call, by another portion, for legal prohibitions upon them, as the only means of preventing their use, all testify irresistibly to their adaptation for that purpose.

SECTION III.

If it should be said that these commercial dollars—that is, the houses and lands, the horses and cattle, the goods, wares, and merchandise, which make up the thirty thousand millions of commercial dollars—cannot be *themselves delivered directly* in payment of the circulating notes which represent them; and that the amount of coin is so trivial, in comparison with the notes that might be issued, that the payment of any considerable portion of the notes *in coin* would be plainly impossible; and that this impossibility of paying the notes in coin must necessarily destroy their solvency, and consequently their credit as money—if all this be said, the answer is, that this difficulty, once esteemed formidable, and perhaps by some persons insurmountable, has long since been proved, by actual experience, to be in great measure imaginary, and for this reason, viz., when the notes issued for circulation, are issued, as they should be, only by discounting other solvent notes, having but a short time to run (perhaps three months, or thereabouts), the circulating notes, being a legal tender in payment of the notes discounted, and being more easily obtainable in the market than coin, will, in the long run, *all* be brought back by the borrowers in payment of the notes discounted; *and no other call for their redemption will usually be made*.[1]

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1 In the ordinary course of things the amount of currency issued corresponds exactly with the amount of the notes discounted. That is to say, the amount of currency *loaned* corresponds precisely with the amount of the notes discounted, *except by the amount of the discount*. The discount constitutes the *gross* profits of the banking business. Of these gross profits, a part goes to pay the current expenses of the bank; the remainder is paid to the stockholders as dividends. If, now, these expenses and dividends are paid in currency, as they usually are, the whole amount of currency *issued* will correspond precisely with the amount of notes discounted. And if the notes discounted are all solvent, every dollar of the currency issued will be required to pay the notes discounted; and will, in the long run, come back to the banks in payment of them. *Continues on next page.*

Under this system, then, the currency is really *self-redeeming;* as, under any system, it necessarily must be, to make the system a permanent success.

And it is no matter how great is the amount of currency issued. If it be known that it represents a corresponding amount of property, that is legally holden for its redemption; and that it (the currency) is issued only by discounting *solvent* notes, having, say, not more than three months to run, it will then be known that all the currency issued will be redeemed once in every three months, on an average, by being brought back to the issuers in payment of the notes discounted.

And when it is known that the entire volume of currency will thus be redeemed once in every three months, on an average, it will maintain its value in the market on an equality with coin, and, on account of its greater convenience, will generally be preferred to coin.

This fact has been so often demonstrated by experience, as to be placed beyond controversy; and is, therefore, to be accepted as a fixed principle, an immutable law (very extraordinary contingencies excepted), governing the issue, the redemption, and the market value of such currency.

Such a currency will always legally and truly represent real commercial dollars—actual *bona fide* property—that is, the property that is legally holden for its redemption. And if all the material wealth of the nation—thirty thousand million dollars worth—were represented by such a currency, the currency would all have an equal value in the market, dollar for dollar, with coin. And no more of the currency could be kept in circulation than should be needed for the buying and selling of property at coin prices.

Therefore the currency *issued,* and the notes discounted, exactly balance each other. Practically, they stand in the same relations to each other as two mutual book accounts, which exactly balance each other, which are mutual offsets to each other, and which are cancelled by being offset against each other. *Legally,* also, they stand in the same relations to each other, as two mutual book accounts, *to this extent,* viz., the currency issued is a legal tender in payment of the notes discounted; and the notes discounted are also a legal tender in payment of the currency issued, *when the latter is presented for redemption by a debtor whose discounted note is already due.* But when the currency is presented for redemption by a holder who is not a debtor to the bank, the holder, if he chooses, can demand specie.

Under this system, then, the commercial dollars represented by the currency—that is, the houses and lands, goods, wares, and merchandise, that are legally holden for the redemption of the currency—have usually no call to be *themselves delivered*, nor to be exchanged for gold, in order to redeem the currency; nor even to be in any wise disturbed, or to be withdrawn from their accustomed uses. It is enough that it be known that every dollar of currency in circulation represents a *bona fide* dollar of property, that is legally holden for the redemption of the currency, and that can be *made available* for that purpose, in case the notes discounted should prove insolvent, and the currency in consequence should *not* be brought back in payment of them.[2]

SECTION IV.

To assert that the greatest amount of *solvent* currency that can be had (of the kind already described), even though it be equal to the whole material property of the country, is not perfectly legitimate, is equivalent to asserting that there can be no legitimate credit in any form whatever. If any one dollar of such currency be legitimate, then every other dollar of the same kind that we can have, is equally legitimate. If any one dollar's worth of property is entitled to be thus represented, by a contract on paper (such contract being free to circulate as currency), then every other dollar's worth of property is equally entitled. To assert the contrary of this is equivalent to asserting that no representation of any property whatever, by such a contract, for circulation as currency, is legitimate, or ought to be

2 The writer wishes it to be distinctly understood that he does not consider the system of issuing a currency, in the shape of promissory notes, *legally payable in coin on demand*, to be either theoretically or practically perfect. He believes it neither. But experience has proved it to be sufficiently near perfection to illustrate the principle involved in it, and the practical importance of that principle, as a means of abolishing the present monopoly of money, by furnishing the most ample currency and credit; and also as a means of placing all kinds of vendible property in a condition to be bought and sold, borrowed and lent, at their true and natural values, relatively to each other.

Should the business of banking—by which is here meant the representation of general property by paper for circulation—ever be made free, as this writer claims that it should be, he believes we should soon have a system more nearly perfect, both theoretically, and practically, than any now in use.

tolerated. It is also equivalent to asserting that all book accounts, all private promissory notes, all checks, drafts, and bills of exchange—however solvent, and however sure to be paid according to their terms—are illegitimate, and ought to be suppressed. For if a circulating note, which must necessarily challenge the scrutiny of the whole community—which every one is at liberty to refuse, but which every one is willing to accept—is not to be considered a safe or legitimate form of credit, there plainly can be no legitimate credit whatever.

Certainly there is no other form of credit that accomplishes anything like the same utility as does the bank note. *In fact, its utility surpasses that of all other forms of credit put together.* When known to be solvent, it passes everywhere by mere delivery, without indorsement, and through any number of hands that traffic may require. It is also—unlike other forms of credit—of all denominations, so as to serve for all transactions, both great and small. It effects ten, a hundred, or a thousand purchases, where a book account, a private promissory note, a check, draft, or bill of exchange, effects but one. Its efficiency is such, in comparison with all other forms of credit, that all other forms of credit could be dispensed with, with very little inconvenience, if but this one form were left free; for then all ordinary business credit would be obtained at bank, and all traffic between man and man would be cash. In this way all the panics, revulsions, bankruptcies, and consequent stagnations in business—such as have been upon us for the past three years, and which result solely from the lack of currency, and the excessive indebtedness between man and man—would be avoided. In short, the utility of the circulating note is so great, so obvious, and so manifestly paramount to that of all other forms of credit, that to talk against it is as idle as it would be to talk against the utility of steam engines, railroads, telegraphs, and all the other inventions by means of which modern wealth is created and distributed. In fact, this is the most important of all the modern inventions; because it is the one by which alone all the others can be utilized. When the currency is abundant, all industrial and commercial machinery moves. When it fails, all industrial and commercial machinery stops.

SECTION V.

Perfect freedom in banking—and only perfect freedom—guarantees to the whole community, *at all times*, that abundant currency, and that low rate of interest, which are indispensible to the highest industrial and commercial activity, and the greatest aggregate of individual prosperity.

Under perfect freedom in banking, substantially all of the material wealth of the country can be used as banking capital. The amount of currency which this capital is capable of furnishing, is so great—probably so much greater than could ever be used—that there could never be a scarcity. And the competition in furnishing it would doubtless always be so great as to keep the rate of interest at a very low figure; at the lowest figure at which the business of banking could be profitably done. The rate of interest would also be stable, because a large amount of currency could be supplied as easily as a smaller one.

As long as industry is even liable to be crippled, either by a scarcity of currency, or by a rise in the rates of interest, so long prudent men are deterred from all business that looks beyond the necessities of the hour. This liability to be crippled is what prostrates industry today. It is of no avail to say that money is cheap *today;* because business men know that so soon as there shall be any considerable increase of business, the present stock of money will be insufficient to meet the demand; and that there will necessarily result such a scarcity of currency, and such a rise in the rate of interest, as will thwart all their plans. To make their enterprises safe, it is indispensible that they should be able to *look forward,* and see how much money they are to have, and on what terms they are to have it, not merely for the next month, but for the next year, and the year after, and, indeed, for all future time. When they can see that, *through all future time,* they are to have the most ample currency that it is practicable for them to have, and at the lowest rates of interest that are practicable, they can then make reliable calculations, and will have the courage to act upon them. Until they can see this, the present stagnation will continue in a greater or less degree.

SECTION VI.

But it will be said that such an abundant currency, and such low rates of interest, as are here advocated, would cause an excessive industrial activity *for a time;* but that this excessive activity would be followed by a panic in credit, a revulsion in prices, and a stagnation in business, such as we are now suffering from.

One answer to this assertion is that there can be no such thing as excessive industrial activity; since every man has a perfect right to devote himself to the creation of wealth, with any degree of intensity that suits him. And any financial system that does not encourage and facilitate the highest industrial activity, instead of tending to suppress it—as all restrictions upon currency confessedly do—is manifestly a system for the promotion of universal poverty, instead of universal wealth.

Another answer is that, *under such a system,* the greatest industrial activity of which men are capable, would not be followed by either a panic in credit, a revulsion in prices, or a stagnation in business.

Let us look at these points separately.

(1) Under the free system here advocated, there could never be a panic in credit.

Panics in credit result from one, or the other, or both of these two causes, viz., first, a doubt, on the part of the people, as to the solvency of the banks; secondly, an indebtedness among the people, that is excessive *relatively to the amount of money in circulation with which to cancel their indebtedness.*

Plainly there could never, under a free system, be any doubt, on the part of the people, as to the solvency of the banks, whose notes they held. The amount of property that could be used as banking capital—that is, the whole material wealth of the country—is so great in comparison with the amount of currency that could be used, that under a system of free competition, *and of individual liability on the part of the bankers,* no company of bankers could ever get so many of their notes into circulation as to endanger their solvency. Or if such a case should occasionally occur, it would be so rarely as to cause no panic, and no apprehension as to the solvency of the banks generally. This fact has been demonstrated by experience,[3] and will be more fully shown hereafter.

> (2) Under a free system, no panic could ever arise from an indebtedness among the people, *that was excessive relatively to the amount of currency in circulation with which to cancel it;* because there could never be such an excessive indebtedness.

It is of little importance what amount of indebtedness there may be among the people, provided there be a corresponding amount of currency in circulation with which to cancel it.

But under a free system, there would, in reality, be very little indebtedness among the people. The banks would be so numerous that they would probably furnish all the ordinary business credit that would be needed. Everybody that could get credit at all (to any considerable amount) could get it at bank. This credit would be granted by issuing currency in discounting notes. The borrowers of this currency would then make their purchases with it, instead of on credit. As a general rule, therefore, everybody would buy for cash, and everybody would sell for cash. The consequence would be that there would be little or no indebtedness between man and man. The only indebtedness there would be in the community (of any serious amount, unless for long loans on mortgage) would be the debts due *to* the banks, and *by* the banks. And these two kinds of indebtedness, as we have already seen, would just balance each other, and be, for all practical purposes, mutual offsets to each other, and legal tenders in payment of each other.

In short, the currency in circulation would not only correspond in amount—either exactly or very nearly—with the amount of people's indebtedness, but it would also furnish the means for cancelling it.

Under such a system, there plainly could never be any such thing as a panic. The public, as we have before seen, could never be in a panic about the banks; and the banks could certainly never be in a panic about their debtors; because these debtors, buying for cash, and selling for cash, and owing nobody but the banks—and most debtors owing but one bank

3 Especially in Scotland

each—could always show their conditions at once. There would, therefore, be nothing to make a panic out of.

SECTION VII.

All the panics in credit of the last fifty years have resulted solely from the lack of bank currency and bank credit. Business men, solely from being unable to get credit at bank—in the form of currency—and thus make all their purchases for cash—have been compelled to get credit of each other, in the purchase of goods; without any currency being issued at the time, with which to meet the indebtedness. Merchants and manufacturers—everybody, in fact—have been compelled to buy on credit, and sell on credit. The same man, though having a good capital of his own—sufficient for his business, if he were only buying and selling for cash—has been obliged to get credit, in large amounts, on the one hand, and, at the same time, give credit, in large amounts, on the other. In this way the aggregate indebtedness becomes enormous: *while there is no increase of the currency with which to meet it.*

To conceive how enormous this indebtedness becomes, it must be borne in mind that many—perhaps most—of our commodities are bought and sold, on credit, three, four, five, or more times over, in going from producer to consumer. Take, for example, the article of wool. The wool grower sells to the wool dealer; the wool dealer to the manufacturer; the manufacturer to the jobber; the jobber to the retailer; and the retailer to the consumer. Here the wool is sold five times over on credit. And what is true of wool is substantially true of cotton, hides, iron, and various other commodities.

As a general rule, all the producers, manufacturers, buyers, sellers, and consumers of wool, and of every other commodity, do their business in the same absurd, preposterous, and dangerous manner. That is, they contract debts without stint, on the one hand, and give credit without stint on the other. Thus the producers, manufacturers, buyers, sellers, and consumers of each commodity become involved in one common net of indebtedness with the producers, manufacturers, buyers, sellers, and consumers of each and every other commodity.

Thus the solvency of each debt becomes dependent on the solvency of ten, fifty, a hundred or a thousand other debts. And these latter are scattered over the country, where no one can trace them, ascertain their solvency, or compel their payment. The honor and interests of the debtors are all that can be relied upon, even when money is most abundant. When money is scarce, there is nothing to rely upon.

Under these circumstances, no one knows how he stands, or can show his creditors how he stands; because he can place no reliance on his debtors.

Under this system of buying and selling everything on credit—there being only a small stock of money—no sooner does the industry of the country acquire any considerable degree of activity, than the scarcity of currency, in comparison with the indebtedness, enables the few holders of money to demand ruinous rates of interest. This demand makes it impossible for many to do business at all; and failures are the result. And when once failures have commenced, the failure of one causes the failure of others, and nobody knows where they will end. The money holders profess to be alarmed, put their money in their pockets, and refuse to lend at all. And then comes bankruptcy and ruin to everybody who is in debt, except a few of the strongest.

The few money holders now command the situation. Industry cannot move, except at their bidding. They find it for their interest to withhold their money from circulation for one, two, three, or four years, until property and labor come down to perhaps half their former prices. They then begin to invest slowly—that is, to grab property, and extort the labor, of other men, at the reduced rates. Finally, after a long period of torture and misery to everybody, except these few holders of money, something that is called activity or prosperity gets into operation, but only to be soon followed by another panic in credit, another revulsion in prices, and another period of industrial stagnation.

All this proceeds solely from the lack of that bank credit, and bank currency, which would have enabled everybody, who was worthy of credit, to get it at bank, in the shape of currency, and then make all his purchases for cash.

It was this mass of indebtedness between man and man—there being no corresponding amount of currency to meet it—that caused the panic of 1873, and all the ruin and misery that have since followed.

Setting aside loans on mortgage, there was probably ten, perhaps twenty, times as much indebtedness as was needed to do the same business. And this indebtedness was the worst and most dangerous that could be invented, because created without any corresponding increase of currency with which to meet it.

One dollar of bank credit saves the necessity for five, ten, twenty, or more dollars of credit between man and man. Besides, every dollar of bank credit is perfectly safe, by reason of the issue of currency with which to meet it. While every dollar of credit between man and man is dangerous, for the reason that no currency is issued to meet it.

Three months before the panic, in 1873, the ordinary business indebtedness of the country—coming due in the next six months—was probably (such is my judgment) at least ten times the amount of the currency then in circulation. That is, if we suppose the currency to have been $800,000,000, the indebtedness was probably $8,000,000,000. It is not an easy thing to meet such an indebtedness as this, with so small an amount of currency, when the other daily transactions requiring money are such as to employ the whole stock of currency; and when new debts are being created as fast as old ones are cancelled; and when any urgent demand for money, instead of producing a supply, as it should do, only induces the holders of money to withhold it from circulation, in order to get higher rates of interest. But if the amount of currency had been double what it was, the same amount of business could all have been done for cash; and no panic would have occurred, or been thought of.

SECTION VIII.

If it has now been shown that panics in credit result wholly from the lack of bank credit and bank currency, it has equally been shown that, but for the lack of bank credit and bank currency, there would be no revulsions in prices, and no stagnations in business; since these are but the necessary results of panics in credit.

If those men who raise such horrible outcries at the idea of an *"inflation of the currency,"* would but take cognizance a little more carefully of the consequences of an *inflation of indebtedness* between man and man, they would show their sagacity and wisdom in a much better light than they do now. It is even possible that they might find that the custom of selling everything for cash, might not inflate prices any more than the selling of them a half dozen times over on credit; five or ten per cent. being added to the price, at each separate sale, to compensate for the risk of giving the credit.

SECTION IX.

We can now see the error—not to say the utter absurdity and falsehood—of all those opinions, arguments, and pretences, and the glaring and outrageous tyranny of all those laws, by which we are deprived of that *bank* credit and currency, which can be had in all needed abundance, and at low and unvarying rates of interest; and which are so manifestly indispensable to save us from our dependence upon those other credits and currencies, that are so scanty, precarious, and inconsistent, and that can be had at all only upon such hazardous, extortionate, and ruinous terms.

Plainly, nothing but ignorance, falsehood, and tyranny stand between us and that *bank* credit and currency, which can harm nobody, and which would give us cash payments in all the ordinary traffic between man and man; would always maintain prices at their true standard; would give us the greatest diversity and amount of production, the lowest rates of interest, the most easy, rapid, and equitable exchange of commodities, and insure the universal and uninterrupted industry and prosperity of the people.

One of the errors—absurdities or falsehoods—by which we are deprived of this invaluable right, is, that to insure solvency, it is necessary that bankers should always keep on hand an amount of coin equal to the amount of their notes in circulation.

The advocates of this idea pretend that all paper currency, except where there is a dollar of coin constantly on hand for every dollar of paper in circulation, is a fraud; that a promise to pay a certain sum in coin, *on demand,* necessarily implies that the promissor has that amount of coin actually on hand. But it really implies no such thing. It rather implies that, at the time of giving the note, he had *not* that amount actually on hand; for if he had it actually on hand, why did he give his note instead of the coin?

A banker's note is like any other man's note in this respect. When a banker, or anybody else, gives his note, instead of paying coin, that fact of itself naturally implies that he has *not* the coin; and that it is for that reason alone that he wants credit. And every body who understands the meaning of such transactions, understands that the sole reason why a man wants credit, and gives his note, is that he has *not* the coin. And this principle applies as much to a banker as to anybody else.

What motive could a banker, or anybody else, ever have for giving his note, payable either on demand, or at any fixed time, if, in order to meet the note, he must, in the mean time, keep on hand an equal amount of coin, *lying idle?* For any man to do that would be a perfect absurdity.

What, then, *is* implied in a man's giving his note? This, at most, and nothing more, viz., that he has property, *in some form,* or resources of some kind, which, according to the usual courses of business, are naturally and reasonably adequate and reliable to meet the note, and which he does rely upon to meet it, at such time as, according to some special agreement, or the ordinary course of business, he has reason to expect the holder of the note will be present for payment.

This is all that is implied in the notes of merchants, manufacturers, or farmers; whether they are made payable on demand, or at fixed times in the future. No one imagines that these men, in the course of their business, buy goods on credit, give their notes for the amount of coin, lying idle, in order to meet their notes. Everybody understands how ridiculous that would be. A man who did not understand how ridiculous that would be, would be considered *non compos mentis*—legally incompetent to make an obligatory contract. Everybody, therefore, understands that when merchants and others give their notes, they rely upon their property and resources, *other than coin on hand,* as their only means of paying them. All credit between man and man—where no collateral security is deposited—proceeds upon this idea. And what is true of merchants, manufacturers, farmers, and others, is equally true of bankers.

What, then, are the resources on which a banker relies to meet his notes? They are—in addition to such other property and resources as he may have—*the notes he has discounted.* He relies upon these, *in the first instance.* That is, he relies upon the makers of these discounted notes to bring back *his* notes (or something equivalent) in payment of *their* notes to him. And he does his, because experience tells him that he can rely on them with the same reasonable business confidence with which any other business man relies upon his debtors for the means of paying his own debts. But in case his notes (or an equivalent) should not be brought back in payment of the notes he has discounted, then he relies upon such other property or resources as he may have—land, or whatever else—to enable him to meet his notes. And everybody who takes his notes, in the course of business, understands, or at least is presumed to understand, and, if he have ordinary business intelligence, really does understand, all this, just as well as the banker himself; accepting the risk, if there be any.

And experience has proved that, where the business of banking is open to free competition, *and where the banker's private property is holden,* a banker's credit is the safest credit there is; that a banker—subject to the free competition of everybody who chooses to become a banker—can rarely or never get his notes into circulation, unless his solvency be such as to challenge the scrutiny of the whole community; the scrutiny of all his rivals in the same business, as well as of all other persons. Under an entirely free system, so much currency of undoubted solvency will always be offered in the market, that no one has any inducement to accept any that is doubtful. And where such currency is issued only by discounting notes that have but a short time (say three or four months) to run, it will be redeemed so promptly—by being brought back in payment of the notes discounted—that it will maintain its value in the market equal to gold; and will all come back in payment of the notes discounted; and consequently coin will seldom or never be called for. It would probably not be necessary for bankers to keep on hand coin to the amount of even one per cent. of their notes in circulation.[4]

But perhaps it will be said that coin is sometimes wanted, in large amounts, for exportation; and that, unless the banks keep it on hand, the holders of their bills cannot get it for that purpose. The answer is, that it is no part of a bank's business to furnish coin for exportation. It is no more a part of its business to furnish coin for exportation, than it is to furnish cotton, pork, beef, or tobacco, for exportation. Its whole business is to furnish credit and currency for home industry and traffic. And if bankers cannot otherwise protect themselves against demands for coin for exportation, they should do it by some proviso in the form of their contracts; such, for example, as would entitle them to five, ten, or twenty days' grace, on condition of their paying interest from the time of demand.

But the probability is that no such proviso would be necessary. There would always be coin enough in the seaports as merchandise; and if the bankers' notes were equal in value to coin in the market, the holders of them would be able to buy coin with notes, giving only dollar for dollar.

One of the great mischiefs of the system of banking which we formerly had in this country, was that it required the bankers to keep large amounts of coin on hand, and made this coin liable to demand for exportation. And such was the insufficiency of the security afforded by the banks for the solvency of their bills—the private property of the bankers *not* being holden—that the people felt no confidence, or at least no sufficient confidence, in their banks, any longer than they paid coin on demand: no matter how great the demand.

Under such a system, a demand on the banks for coin exportation, was a signal for their suspension of specie payments, for a contraction of their issues, a panic in credit, a revulsion in prices, a long stagnation in

4 Although, for reasons now given in the text, this writer holds that banking, by the issue of notes made payable on demand, is legitimate, if only a very small amount of coin be kept on hand, and if the bankers have abundant private property that can be drawn upon in case of necessity, he yet chooses to repeat, what he has said in a previous section, that he does *not* think that that is the best mode of banking that we can have; nor the best that we should have if the business were made free.

industry, an indefinite amount of bankruptcy, and years of general misery and ruin.

Such results as these show the utter folly of founding banks upon a specie capital; a capital which is invisible to the public; which may be stolen, or fraudulently removed; and which, at best, if here to-day, is gone to-morrow; a capital for which we have no necessity, and no use; since we have a hundred times as much other capital—such as lands, railroads, etc.—which is always here, always visible, immovable, and indestructible; and the titles of which are always open to inspection; and any fraudulent transfer of which is capable of being traced and defeated. Obviously there can never be any adequate currency or credit; any stability in either currency, credit, prices, or industry, until men get rid of the delusion that all these depend upon a contemptible quantity of coin—not more than a hundred and fiftieth part of our real wealth—for which the people at large have no use, which is of scarcely any real importance to anybody, and which is one of the last things in the world to be relied on when wanted.

When we have an abundant paper currency, representing actual property, that is legally holden, and can be made practically available for its redemption, coin will be free to go back and forth between nations to settle balances; and the industry and traffic of the country will generally neither know, nor care, whether it (the coin) is on this, or the other, side of the ocean.

SECTION X.

A single bank can get little or no circulation for its bills, unless they are accepted by the neighboring banks in payment of notes discounted. And the neighboring banks will not accept its bills, unless it in turn will accept theirs. This necessity of accepting each other's bills would compel each and every bank to satisfy itself of the solvency of each and every other. And a bank that could not satisfy its neighbor banks of its solvency, would be discredited by them, and would be likely to get no credit among the people; for the people would be governed, in a great measure, by the banks in this matter. That is, each man would generally accept, in his business, such bills, and only such, as he knew would be accepted by his bank, in payment of his discounted note.

Thus the solvency of the banking companies would be assured, not only by the general public scrutiny to which they would all be exposed, but also by the fact that each bank would be compelled, by its own interests and necessities, not only to satisfy all the neighboring banks of its own solvency, but also to satisfy itself of *their* solvency.

It is, therefore, only stupid ignorance, or deliberate knavery, to assert that there is any necessity for any special legislation on the subject of banks, in order to insure their solvency. The general laws that punish frauds, and enforce contracts, in the case of all other forms of credit, are all that are required in the case of banks. Banking is, in fact, almost the last business in the world that calls for any special legislation, interference, or supervision by government. It is intrinsically a perfectly honest business; and one man has the same natural right to follow it that another has. There is no other business whatever, in which credit is involved, that furnishes so many inherent guaranties of its solvency, or so many guaranties for the detection and prevention of fraud. No other credit stands so constantly exposed to the full light of day. A banker's bills are offered to everybody; but nobody is under any obligation or necessity to accept them unless he pleases. And yet, unless everybody, or nearly everybody, does accept them, they are discredited and thrown out of market.

Scarcely a single commodity can be named, of all the thousands and hundreds of thousands that are constantly bought and sold, in regard to which the buyers are so little liable to be deceived or defrauded, or so little liable to get an imperfect article, as they would be in the article of money, if the business of furnishing it were left free to all, and everybody were left free to accept that which he thought the best; for in that case, a purchaser of money would not only have the greatest amount and variety to select from, but he would also have both his own judgment, and that of the whole community, to guide him in the selection. The purpose and effect of nearly all legislation, both in England and the United States, on the subject of money, for the last two hundred years, have been to coerce men into accepting, in exchange for their commodities, either poor money, or bad money, or insufficient money, where, if freedom had prevailed, they would have received, not only a just amount of it, but also the best in quality that men could have invented.

The superior security of a banker's credit is shown in the fact that, in all other credit, one man goes to another, and tells him a story in his private ear—a story that may be either honestly mistaken, or willfully false—and on the strength of it buys goods, or borrows money, to the amount of hundreds, thousands, or tens of thousands of dollars; no currency being issued at the time with which to meet the payment. Meanwhile nearly everybody else is contracting debts in the same reckless manner; of necessity making corresponding demands on the small amount of currency with which, if at all, all these debts are to be paid. At a moderate computation, this kind of credit is ten thousand—yes, a hundred thousand—times more hazardous, and is attended with a hundred thousand times greater losses, than the credit that would be given to banks under a free system, with individual liability on the part of the stockholders. This is sober truth, and no exaggeration; as will be more fully shown hereafter. Yet this private credit, which offers so many opportunities for fraud, which, even when honest, is necessarily attended with the most fearful risks, and which is constantly followed by an amount of bankruptcy that is absolutely frightful, and which entails misery and ruin upon nearly the whole community, is considered perfectly legitimate; a matter of private right that is not to be interfered with by the government. While that comparatively public credit, which the banks obtain by issuing their bills for public circulation—which saves the necessity for all other and dangerous forms of credit—and which reason and experience prove to be beyond comparison the safest and most useful of all possible forms of credit—is either prohibited utterly, or specially licensed only upon such terms as not only make it an intolerable monopoly and scourge, but generally make it utterly unworthy of confidence. And this is done under the lying pretence of protecting the people against the danger, of credit.

The laws that make banking a monopoly, and then relieve the monopolists from their personal liability for their notes, are among the strongest illustrations that can be given of the impudence and villainy of those governments that seem determined to show how much wrong and ruin it is possible to inflict upon a people, under the pretence of a necessity for protecting them against the consequences of their own incapacity to make their own contacts.

SECTION XI.

The banks, accepting each other's bills, in payment of notes discounted, would be enabled to protect each other, in a great measure, against demands for coin for exportation. They would do it in this way, viz.; each bank, having in its possession the bills of other banks, would exchange them for its own bills through the clearing house. But if, at any time, it should have a balance of bills against another bank, it would withhold them from circulation, *drawing interest on them,* until the debtor bank should be able to redeem them by the usual method of exchange. This the creditor bank would always be ready to do, for the sake of the interest, where it had confidence in the debtor bank's solvency. In this way the debtor bank would be protected against a demand for coin; at least to the amount of this balance that would be standing against it.

Another protection the banks would have against demands for coin, would be this, viz.; the banks would be so numerous that a man would rarely have in his possession enough of the bills of any one bank to make it worth his while to demand coin for them. If he wanted coin for exportation, he would take all his bills, of however many different banks, and with them buy coin in the market, as he would buy cotton, tobacco, or any other article of export.

There are so many other ways in which the banks could protect themselves against demands for coin, so long as their bills were of equal value with coin in the market, that it is unnecessary to point them out. But if, from any cause, their bills should fall materially below coin in the market, speculators would then collect them, withhold them from circulation, bring suit on them, and thus compel payment in coin with interest. Their power to do this would not only prevent any superabundance of circulation, but any circulation of bills that were below par of coin in the market.

SECTION XII.

The rate of interest, and the stability of that rate, are matters of great financial and industrial importance.

Perfect freedom in banking has never (so far as I am aware) existed anywhere; at least within the last hundred years. We, therefore, do not know, from experiment, the lowest point to which the rate of interest could be reduced under a perfectly free system. But we scarcely need the evidence of experiment to prove that, under such a system, it would be reduced to a very low figure. In fact, men, having estates of their own to serve as banking capital, but wanting money for their business, would unite in establishing a bank; that is, would become banksters themselves, and furnish their own currency. They would thus get in as the mere cost of doing the banking business; because, although they would perhaps nominally pay, say, six per cent. on the loans, yet, inasmuch as they would get back as dividends, whatever they had paid in as interest—after deducting the current expenses of the bank—they would really get their loans at the mere cost of doing the banking business.

But even where men should become banksters for the purpose of loaning money to others, the rate of interest would necessarily be very low, especially if real estate were used as the capital; because the bankers would still get the same incomes from the use of the real estate, *as such,* that they do now; and whatever additional they could make by using it as banking capital, would be so much clear profit. If this profit were not more than two per cent., or perhaps even one, above expenses, that would be enough to induce men to become bankers. And the amount of real estate, that could be used as banking capital, is so great, in comparison with the amount of currency wanted, that competition would necessarily bring the rate of interest to the lowest point at which the business of banking could be profitably done.

SECTION XIII.

Real estate is incomparably the safest and best banking capital there is. The objection usually brought against it is, that it cannot *instantly* be converted into coin. The answer to this objection is, that there is rarely any occasion to convert it into coin. As has been explained, so long as the banking business is conducted on true banking principles, and only solvent notes, having but a short time to run, are discounted, the currency issued comes back so soon, and with such regularity, in payment of notes discounted, that calls for coin are seldom made—*provided the public are perfectly satisfied of the bank's solvency.* The exceptions to this rule are so few, and for such small amounts, that they are easily provided for, without converting the real estate itself into coin. Yet the real estate is all important, as giving to the public that confidence in the bank's solvency which is necessary to prevent their calling for coin. Real estate gives this necessary confidence better, and more certainly, than any personal property can; because it is always visible, immovable, and indestructible' and its title depends upon records, by means of which fraudulent transfers can be traced and defeated. Personal property, on the other hand, and especially coin, is invisible to the public, being locked up in vaults and safes, to which the public have no access. The public, therefore, can have no knowledge whether there be little or much of it. A bank may pay coin to-day, but that is no guaranty that it will do so to-morrow. Personal property in general is also so easily concealed and removed as to facilitate frauds that put it beyond the reach of creditors. It is also destructible by fire, water, and various other casualties to which real estate is not exposed. For all these reasons real estate is far preferable to all other property as banking capital.

Still another reason why real estate is preferable to all other property as banking capital, is, that there is so much more of it. There is probably a hundred times as much of it, in this country, as there is of coin, and twice as much as there is of personal property of all kinds. It is true that it may not all be needed, or actually used, as banking capital; but the fact that there is so much that can be used, makes it certain that there will always be as much currency furnished as can be needed; and also that the competition in furnishing it will always be so great as to keep the rate of interest at the lowest possible point.

The fact that it is only by a suit at law that real estate can be compulsorily converted into coin, and applied to the payment of the notes of the bank, is no very serious objection to the use of real estate as bank capital;

because, first, it is very rarely that any occasion would arise for converting it into coin; and, secondly, even in case of a suit, the holder of the notes would be drawing interest on them while the suit was pending, and would also recover his costs and charges.

Coin comes very near to being the very worst capital there is, and for various reasons, viz.:—

(1) Because there is so little of it as to be of very little use. If there are no more notes than coin, the amount of currency is not increased by using notes instead of coin. If there be more notes than coin, coin is no longer the capital.

(2) Because it is a perfectly dead capital. The bankers cannot afford to keep it on hand, lying idle, unless they get so high a rate of interest on their notes as to compensate for the loss on this dead capital; and this high rate of interest is what the public ought not to be necessitated to pay. Real estate, on the other hand, is productive capital of itself. It produces rents, crops, etc.; and the holders of it, by using it also as banking capital, get an additional income from it, even though they lend money at a very low rate of interest.

(3) Coin is more exposed to be lost by fraud, theft, or force, than perhaps any other form of capital; because it has no ear-marks by which it can ordinarily be traced. The bankers themselves, if they choose to be fraudulent, as they often are, can spirit it away where creditors can never find it; and they have inducements to do so, especially where their private property is not holden. Thieves and burglars, if they once get possession of it, can dispose of it without fear of detection. Public enemies can seize it as lawful plunder in time of war. If London, Paris, Vienna, or Berlin were to be captured by an enemy, the first thing the enemy would do, would be to plunder the banks of their coin. Even in civil wars, it may be for the interest, or it may even be a military necessity, for one or the other of the parties to seize the coin in the banks. Such was the case

with the Bank of France in the late civil war; and it had but a hair's breadth escape from being pillaged. Yet that one bank had a monopoly of the right of issuing notes for the whole of France. And for sixty-seven days the whole paper currency of the nation rested upon the coin and securities, that were deposited in the bank, and were liable to be seized by the revolutionists.[5]

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5 What was the condition of the Bank, and the condition of its coin, in the civil war of 1871, is told by the following extracts from an article in the *London Daily News* for July 7, 1876; copied into the *Cincinnati Commercial,* for July 23, 1876, and the *Chicago Tribune,* of July 24, 1876.

"It is certain that the extent of the national danger can only be estimated by the importance which may be attached to the absolute annihilation of the Bank, which was for some time threatened. The Marquis de Ploeuc [the acting governor of the bank] even with citizen Besley at his side, had during several weeks to perform a part which demanded consummate ability and skill as a negotiator. Again and again they were summoned to surrender their trust.... Now no one could say for certain whether Versailles [the Government] or Paris [the Commune] would come out victorious from the strife between them; and the Marquis de Ploeuc had only rigid and inflexible integrity to guide him in the course which he took during a period beset with doubt and peril.

"The situation of the Bank on the 20th of March, 1871, Paris being then completely in the hands of the Commune, may be thus described. It held cash and securities to the amount of three milliards [three thousand millions of francs] or, say, one hundred and twenty millions sterling, beside eighty millions of sterling, or two milliards of francs, in bank notes which had not been issued, but which might have been immediately put into circulation. Moreover there were two milliards of francs' worth of notes in the hands of the public, guaranteed only by the Bank funds. Beside all this treasure, many securities belonging to private persons were deposited, according to French custom, in the Bank cellars for safety. Some of them might have been reconstituted, had they been destroyed; but by far the greater part of them, drafts to bearer, stock, receipts, and foreign bonds, ingots, plate, and jewels, would have been irrevocably lost.

"The condition of the Bank was peculiar and exceptional. It could not refuse the demands of the revolutionary chiefs, because it could not transport its administration to Versailles, as the other departments had done, for it would have required eighty wagons, escorted by an army, to move its effects. In Paris it was altogether without protection, and its position was made worse owing to an unfounded belief which prevailed among the Communists that the crown jewels, alleged to be national property, were concealed there; and an equally false notion which existed at Versailles that all valuables had been removed from the Bank during the late war. The position of the Governor was especially delicate. He was obliged to supply the demands of the Commune, and could only do so by order of the governing council, which could not be assembled. He was equally obliged to honor the drafts of the Treasury at Versailles, and his doing so was held an act of high treason in Paris. Likewise, in Paris itself there were no less than four governments claiming obedience—(1) the Commune; (2) the Committee of Public Safety; (3) the Central Committee; (4) the Federal Committee, plus the military authorities. If to have saved the Bank of France from pillage and ruin is to have saved his country, the Marquis de

For all the reasons that have now been given, coin comes very near to being the most useless, inadequate, worthless, expensive, and unreliable bank capital there is. And yet we are told that it is the only capital that should be allowed. Another alleged necessity for having all banks based upon this absurd and nearly worthless foundation, is made a pretext for granting monopolies in banking, and for constant interference with, and prohibition upon, the natural right of all men to lend such credit and capital as they have to lend, and to borrow such credit and capital as they need, and can borrow.

SECTION XIV.

Various causes have contributed to create a prejudice against the use of real estate as banking capital. One of these causes has been the example of England. In England land has always been exempt from liability for debt. It could, therefore, be no security for a banker's notes, and was consequentially incapable of being used at all as banking capital. All the banks in England have therefore rested wholly upon personal property.

Having been based wholly upon personal property, the banks of England have been so few, and so unreliable, as to be nearly, or entirely, worthless.

They have been less reliable from the fact that, from 1708 to 1833—a period of one hundred and twenty-five years—the law prohibited the issue of notes for circulation by any company of bankers (except the Bank of England), *consisting of more than six partners!* One object of this wicked and absurd legislation was to secure as valuable a monopoly as Parliament dared to give to the Bank of England, by making all of its competitors as weak and unworthy of credit as it dared to make them. The real purpose of the law was not at all to supply the people with an abundant and reliable

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Ploeuc is entitled to a high place among her defenders. He had no help. Admiral de Saisset had indeed at one time publicly promised to defend the Bank; but on seeing the Marquis to the door of his quarters, he had whispered to him, with bitter humiliation, that he had no means of doing so. Thus, to sum up this strange episode of French history, it may be said that an establishment containing one hundred and twenty millions sterling, in a city given over to anarchy, was saved by the intelligence and devotion of a few brave men, during dangers which lasted sixty-seven days, many of which seemed likely to have no morrow for its defenders."

paper currency, but to deprive them of it, while pretending to supply them with it. And it perfectly succeeded in accomplishing that purpose.

The banks that grew up under that law were still fewer in number, still weaker in capital, and less reliable as to solvency, owing to the fact that the personal property of England—like the real estate—was mostly in the hands of a very few persons. These few persons had money and credit enough for their own purposes—nearly all money and credit there was—and had no inducement to become bankers; *especially for the sake of loaning money to others*. The companies, therefore, that issued notes, consisted of *not more than six persons each, and these mostly persons of small property, and little entitled to credit;* persons who, no doubt, aimed much more at speculating upon what little credit they had, than at building up, or doing, any legitimate banking business. They were entitled to no abiding confidence, on the score of solvency, and the public had no abiding confidence in them. The public accepted their notes, so long as the banks paid coin on demand, and no longer. And the public distrust of them was no doubt such as to expose them to constant demands for coin.

Considered as institutions for furnishing the credit and currency necessary for the industry and traffic of a great manufacturing and commercial people, these banks were nearly as worthless and unreliable as it was possible for knavery and tyranny to make them.[6] Yet because the people, in their necessities, did accept their notes *so long as the banks paid coin,* and because the real estate of the kingdom could not be used at all as banking capital, the notion grew up that coin was the only legitimate basis for a paper currency, when, in reality, it was no reliable basis at all; inasmuch as the fact that a banker pays coin to-day, is no proof that he will do so to-morrow. A bankrupt banker, like any other bankrupt, pays specie as long as he can pay it, and then stops.

And yet this absurd idea, as to the necessity of coin as a basis for banking—an idea that has grown largely, if not wholly, out of the knavish, tyrannical, and ruinous system of England, has been adopted in this

6 A Mr. Mason, as Scotchman, in a letter published in the *New York Herald,* of Sept. 17, 1875, says that two hundred and forty of these banks failed in one year: the year 1814.

country, not only by those who have had the same knavish purposes in view as the Parliament of England—that is, the establishment of a money monopoly—but also by those who have been too ignorant on the subject to know how or where the idea originated; and also by that class of persons who, like monkeys, imitate, but do not reason about anything.

Another cause that has created a prejudice against real estate as banking capital, in this country, has been this, viz.: that, although our laws have not, like the laws of England, exempted real estate altogether from liability for debt, they have nevertheless *not* been favorable to the *speedy* collection of debts out of real estate. The claims of creditors have been subjected to stay laws, and to prohibitions upon the sale of real estate, except upon the condition of its bringing its appraised value, or a certain portion—say two-thirds or three-fourths—of its appraised value. Under these laws the appraisements—made by persons who sympathized with the debtors—would always, or nearly always, be so high that nobody would buy the property and pay the money for it; and the creditors would be compelled to take it themselves, in payment of their debts, instead of getting their money.

These laws, I believe, have, of late years, been somewhat modified for the better, in some, or all, of the States. Still I doubt if they have been made so prompt or efficient, in any, as they ought to be, to make real estate quickly and easily available for the payment of debts; or consequently, to make it as good banking capital as it would otherwise be.

The laws that obstruct the collection of debts out of real estate defeat their own purpose. Their purpose is to prevent the sale of real estate at less than its true value. But their effect is to make real estate unavailable, or at least objectionable, as banking capital. And anything that makes real estate unavailable, or even objectionable, as banking capital, tends to cause a scarcity of money, by depriving us of the use of the best banking capital, and the greatest amount of banking capital, that we have. And this scarcity of money, which is caused by *not* using real estate as banking capital, is the only thing that exposes the real estate itself to the danger of being sold at less than its true value.

To state the case in another way: if real estate were used as banking capital, there would always be a plenty of money; and real estate would always bring its full value. But if real estate is not used as banking capital, there will always be a scarcity of money; and, in consequence of that scarcity, real estate will not bring its true value. Therefore, any laws that obstruct the use of real estate as banking capital, necessarily tend to bring on that very scarcity of money from which all danger to the price of real estate arises.

The question, then, with real estate holders, on this point, is simply this, viz.: whether they will use their real estate as banking capital, and thus create such an abundance of money as will always save their real estate from any danger of being sold at a sacrifice? Or whether they will *not* use it as banking capital, and thus cause such as scarcity of money as will constantly expose their real estate to the necessity of being sold at a sacrifice?[7]

SECTION XV.

With the exception of two United States banks, one chartered in 1791, and the other in 1816, the business of banking, in this country, was under exclusive control of the State Legislatures, until the year 1863, when the present United States system was established.

Every state regulated the business according to its own will, without any reference to the others. Banking was made a monopoly in nearly or quite all the States; but in some of them the Legislatures were more liberal in granting charters than in others. And in some of them better securities for solvency were required than in others. In the New England States, the banks licensed have generally proved solvent. In New York, New Jersey, and Pennsylvania, I think they have proved less solvent than in New England. In some of the Western and Southern States, the banks of thirty to forty years ago proved shamefully insolvent, and appear to have been licensed with a special view to making them so. The Legislatures seem to have taken it for granted that the notes of the banks would be accepted by

7 There is a still better way than has ever been *put in practice,* for using real estate as banking capital, and yet saving it from all risk of being sold at a sacrifice. Perhaps I may describe it at the close of this treatise.

the people, not at all on the strength of the security provided for their payment, but wholly on the ground that the laws licensed their issue, *and that no other money was to be had.*

It is not necessary, in this treatise, to go into particulars in regard to the banks of each State separately. It is enough to say of them all, that where they proved insolvent, their insolvency was the natural result of the laws that licensed them, and also of the inefficiency of the laws for the collection of debts, by reason of which the banks themselves could not collect the debts due them.

Although it may not be so generally true now as it was thirty to fifty years ago, I think it may be said that, *going back fifty years,* the solvency of the banks, in so far as they have proved solvent, has been much more owing to the integrity, honor, and interest of those who managed them, than to the laws that were ostensibly made to control them. In the manufacturing and commercial States, too, I think the solvency of the banks, in so far as it has resulted from prompt payment by their debtors, has been due much more to the honor and interests of those debtors, than to the laws for the collection of debts. To a business man, dependent upon the banks for the means of doing business, his credit with them was so valuable that he could not afford to let his note go to protest, unless in the case of some great calamity, that would justify him in their estimation.

Sufficient proof of the utter worthlessness of all the laws for governing the banks, and insuring their solvency, by prescribing the capital to be paid in, the rules to be observed, and the liabilities to be incurred, by the directors and stockholders, especially in those Western and Southern States, where the banks of thirty to forty years ago proved so generally rotten, is to be found in the fact (I believe it to be a fact) that, in all the cases of failure, neither the directors nor stockholders were ever—probably not in a single instance—held to any stringent civil or criminal responsibility. And on a close inspection of the laws of each State, relative to the general collection of debts, I think it will be found that the facilities have been abundant for enabling the directors and stockholders of a bank to swindle the holders of its bills, without exposing themselves to any effective civil or criminal prosecution.

In all our American banking, the facilities for insolvency, either by deliberate swindling, or by improvident loans, have resulted in a great measure form the fact that, by the acts of incorporation, a bank, as a corporation, is made, in law, one thing, while the stockholders, in their individual capacities, could borrow not only all the capital, but also all the credit, of their own bank. Then, by refusing to pay their individual notes to the bank, they could cause its failure, and the consequent depreciation of its bills to any desired extent. And when the bills had depreciated to the lowest point, these stockholders could buy them up, and tender them in payment of their notes to the bank. And for such swindling as this the bill-holders had either no redress at all, or none except such as would cost them more trouble and expense than the bills they held were worth. The consequence was that when a bank failed, the bill-holders at once accepted their loss as irretrievable, and there was an end to the matter. This result was the more readily acquiesced in by reason of the fact that the notes of the bank were usually held in small sums, by a large number of persons, instead of being held in large sums, by a small number of persons. A person holding only two, three, five, or ten dollars of a bank's notes, could much more easily lose them, than engage in an uncertain suit to recover them. The swindling stockholders have taken advantage of this fact, and profited by it.

Under this system—by which a bank is made, in law, one thing, and the stockholders are made, in law, another—and under which the stockholders, *in their individual capacities,* could borrow money and credit of themselves *in their corporate capacity*—and under which the bank, in its corporate capacity, could not sue, nor collect its dues from, the stockholders in their individual capacities, unless at least a majority of the latter should so choose—under this system, I say, as was naturally to be expected, the banks throughout the country were generally very largely, and, I think, in most cases, wholly, gotten up, not by men who had either money or credit to loan to others, but by men who themselves wanted to borrow; and who, of course, wished to borrow, without being compelled to pay, unless it should be for their interests to do so.

Men of this class, not being able, individually, either to hire money, or buy property, as much as they wished, on their own credit, would combine to get up a bank. The first step towards this was to get legislative prohibitions upon all legitimate credit—the only legitimate credit there could be—their next step was to get a charter, licensing *themselves* to lend *their own* credit—*such as it was*.

One of the conditions of this charter was that they should individually pay into the bank—that is, to themselves in their corporate capacity—their capital stock in coin. This it was easy for them to do. They had only to borrow it for one, two, or three days, pay it in to themselves (in their corporate capacity), and then borrow it out on their individual notes, and return it to those of whom they had borrowed it in the first place.

The capital of the bank would then consist only of their own individual notes, held by themselves in their corporate capacity! On the strength of this pretended capital—that is, on the strength of their own individual notes—thus really held, all the while, under their own control—they were licensed to become bankers, *and to enjoy a monopoly of the right to furnish the people with a currency*.

As bankers they were licensed to contract debts to the amount of two or three times the amount of their so-called capital. They contracted these debts by borrowing the bank's credit, in the shape of bank notes. These they borrowed by giving to the bank—that is, to themselves—still more of their own individual notes! With these bank notes, which were virtually recommended by the Legislature as worthy of credit—they were able—in the absence of all other money—to buy property in the community; and thus put the notes into circulation as money.

What basis, now, had these bank notes, that were in circulation as money? None whatever, except the individual notes which these stockholders, *in their individual capacity, had given to themselves, in their corporate capacity;* and which the officers of the corporation held subject to the control of the stockholders themselves!

And for all these bank notes, which were in circulation as money, *and which rested wholly upon the individual notes of the stockholders,* the private property of the stockholders—*the very property they had bought with these bank notes—could not be touched!*

In this way, men, who had little or no honest credit of their own to start with, came to monopolize the whole credit currency of the country, without having a cent of their property—*not even that which they had bought with the currency—held for its redemption.*

It was as if the Legislature of each State had enacted that Mr. A B might be a banker, and enjoy a monopoly of the right of issuing a paper currency, within the State, upon the following conditions, viz.:—

(1) That his left hand should be, in law, one thing, and his right hand should be, in law, another.

(2) That his left hand should be a bank, and lend its credit, as a currency, in the shape of bank notes; and that his right hand should own the stock, and also borrow all the currency the left had to lend.

(3) That before commencing business, his right hand should deposit a dollar of a coin in his left hand, to constitute the banking capital.

(4) That so soon as his right hand should have deposited a dollar of a coin in his left hand, to serve as capital, it (the right hand) should be permitted to borrow it back on its (the right hand's) own note; which note should thereafter remain in the left hand, as capital, in place of the coin.

(5) That on the strength of this capital, thus held by his left hand, it (the left hand) should be allowed to issue bills, and contract debts, to the extent of three times the amount of the capital.

(6) That the left hand, thus acting as a banker, should lend its bills and other credits to the right hand upon the right hand's notes, drafts, etc.

(7) That the left hand should never sue the right hand, nor compel it to pay its notes to the left hand, unless the right hand should itself direct it to do so.

(8) That the bank notes, thus loaned by the left hand to the right hand, should be the only lawful credit currency of the country; and that, with these notes, the right hand should be at liberty to purchase property as with so much coin; without being in any way responsible for the solvency of the notes themselves.

(9) That the holders of these bills, issued by the left hand, should have no claim for the payment of them, except upon the left hand; and that the left hand—having no resources with which to pay them, except the notes given to it by the right hand and not being able to sue the right hand, or attach its property (not even that property which the right hand had bought with the bank notes) unless with the consent of the right hand—should always be at liberty to declare itself bankrupt—unable to pay its debts—whenever the right hand should find it for its interest to have the left hand do so.

This was the system of State banks up to 1863. Who can wonder that there was so much rottenness in it? Who can but wonder that the rottenness was not universal?

And yet, to sustain such rotten frauds and juggleries as these, all the legitimate and rightful credit of the real property-holders of the country was proscribed. That is to say, these property-holders were prohibited from using their natural and legitimate right of furnishing the country with an abundant, solvent, and trustworthy credit currency.

The swindlers, being thus licensed to monopolize the currency, were virtually licensed to control all the property and labor of the country; to put up, and to put down, at their pleasure, the prices of all property; to say whether the industry of the country should go forward, or go backward; to say, in fact, whether all other men than these swindlers themselves should do anything, or have anything, in this world; should live or die.

Of course they used their power as such swindlers and villains would naturally be expected to use it—that is, to plunder everybody who had either property or labor to dispose of; and to impoverish everybody but themselves.

It was by this system of legalized swindling that the foundations were laid of those great fortunes, whose possessors now rule the country; and who, having obtained a similar monopoly under the United States system,[8] rather than give it up, inflict upon the great body of the people such wrongs and sufferings as the latter have experienced in the last three years; to say nothing of all the similar wrongs and sufferings they have experienced in the last seventy years.

All the facts on this subject—and they are too numerous to be specified here—show these three things, viz.:-

(1) That the business of banking should be open to all—not only because it is the natural right of all that it should be so—but also that the currency issued may be the most abundant possible, and also rest upon the broadest basis of actual property that can be needed to insure solvency.

(2) That, so long at least as banking is done by the issue of promissory notes, payable on demand, there should be no legal distinction between a bank and its stockholders. That is, the private property of the stockholders should be absolutely holden for the debts of the banks.

(3) That the laws for the collection of debts, out of both personal and real estate, should be made so prompt and efficient that not only the bill-holders may be able quickly and easily to collect the amounts due them from the banks, but also that the banks may be able quickly and easily to collect the amounts due them from their debtors.

When we shall have these three things, we shall have the most paper currency, and the best paper currency, that we can have, under the system of banking by the issue of promissory notes made payable on demand; which system, however, I repeat, will not, even then, be the best system we can have.

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8 The present United States System, if not as rotten in point of solvency, as the old State bank system, is at least as tyrannical and unjust as a monopoly.

SECTION XVI.

If, now, the reader desires evidence, *from experience,* as to the safety and utility of entire freedom in banking, where the private property of the stockholders is holden, and where land is liable to be taken for debt, we have it, *in a degree,* in the case of Scotland.

In Scotland, land is liable to be taken for debt, and, in the case of all the banks *but three,* the private property of the stockholders is holden for debts of the banks. It is true that in Scotland, banking—that is, by the issue of notes for circulation—has not been entirely free; but it has been more nearly free than in any other country in Europe. The restrictions upon freedom have been these, viz.: -

(1) For a hundred years, or thereabout, the banks have been forbidden to issue notes below one pound sterling.

When we consider how large a portion of the issues of our own banks—here in the United States—has been in bills below five dollars; how large a portion of the profits of our banks has been derived from the circulation of these small bills; and when we also recollect how large an amount of bills we have of late years had, for sums of fifty, twenty-five, and even ten, cents, we can form some idea of the extent to which the lack of any bills below one pound in Scotland must have curtailed the issues and profits of the banks, and consequently diminished the number of banks, and thus limited their power to aid the industry of the people.

(2) For the last thirty years –that is, since 1845—the establishment of any new banks has been prohibited.

(3) Since 1845, the banks then existing have been prohibited from increasing their issues beyond what they were in 1845, except upon the condition of their keeping, on average, an amount of coin equal to such increase of notes.

These restrictions—which must have crippled the business of banking, and in a very great degree impaired its usefulness—have been imposed from the same motives of monopoly and tyranny, as those that have been imposed upon banking in England; as will be more fully shown hereafter.

Another important restriction—although not legally imposed—has no doubt resulted from the fact that the land in Scotland has been, and still is, in very few hands; mostly the hands of the nobility; who, as I suppose, have generally had no direct interest in manufacturing, and no inducement to use their lands as banking capital, in order to aid that industry.[9]

Thus it will be seen that, although the Scotch banking system has usually been called a free one; and has really been more free than that of any other country in Europe; and has long been quoted as proof of what freedom in banking can do for a people, yet from various causes, and, for the last thirty years, from positive prohibition of law—the system has really had nothing like free play; and has, consequently, had no adequate opportunity to demonstrate practically the full benefits of absolute freedom.

The number of banks has never been large. *Gilbart* says:—

> "In the year 1826, the number of issuing banks in Scotland, was thirty-two. Now (1865) they are only seventeen."[10]

But they have branches to the number of *eight hundred,* or thereabout.

This result—that is, a small number of banks, with large capitals, and a large number of branches, instead of a large number of banks, with small capitals, and no branches—seems to have been brought about solely by the nature of the business, and the interests of both the bankers and the public. The bankers seem to have found that they could do their business more profitably, and with less risk, when they united to form large companies with large capitals, than when forming small companies, with small capitals. The public, too, appear to have been better satisfied with the large companies, with numerous branches, and large capitals; because the notes issued by such companies would naturally be considered more secure, and also because, by means of its branches, a bank could offer facilities for the

9 It is possible that, contrary to the otherwise general law of Scotland, the lands of the nobility have been entailed, or otherwise exempted from liability for debt, so as to obstruct, or wholly prevent, their use as banking capital.

10 *Gilbart's Works (on Banking)* vol. 3, p. 493

transmission of money from one point to another, such as a small bank, with no branches, could not offer.

Nevertheless, the *paid-up* capitals of the banks are not large. The security for the notes of the banks probably rests much more upon the private property of the stockholders, than upon the *paid-up* capitals. *Gilbart* says (in 1865):—

> "Among the seventeen banks of Scotland, there are six which have a paid-up capital of £1,000,000; one of £1,500,000; and one of £2,000,000; the total amount of paid-up capital is £11,701,997; making an average of £688,352."[11]

But the number of stockholders has been large. *Gilbart* says (p. 494):

> "Of the present banks (1865), there is only one which has fewer than a hundred partners."

From these facts we may safely infer that the amount of private property, holden for the debts of banks, is very large.

But to save the private property of the stockholders from all liability to be taken for the debts of the banks, reserved profits, to a large amount, have been suffered to accumulate, and remain in use as so much capital. So that, although it is the legal liability of the private property of the stockholders that gives the banks the confidence of the public, yet that same liability induces the stockholders themselves to reserve their profits, and thus save their private property from the risk of being actually taken.

Of the solvency of the banks, and of their utility in promoting the industry and wealth of the country, it may be almost literally said that there has never been a question.

The general facts in regard to the solvency and utility of the banks of Scotland have long been known to everybody who has made a study of finance. But inasmuch as the testimony of an outspoken and determined enemy of freedom in banking, may have more weight than a man who is

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11 *Gilbart's Works (on Banking)* vol. 3, p. 494

in favor of freedom, I give that of *Mr. Hugh McCulloch,* late Secretary of the Treasury, now a banker in London.[12] He says:—

> "Banks of issue, as I have said, have been found to be of great value in all well-governed countries, but the best illustration of their utility is to be found in Scotland, where there are many banks of issue, some with limited and others with unlimited liability of their stockholders,[13] and where, for more than fifty years, there has never been a penny lost by their depositors or bill-holders. The Scotch banks have contributed very largely to the prosperity of Scotland, in encouraging and extending trade. There is no country in Europe in which fewer restraints have been imposed upon banking, none in which the banking system has had so free play, and there is certainly none that has made so rapid progress in development and wealth. The Scotch are proverbial for their thrift and intelligence. If banks of issue had not proved to be advantageous, they would not have failed to discover it; and yet one may travel through all Scotland without finding a single person who is hostile to its banks, or who does not assert or admit their usefulness."

Scotland is naturally a cold, hard, and barren country; and until her banking system enabled her to go into manufacturing—and it was only her banking system that did enable her to go into manufacturing to any considerable extent—her people were mostly poor, and many of them even barbarous. Yet Mr. McCulloch now testifies that "certainly no country in Europe has made so rapid progress in development and wealth."

Is it not astounding that a man, who is compelled by the facts that stare him in the face, to give such testimony as this to the safety and utility

12 See his letter, dated Sept. 2, 1875, in the *New York Tribune* of Sept. 27, 1875.

13 As before said, the liability of stockholders is unlimited in all the banks of Scotland, *except three.*

of freedom in banking, should so stultify himself as to be one of the most determined enemies of freedom in his own country?

Similar testimony to the solvency of the banks of Scotland was recently given by a *Mr. Stephen Mason,* who describes himself "As a Scotchman."[14] He says: —

> "It may be interesting for the American people to know that while Pitt, by an order in Council, commanded the Bank of England to suspend specie payments in 1797, the Scotch banks were not interfered with; and that they never altered their mode of payment during all that protracted period of trial;[15] their notes were always payable on demand, and never were depreciated. On one side of the Tweed, Bank of England notes were circulating at a depreciation; on the other side, Bank of Scotland notes were circulating at their full value."

In further contrast with these Scotch banks, *Mr. Mason,* in the same letter, says:—

> "Why, in 1814, no fewer than two hundred and forty banks stopped payment in England; thousands of industrious individuals were sunk into an abyss of misery and wretchedness; and doubt, debt, confusion, and want, met the eye at every turn. It was said in Parliament that the national miseries at the time had risen to a point wholly without precedent since the Norman Conquest."

On the 24th of March, 1874, a great meeting, called, by the bankers and capitalists of New York, was held at Cooper Institute, to protest against any increase of the irredeemable currency of the United States. At this meeting many speeches were made. Among these was one by Mr. William Wood, a Scotsman by birth, an elderly gentleman, who then was, or had

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14 In the *New York Herald* of Sept. 17, 1875.

15 From 1797 to 1821, during the suspension of the Bank of England; caused by the wars with Napoleon.

been, a member of the firm of Dennistoun, Wood, & Co., bankers, of New York city. In this speech he said:—

> "It would ill become me, a native Scotsman, and the son and grandson of Scottish bankers, to say anything against a well-regulated system of paper currency; because in the interval from about 1750 to 1874, or in one hundred and twenty-four years, it has mainly contributed to raise Scotland from the depths of extremest poverty to be one of the wealthiest countries of Europe, in proportion to its population; and has made its naturally sterile soil to rejoice and blossom as the rose—to be literally the best cultivated of all countries; and I am anxious that my adopted country should have all the benefits of a well regulated and convertible paper currency."[16]

But there is so much to be learned from the example of Scotland, that another section may well be devoted to it.

SECTION XVII.

In the *Atlantic Monthly* for July, 1874, this same Mr. Wood, who was mentioned in Section XVI, had a very interesting article on "Scottish Banking," from which I make the following extract:—

> "In 1836 Sir Robert Peel had attempted to put an end to the Scottish bank note circulation, and substitute for it Bank of England notes, without any notes of lower denomination than £5, while the currency of Scotland consisted almost entirely of £1 notes. The Scots felt greatly disgusted at the proposed change, as they were perfectly satisfied with their own bank note system, had asked for no change, and wanted none. Their national pride was also roused, feeling, as they did, that their whole monetary system was to be upset by an English

16 See reports of his speech in the *New York Times* and *New York Tribune* for March, 25, 1874.

> statesman, apparently for no other reason but that the Scottish system might be made uniform with that of England.
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> "The national feeling found a fitting mouthpiece in that greatest of Scotsmen, Sir Walter Scott, who, under the nom de plume of "Malachi Malagrowther," in the pages of the *Edinburgh Weekly Journal*, with mingled invective, sarcasm, and wit, put an entire stop to Peel's project of uniformity."

I make some extracts from these letters, but by no means all I would wish to do. The letters are pungent, not merely with "invective, sarcasm, and wit," as Mr. Wood says, but also with good sense and unanswerable argument. The reader will bear in mind that they were written fifty years ago.[17] He says:—

> "Scotland, reckoning her progress during the space from the close of the American War to the present day, has increased her prosperity in a ratio more than five times greater than that of her more fortunate and richer sister." [England]. (p. 274.)
>
> "I assume, without much hazard of contradiction, that banks have existed in Scotland for near one hundred and twenty years—that they have flourished, and the country has flourished with them—and that during the last fifty years particularly, provincial banks, or branches of the principal established and chartered banks, have gradually extended themselves in almost every lowland district in Scotland; that the notes, and especially the small notes, which they distribute, entirely supply the demand for a medium of currency; and that the system has so completely expelled gold from the country of

17 They may be found in his *Miscellaneous Prose Works,* vol. 21. Edinburgh edition of 1849. I give the page from which each extract is taken.

Scotland, that you never by any chance espy a guinea there, unless in the purse of an accidental stranger, or in the coffers of these banks themselves…

"It is not less unquestionable, that the consequence of this banking system, as conducted in Scotland, has been attended with the greatest advantage to the country. The facility which it has afforded to the industrious and enterprising agriculturist or manufacturer, as well as to the trustees of the public in executing national works, has converted Scotland, from a poor, miserable, and barren country, into one where, if nature has done less, art and industry have done more, than in perhaps any country in Europe, England herself not excepted. Through means of the credit which this system has afforded, roads have been made, bridges built, and canals dug, opening up to reciprocal communication the most sequestered districts of the country —manufactures have been established, unequalled in extent or success—wastes have been converted into productive farms—the productions of the earth for human use have been multiplied twentyfold, while the wealth of the rich, and the comforts of the poor, have been extended in the same proportion. And all this in a country where the rigor of the climate, and sterility of the soil, seem united to set improvement at defiance. Let those who remember Scotland forty years since bear witness if I speak truth or falsehood." (p. 282.)

"There is no doubt that this change has been produced by the facilities of procuring credit, which the Scottish banks held forth, both by discounting bills, and by granting cash-accounts. Every undertaking of consequence, whether by the public or by individuals, has

> been carried on by such means; at least exceptions are extremely rare."
>
> "There is as little doubt that the Banks could not have furnished these necessary funds of cash, without enjoying the reciprocal advantage of their own notes being circulated in consequence, and by means of the accommodation thus afforded."
>
> "Not only did the Banks dispersed throughout Scotland afford the means of bringing the country to an unexpected and almost marvellous degree of prosperity, but in no considerable instance, save one, have their own over-speculating undertakings been the means of interrupting that prosperity." (p. 284.)[18]

Again, he calls it "The system of currency which has spread universal fertility through Scotland." (p. 829). Again he calls it:—

> "A system, the benefit of which has been proved by a century's experience, during all of which period it has been attended with advantage, but in the last fifty years with the most brilliant success." (p. 330.)

Again, he says:—

> "The system respecting the currency, which is now about to be abrogated, has been practised in Scotland for about one hundred and thirty years, with the greatest advantage to the country and inhabitants." (p. 335.)
>
> "It is by the profit arising upon issuing their small notes, that the bankers are enabled to make the beneficial advances which custom has now rendered nearly

18 This was the case of a single bank, that of Ayr, and not of the banks generally. Scott gives the particulars of this bank, which are too long to be given here.

> indispensable to the carrying on of business of almost any kind in Scotland." (p. 334.)

Macleod says:—

> "Now, it is a notorious fact that an immense proportion of the cultivation and manufactures of Scotland have been called into existence by this system [of bank notes.] The far-famed agriculture of the Lothians, the manufactures of Glasgow and Paisley, the unrivalled steam-ships of the Clyde, are nearly all the children of credit… It is just as certain as anything in existence, that it is nothing but the circulation of a few bits of paper, bearing 'promises to pay' upon them, that calls into existence property and commodities to the value of many millions in Scotland."[19]

Macleod also says:—

> "The testimony of every one who has any experience of Scotland is unanimous in favor of the remarkable effects this system has had in promoting the prosperity of the country, and the morals and conduct of the people. It is no exaggeration whatever, but a melancholy truth, that at the period of the revolution of 1688, and the establishment of the bank of Scotland, that country, partly owing to such a succession of disasters as cannot be paralleled in the history of any other independent nation, and partly owing to its position in the very outskirts of the civilized world, and far removed from the humanizing influence of commerce, was the most utterly barbarous, savage, and lawless kingdom in Europe. And it is equally undeniable that the two great causes of her rapid rise in civilisation and wealth were her systems of national education and banking. What the river Nile is to Egypt, that is the

19 *Macleod's Theory and Practice of Banking,* vol. 1, p. 387–8.

> banking system to Scotland, and it was fortunate for her that the foundations of her prosperity were laid broad and deep before the gigantic fallacy was dreamt of, that the issues of banks should be inexorably restricted to the amount of the gold coin they displace."[20]

Lawson also says:—

> "It is generally admitted that for the rapid advance which Scotland has made within the last century] from 1750 to 1850] in wealth and prosperity, it is very largely if not mainly indebted to its banking system, previous to the introduction of which the poverty of Scotland was proverbial."[21]

Evidences, like those already given, to the *utility* of the Scottish banks, could be multiplied indefinitely; for they are written all over the face of that country, and are in the mouths of all her people.

And yet it is to be considered that, much as her banking system has done for Scotland, it has nevertheless never had full play; owing to the restriction on bills below £1, and the other restrictions mentioned in Section XVI. It is even doubtful whether, taking the last hundred years together, it has done more than half of what it would have done if it had been entirely free.

If, now, this system has accomplished so much, and would have accomplished so much more if it had been free, under such adverse circumstances of soil and people as have existed in Scotland, what would it not do now, if it were free, in such a country, and among such a people, as ours; aided, as it would be, by a century and more of such inventions as have multiplied indefinitely the power of both money and men?

Among the other benefits of this system, it is worthwhile here to notice that it has always given to Scotland a currency that was perfectly stable in value. Macleod says:—

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20 Vol. 1, p. 391.

21 *Lawson's History of Banking*, p. 435

> "From that time [1765] to the present [1855, a period of ninety years], although the issues of bank notes were absolutely free until 1845, the Scottish currency has never varied from par."[22]

And yet this constant equality of the paper with coin, during this period of ninety years, was not brought about by the banks keeping on hand large amounts of coin, with which to redeem their bills; for Lawson says:—

> "It was in evidence before the above committee [of the House of Lords in 1826] that the banks of Scotland always keep a small amount of gold by them to meet any demand, but it is seldom asked for."[23]

How, then, *was* this result brought about? Solely by the natural operation of the causes that have already been explained, viz.: it being known, in the first place, that banks were perfectly solvent, in and of themselves, and that the gold could be collected of them by any note-holder who desired it; and, in the second place, that all the notes they issued were a legal tender in payment of the notes discounted, and would, at short intervals from the time of issue, come back to the banks, and be redeemed, by being received in payment of the notes discounted; these facts, being known, kept the bank notes always at par with coin in the market. And the same facts will produce the same results, in all countries, and among all peoples, from now to the end of time. And they put an extinguisher upon all excuses for the pretence that great stocks of coin are necessary to be kept on hand by the banks, in order to maintain specie payments, or keep their notes on a par with coin.

These things show that, if banking had been free in this country, we should always have had an abundant currency, *and one always equal in value to coin.* They show also that we can have such a currency at any time, whenever our governments, national and State, shall abolish their

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22 *Macleod,* vol. 1, p. 397.

23 *Lawson's Hist. of Banking.* (p. 435).

legal tender laws, and their prohibitions upon banking, and suffer banking to become free. These governments that profess so much anxiety for a stable currency, equal in value to coin, are the only powers that ever deprived us of it, or that now stand, or ever did stand, or ever will stand, in the way of it.

I wish that the facts now stated in regard to the currency of Scotland—to wit, the freedom in banking, the constant equality of the currency with coin, and the trivial amounts of coin in the banks—might not be lost upon those men, in our own country, who tell us that the only way in which we can ever get a stable currency, *equal in value to coin,* is to make banking a monopoly; to limit the amount of currency in circulation; to accumulate coin; to reduce, by one-half, the value of all the property in the country; to paralyze the industry of forty millions of people for an indefinite number of years; and to reduce a large portion of the people to beggary.

From the way in which our people talk and write in regard to a paper currency, one would naturally infer that a redemption of the paper must always be made in coin; and that no such thing was ever known as that of a bank's notes coming back to it in payment of notes discounted. Yet the fact that they do come back in payment of notes discounted, is the only thing that makes a paper currency, of any large amount, possible. And that fact does make such a currency possible; even to the extent of the whole vendible property of a country, if so much could be used. Provided the notes issued be solvent, and the notes discounted be also solvent, the amount of bank notes in circulation has nothing to do with the question of redemption; it being perfectly certain that every *solvent* note discounted will bring back an equal amount of bank notes, or their equivalents, in payment of it.

But so long as the delusion can be kept up that all paper currency must necessarily be redeemed in coin; and that large amounts of coin—relatively to the amount of paper in circulation—must necessarily be kept on hand by the banks, in order to insure their solvency and stability, so long a pretext can be found for making banking a monopoly, and allowing only a small amount of paper to be put in circulation.

I recently read the statement that there were more than $800,000,000 of coin in some half dozen of the banks of Europe, viz., the Banks of

England, France, Vienna, Berlin, and (I think) of Hamburg, and Belgium. Had these banks been well founded—like the banks of Scotland—upon a broad basis of actual property, they would have had no more need for the great bulk of this coin than for so much iron.

SECTION XVIII.

The testimony in proof of the solvency and stability of the Scotch banks, is so abundant and decisive, that I feel justified in offering still more of it, for the satisfaction of those who, in consequence of the rottenness of so many of the English and American banks, seem to doubt whether there has been, or ever can be, any solvent banks, other than those specially established and guaranteed by a government.

The contrast between solvency and stability of the Scotch banks, and the insolvency and instability of the English banks, and the causes of contrast, were the subjects of much comment in Parliament, at a session that commenced February 2, 1826.

In December, 1825, a great panic occurred in England, by which many of the English banks were swept away, and all confidence in the English system—*that of small banks, with not more than six partners*—was entirely destroyed. This panic was finally arrested, or rather temporarily allayed, by an extraordinary issue of notes by the Bank of England—those seeming to be the only notes in which any general confidence was left.

But this panic, which shook to its foundations the whole English system, except the Bank of England, made no impression upon the Scotch banks. Private persons, in Scotland, having connection with English houses, were somewhat distressed; but the Scotch banks were not moved; and the Scotch people at large were consequently not affected, except incidentally and slightly.

Parliament met on February 2, 1826, and the first subject to which their attention was called by the speech from the King, was, "The embarrassment which has occurred in the pecuniary transactions of the country."

The speech then went on to say:—

> "His Majesty relies upon your wisdom to devise such measures as may tend to protect both private and public

> interests against like sudden and violent fluctuations, by placing on a more firm foundation the Currency and Circulating Credit of the country."

In the debate which immediately followed the reading of the King's speech, in the House of Lords, the Earl of Liverpool, then Prime Minister—speaking with reference to the liberty that then existed in England, for banking companies consisting of *not more than six partners,* and to the legal prohibition which had then existed for more than a hundred years, upon all banking companies *composed of more than six partners*—said:—

> "Any small tradesman, a cheesemonger, a butcher, or a shoemaker might open a country bank; but a set of persons with a fortune sufficient to carry on the concern with security, were not permitted to do so."[24]

Also he said:—

> "It ought to be the policy of Parliament to place all country banks on a solid foundation, and to amend a state of law which, he would not say, allowed the establishment only of banks which were not solid—because he believed the greater proportion of the country banks were substantial—but which certainly prevented the establishment of those which, from the nature of their constitution, must be most solid." (p. 19.)

The Earl of Carnarvon said:—

> "He supposed it was intended to place country banks generally on the same footing with those in the northern part of the island [Scotland.] Previous to the last war, the greatest portion of the currency of those banks was paper. Under that currency Scotland had flourished, and had not experienced those convulsions which this part

24 *Hansard,* February 2, 1826, p. 19. In the references hereafter made to pages, the reader will understand that they are pages in *Hansard's Parliamentary Debates*.

> of the country [England] had felt under the restrictive system." (p. 20–1.)

The Earl of Lauderdale said:—

> "If it was intended to restrict the circulation of one and two pound notes, he hoped that such restrictions would not be extended to Scotland." (p. 22.)

In the House of Commons, on the same day, February 2, 1826, Mr. John Stuart Wortley, mover of the address in answer to the King's speech, said:—

> "The manner in which some of the country bankers issued their notes loudly called for the attention of the House. It was, in his opinion, little else than a fraud to issue notes without having a security equal to the amount of notes issued. It was not right that a business, on which the welfare of the country so greatly depended, should be undertaken by persons who had not the means of giving security to meet the demands for which they become responsible." (p. 24.)

Mr. Green, seconder of the address, said:—

> "For himself, he thought it would be a great boon, on the part of the Bank [of England], if that body permitted the formation of joint stock banking companies. The advantages likely to accrue from such a system, were too obvious to be dwelt upon. The vast property which would then be embarked in every banking establishment would be a sufficient security against the danger of over-issues. The business would be carried on by persons conversant with the true principles of the banking trade; and not, as now, by individuals often wholly ignorant of those principles, and who left the management of their establishment to needy adventurers, or unprincipled speculators. Scotland already afforded us an example of the safety and convenience of this system. Scotland

> had a large paper currency, and felt neither difficulty nor apprehension." (p. 30–1.)

Mr. Brougham, afterwards Lord Brougham, denounced the monopoly and power of the Bank of England at length, and closed by saying:—

> "Let the monopoly of the Bank of England be restricted, and let other companies have an opportunity of raising themselves up in opposition to them; then, and not till then, would the money market and the commercial transactions of the country be placed upon a steady and secure footing." (p. 39.)

The Chancellor of the Exchequer, Frederic John Robinson, said:—

> "The country banks had been so constituted, that they were deprived of much of the solidity of what ought to belong to the banking system; in fact, the effect of the exclusive privileges [of the Bank of England] had been to permit, elsewhere in the country, every species of banking plan to be in full operation, save what was of the most solid and beneficial character."

In the House of Commons, February 3, 1826, Sir T. Lethbridge said:—

> "The establishment of joint stock banks, such as were recently set on foot in Ireland, and had been found so beneficial in Scotland, would be the more certain mode of fixing the currency." (p. 98.)

At this session many speeches were made, contrasting the uniform success of the Scotch system with the miserable failure of the English. And the Ministry itself used every effort to induce the Bank of England to give up its monopoly, or at least a part of it, and consent to the establishment of large and strong banks, outside of a certain number of miles from London. For want of space, all that was said and done to this end cannot be given here. But the following extract from a speech by Robert Peel, then one of the Ministry, is too important to be omitted; as it presents in more forcible light than any other, in equal space, the contrast between the English and Scotch banks. He said:—

> "He could not help thinking that, if in the year 1793, a set of banks had been established in this country [England] on the system of the Scotch banks, it would have escaped the danger in which it was then involved, as also the calamity which now impended over it… It would not be an unfit illustration of the subject to refer to the state of the banking system in 1793. What was the number of failures which had taken place among country banks in that year? Why, not less than one hundred. In Yorkshire there were twelve commissions of bankrupt against country bankers; in Northamptonshire seven; in Lincolnshire seven; in Sussex six; in Lancashire five; in Leicestershire nine—all issued in the year 1793. And these commissions, it must be remembered, by no means showed the number of failures; because, by means of compositions, and in various other ways, the concerns of many of the bankers who were unable to go on were arranged so as to avoid bankruptcy [that is, being forced into court and adjudicated upon as bankrupts]. But, since these were the only data afforded him towards ascertaining anything like the amount of failures, he would state the number of commissions issued for some time after the year 1809. In 1810, it appeared that against country bankers twenty-six commissions were issued; four in 1811; seventeen in 1812; eighteen in 1813; twenty-nine in 1814; twenty-six in 1815; thirty-seven in 1816; and that, in the late eventful crisis, there were seventy-six failures among the bankers of the country and the metropolis. For the reason he had stated, he should be justified in estimating the general amount of failures much higher than appeared by the returns of the commissions. It would not, perhaps, be too much to say, that the failures

> were four times as many as the bankruptcies; and it would, therefore, be a fair way of estimating the amount, by multiplying the number of commissions by four, during the series of years he had stated. Why, then, he would ask, could any system be worse, or more prejudicial to every interest in the community, than one which, like the one at present subsisting, admitted of so enormous an amount of failures? Let the House now look at what had been the case, under a different system, in Scotland. It would be seen, by the evidence taken before the committee in 1819, that a Mr. Gilchrist, who had been a manager of one of the banks there for many years, was asked, how many banks had failed in Scotland within his memory. His reply was, that there had only been one; that the creditors were immediately paid fourteen shillings in the pound as a dividend, and, upon the winding-up of the concern, the whole of their demands. If then, the consequences of the system of banking had been to produce the number of failures in England which he had stated, while, during the same period, there had been only one in Scotland, was that not a strong presumptive proof that the system of the latter, if not quite perfect, was at least far preferable to that under which we had been so long acting?" (p. 291–2)

Thus is appears, from Peel's statement, that in a single year—the year 1793—eighty-three years ago, when the banking business must have been small, and almost trivial, compared with what it has since become—forty-six bankers, or banking companies, had bankrupt commissions issued against them. And he estimates that the failures were four times that number, or one hundred and eighty-four. One hundred and eighty-four failures in a single year!

It also appears from his statement that in seven years—from 1810 to 1816 inclusive—when the banking business was still small compared with what it is now—one hundred and fifty-seven country bankers, or banking companies, had bankrupt commissions issued against them. And he estimates that the failures had been four times that number—that is, that there had been six hundred and twenty-eight failures in seven years. *While, in the same time, there had been but one failure in Scotland; and in that case the creditors were paid in full;* fourteen shillings in the pound *"immediately,"* and the remainder *"upon winding up the concern."*

Taking the eight years together, then—that is, the year 1793, and the years from 1810 to 1816 inclusive—there had been, according to Peel's statement, two hundred and three bankrupt commissions issued; and, according to his statement, eight hundred and twelve failures. And if there had been so many failures in those eight years, how many had there probably been in the thirty-six years from 1790 to 1826? And how many had there probably been in the one hundred and eighteen years—from 1708 to 1826—during which time, the principal, if not sole, cause of all these failures, viz.: the exclusive privilege granted to the Bank of England—by which it had been protected against the competition of all banking companies *consisting of more than six partners*—had been in force?

SECTION XIX.

The statement of Sir Walter Scott, as given in his Malachi Malagrowther Letters, in regard to the banks and banking system of Scotland, as they had existed up to the time at which he wrote (1826), is so much more full and definite than any other that I know of, is so instructive and interesting, and answers so many inquiries that will naturally arise in men's minds, that I have thought best to give extended extracts on the subject; for I wish to establish now and forever, by all the evidence, from actual experiment, that can be necessary, these vital facts, viz.: that, under absolute freedom in banking, it is perfectly practicable for us to have all the paper currency that can be kept in circulation as money; that this currency will always be kept at par with coin; that, for this purpose, only a trivial amount of actual coin is necessary, or would ever be used; and that, under such a system, no such thing as a panic in credit, revulsion in prices, or stagnation or suspension in industry, would ever occur.

I wish, in short—if that be possible—to put a stop to the tongues and pens of all those persons, whether ignorant or dishonest, in which our country abounds, who, by their falsehoods, have brought, and seem determined hereafter to bring, upon us, all the wanton and unnecessary misery which ignorance and villainy are capable of inflicting upon mankind.

Scott says:—

> "Not only did the banks dispersed throughout Scotland afford the means of bringing the country to an unexpected and almost marvellous degree of prosperity, but in no considerable instance, save one, have their own over-speculating undertakings been the means of interrupting that prosperity. The solitary exception was the undertaking called the Ayr Bank, rashly entered into by a large body of country gentlemen and others, unacquainted with commercial affairs, and who had moreover the misfortune not only to set out on false principles, but to get false rogues for their principal agents and managers. The fall of this bank brought much calamity on the country; but two things are remarkable in its history: First, that under its too prodigal, yet beneficial influence, a fine county (that of Ayr) was converted from a desert into a fertile land. Secondly, that though at a distant interval, the bank paid all its engagements, and the loss only fell on the stockholders...
>
> "Since the period of the Ayr Bank, now near half a century [nearly a hundred years ago now], I recollect very few instances of banking companies issuing notes, which have become insolvent. One, about thirty years since [about eighty years ago now], was the Merchant Bank of Stirling, which never was in high credit, having been known almost at the time of its commencement, by the ominous nickname of Black in the West. Another was within these ten years, the East Lothian Company, whose affairs had been very ill conducted by a villainous

manager. In both cases, the notes were paid up in full. In the latter case, they were taken up by one of the most respectable houses in Edinburgh; so that all the current engagements were paid, without the least check to the circulation of their notes, or inconvenience to poor or rich, who happened to have them in possession. The Union Bank of Falkirk also became insolvent within these fifteen years, but paid up its engagements without much loss to the creditors. Other cases there may have occurred not coming within my recollection; but I think none which made any great sensation, or could at all affect the general confidence of the country in the stability of the system. None of these bankruptcies excited much attention, or as we have seen, caused any considerable loss…

"In the present unhappy commercial distress,[25] I have always heard and understood, that the Scottish banks have done all in their power to alleviate the evils which came thickening on the country; and far from acting illiberally, that they have come forward to support the tottering credit of the commercial world with a frankness which augured the most perfect confidence in their own resources. We have heard of only one provincial bank being even for a moment in the predicament of suspicion; and of that co-partnership the funds and credit were so well understood, that their correspondents in Edinburgh, as in the case of the East Lothian Bank formerly mentioned, at once guaranteed the payment of their notes, and saved the public even from momentary agitation, and individuals from the possibility of distress. I ask what must be the stability of a system of credit, of

25 The great panic of December, 1825, in England, the effects of which lasted a considerable time.

which such an universal earthquake could not displace or shake even the slightest individual portion?

Thus stands the case in Scotland; and it is clear, any restrictive enactment[26] affecting the banking system, or their mode of issuing notes, must be adopted in consequence of evils, operating elsewhere perhaps, but certainly unknown in this country.

"In England, unfortunately, things have been very different, and the insolvency of many provincial banking companies, of the most established reputation for stability, has greatly distressed the country, and alarmed London itself, from the necessary reaction of their misfortunes upon their correspondents in the capital."[27]

Scott then goes on to give the reasons for this stability:—

"In Scotland, almost all banking companies consist of a considerable number of persons, many of them men of landed property, whose landed estates, with the burdens legally affecting them, may be learned from the records, for the expense of a few shillings; so that all the world knows, or may know, the general basis on which their credit rests, and the extent of real property, which, independent of their personal means, is responsible for their commercial engagements. In most banking establishments this fund of credit [land] is considerable, in others immense; especially in those where the shares are numerous, and are held in small proportions, many of them by persons of landed estates, whose fortunes, however large, and however

26 Proposed by Parliament in consequence of the panic in England.

27 Scott's *Miscellaneous Prose Works,* vol. 21, p. 284–8. Edinburgh edition of 1849.

> small their share of stock, must be all liable to the engagements of the bank." (p. 292.)

He contrasts the circulation of the Scottish bank notes with those of England:—

> "The circulation of the Scottish bank notes is free and unlimited; an advantage arising from their superior degree of credit. They pass without a shadow of objection through the whole limits of Scotland, and, although they cannot be legally tendered, are current nearly as far as York, in England. Those of English banking companies seldom extend beyond a very limited horizon: in two or three stages from the place where they are issued, many of them are objected to, and give perpetual trouble to any traveller who has happened to take them in change on the road. Even the most creditable provincial notes never approach London in a free tide—never circulate like blood to the heart, and from thence to the extremities, but are current within a limited circle; often, indeed, so very limited, that the notes issued in the morning, to use an old simile, fly out like pigeons from the dovecot, and are sure to return in the evening to the spot which they have left at break of day. Owing to these causes, and others which I forbear mentioning, the profession of provincial bankers in England is limited in its regular profits, and uncertain in its returns, to a degree unknown in Scotland." (p. 293.)

He shows that the banks have few calls for coin:—

> "I have only to add, that Scotland has not felt the slightest inconvenience from the want of specie, nay, that it has never been in request among them. A tradesman will take a guinea more unwillingly than a note of the same value— to the peasant the coin is unknown. No one ever wishes for specie save when upon a journey

> to England. In occasional runs upon particular houses, the notes of other banking companies have always been the value asked for—no holder of these notes ever demanded specie. The credit of one establishment might be doubted for the time—that of the general system was never brought into question. Even avarice, the most suspicious of passions, has in no instance I ever heard of, desired to compose her hoards by an accumulation of the precious metals. The confidence in the credit of our ordinary medium has not been doubted even in the dreams of the most irritable and jealous of human passions." (p. 295.)

He says they are in no danger from unsound banking companies:—

> "The people of Scotland are by no means, as a hasty view of their system of currency might infer, liable to be imposed upon, or to suffer loss, through the rash and crude speculations of any man, or association of men, who, without adequate capital and experience, might choose to enter into a banking concern, and issue their own notes.
>
> "The banking companies of Scotland, who take on themselves the issuing of notes, are, no doubt, independent of each other so far as they severally contract with the public; but a certain course of correspondence and mutual understanding is indispensable among themselves, and, in that respect, the whole banks and banking companies in Scotland may be said to form a republic, the watchful superintendence of the whole profession being extended to the strength or weakness of the general system at each particular point; or, in other words, to the management of each individual company.
>
> "No new banking institution can venture to issue notes to the public, till they have established a full

understanding that these notes will be received as cash by the other banks. Without this facility, an issue of notes would never take place, since, if issued, they could have no free or general currency. It is not the interest of the established banks to raise rivals in their own profession, and it is directly contrary to that interest to accept of payment in the notes of a new company, to whose responsibility there occurs any shadow of doubt. They, therefore, only agree to give currency to such new issues, where satisfactory information has been obtained of the safety of affording it. The public have, in this manner, the best possible guarantee against rash and ill-concocted speculations, from those who are not only best informed on the subject, but, being most interested in examining each new project of the kind, are least likely to be betrayed into a rash confidence, and have the power of preventing a doubtful undertaking at the very outset.

"The circulation of a Scottish banking company, when once established, cannot maintain itself a week without redeeming its pledge to the banks which receive its notes, by taking them up, and replacing the value either in the notes of such banks reciprocally, or in specie. A check is thus imposed, which is continually in operation, and every bank throughout Scotland is obliged to submit its circulation, twice a-week in Edinburgh, to the inspection of this Argus-eyed tribunal. Satisfactory information that any distant Banking Companies were leaving the safe and moderate walk of commerce, and embarking their capital in precarious speculations, would very soon draw upon them the suspicion of the moneyed interest at large, and certainly put a period to their existence before it could injure the public." (p. 336–8.)

He says:—

> "The apprehended runs on Scotch banks, by holders of small notes, have never taken place, and from the assigned reasons, are never likely to do so." (p. 341.)

SECTION XX.

The conditions of England and Scotland, respectively, in 1826, taken in connection with their previous histories, furnish an argument that ought to open the eyes of every ignorant man, and silence every imposter and tyrant, who claims that government should prohibit freedom in banking, and thus suppress all the industry and wealth that results from that freedom.

In the short period of seventy-five years—that is, from 1750 to 1826[28]—Scotland, notwithstanding her severe climate, her hard soil, and her comparative destitution of all natural wealth, had raised her sparse, poor, ignorant, and nearly barbarous people, to a degree of wealth, intelligence, and general comfort, such as no other people, however favored by soil, climate, and other natural advantages, had ever before achieved in the same length of time. She owed all this to her mechanical industry; and her mechanical industry depended, for its power of motion, wholly, or very nearly so, upon the currency and credit furnished by her banks.

Of the condition of her population at this time, as compared with that of England, Walter Scott, in his Letters before mentioned, says:—

> "My countrymen have their faults, and I am well aware of them. But this I will say, that there is more vice, more crime—may, more real want and misery, more degrading pauperism and irremediable wretchedness, in the parish of Saint Giles's alone [in London], than in the

28 I say "in seventy-five years," although, in 1750, Scotland had one, two, or three banks for fifty years, or thereabouts, yet owing to wars and other causes, these banks had given little or no impulse to the general industry of the people.

> whole Highlands and pastoral districts of Scotland, or perhaps in all Scotland together." (p. 395.)

In 1826, the currency and credit, on which Scotland's industry depended, were so stable, and so secure, that her prosperity had no fears of being interrupted, or in any way disturbed, unless by causes outside of herself.

On the 17th of February, 1826, the Earl of Lauderdale—a Scottish nobleman—said, in the House of Lords:—

> "The fact was that the people of Scotland were perfectly satisfied with the currency… There was not a man in that country, he would venture to say, from the highest to the lowest, merchant, manufacturer, or tradesman, who wished any alteration to be made."[29]

On the 9th of February (1826), he also said:—

> "As to the Scotch banks, they were certainly found by experience to be established on principles of perfect security." (p. 142.)

On the 20th of February (1826), he again:—

> "Rose to state his conviction that there was no man of any class, or of any party, who would for one moment hesitate to express his complete satisfaction with the state of the currency as it at present stood in Scotland; nay, who would not declare it to be his conviction that that part of the kingdom owed the prosperity she was enjoying to the mode in which the circulation was there managed. He would venture to say that there was no manufacturer of any description in the country, who would not tell the noble earl [Liverpool, then the prime minister] that the ruin of the branch of manufacture to which he [the manufacturer] belonged, would inevitably

29 *Hansard*, p. 479. In the references hereafter made to pages, the reader will understand that they are pages in *Hansard's Parliamentary Debates*.

> follow if the present circulation were meddled with. He conjured the noble earl and the House to ponder well before they adopted a measure calculated to overturn the prosperous condition of so important a portion of the kingdom." (p. 563.)

On the same day, February 20, 1826, the Earl of Roseberry—another Scottish nobleman—said, in the House of Lords:—

> "Every reflecting person, acquainted with the state of Scotland, attributed its rapid prosperity, next to the free institutions which, in common with the rest of the empire, it enjoyed, to the system of banking which had long been carried on in that country. He could not, therefore, hear without alarm, any hint thrown out of an intention to interfere with the currency of Scotland." (p. 561.)

One of the best of the many testimonies to the merits of the Scotch banks, at this time, when substantially all confidence in the *English* banks had given way, was offered in the House of Commons, on February 14, 1826, by Mr. Ellice, who said:—

> "Even at that moment, Scotch notes were in circulation over the greater part of the north of England! That circulation did not perhaps amount to more than a million, or a million and a half [sterling]." (p. 379.)

This is such a certificate of undoubted solvency, by *English* people themselves, as cannot be discredited.

On the sixth of February (1826), copies of certain communications that had been made by the Prime Minister and the Chancellor of the Exchequer, to the Governor and Deputy Governor of the Bank of England, with a view to induce the Bank to surrender some of its exclusive privileges, were laid upon the table of the House of Commons. In these communications, much was said by the Prime Minister and Chancellor, contrasting the insecurity and instability of the English banks with the security and stability of the Scotch banks. I have here room for only this single extract:—

"The failures which have occurred in England, unaccompanied, as they have been, by the same occurrences in Scotland, tend to prove that there must have been an unsolid and delusive system of banking in one part of Great Britain [that is, in England], and a solid and substantial one in the other [that is, in Scotland]. (p. 104.)

The Earl of Carnarvon; on the 9th of February, 1826, said:—

"He approved highly of the plan of extending the number of partners in banking establishments, and agreed also in the propriety of each of the partners of such establishments being liable, in the whole among of his property, for the concerns of the banks." (p. 142.)

He also said on the same day:—

"In Scotland an approved system of banking has been brought to the test of experience... He would wish to see banking establishments of equal solidity in this country." (p. 146.)

On the 9th of February, 1826, Mr. Maberly said, in the House of Commons: -

"It appeared that in 1793, the greatest convulsion took place under a bullion currency, whilst Scotland, which had possessed a paper currency for the last thirty-five years, had never experienced any convulsion whatever." (p. 226.)

February 27, 1826:—

"Lord Melville presented a petition from Edinburgh, praying their lordships not to consent to any measure for altering the system of currency in Scotland.

"The Earl of Roseberry could not allow the petition to be read, without stating, not only that there had been not one dissentient voice at the numerous and respectable meeting when this petition was signed, but also that

> there had not been one dissentient voice at any meeting which had been held, and he believed there would not be a single dissentient voice at any of the meetings about to be held. There was in Scotland an unanimous, but not clamorous, opposition to the proposed measure for extending to Scotland the bill for suppressing small notes. Men of all parties, who had never agreed on any one subject before, were united in this, and had stated, in the strongest way possible, that no project ever thought of was so likely to derange, not merely the currency, but the whole transactions of the country." (p. 864.)

March 14, 1826, Mr. Dundas said:—

> "It was most natural that the great majority of the Scotch should be, as they were, averse to the alteration of a system under which their country had risen, in the course of a hundred years, to a degree of prosperity unparalleled in history." (p. 1358.)

March 14, 1826, Mr. Drummond said:—

> "He was quite satisfied that the petition expressed the general opinion throughout Scotland, and that there had never been a question on which the country had been so unanimous." (p. 1359.)

On March 14, Mr. Douglas said:—

> "That Parliament ought to show some deference for the petitions which were coming up from all parts of Scotland, in opposition to the proposed alteration of their currency. During the whole period of the Scotch banking system, nothing had occurred to warrant the proposed interference in their concerns. The state of things which had arisen in England, and called for a change, sprung from the late panic, occasioned in part by the insolvency of some of the smaller bankers; but not so in Scotland, where the people were perfectly satisfied with

> the solvency of their bankers, and the accommodations which they afforded." (p. 1382.)

May 26, 1826, Mr. Grant said:—

> "During a period of little less than a century, there had been, in fact, but two failures; the whole loss from which amounted to only £86,000." (p. 1435.)

May 26, 1826, Mr. Tierney, an advocate for the suppression of one and two pound notes, in Scotland, as well as England, said:—

> "Since the rebellion of 1745, such a combustion had never, he believed, been raised in that country [Scotland], as the first mention of touching any of her banking institutions had created… If the House had been attacking all the rights of Scotland in one single measure, the cry of alarm—the call to resistance—could not have been greater… In one fortnight only petitions had been presented form all parts of the country, against the projected alteration. The hubbub had been curious, nay, dangerous; for there had absolutely been hints of resisting it by actual violence." (p. 1414.)

May 26, 1826, Robert Peel, after having been a great stickler for the suppression of one and two pound notes, throughout Scotland, as well as England, was compelled, by the public demonstrations against it, to give in, and leave the Scotch people in full possession of their system. He said:—

> "He believed it was by no means an over-statement, that there was an universal impression in Scotland in favor of the existing system." (p. 1429.)

The debates in Parliament, at this time, furnish an indefinite amount of testimony to the merits of the Scotch banks. I regret that the space allowed me will not admit of my quoting still more of it here.

To describe the condition of England, in 1826, as compared with that of Scotland, will require another section.

SECTION XXI.

What, now, was the condition of England in 1826? And what has been her previous history?

They had a much milder climate than Scotland, a fertile soil, and inexhaustible mines of coal and iron. Her people, as a race, were physically and intellectually strong and courageous. They had demonstrated the possession of these traits as fully as any people then living. Relatively to her neighbors, she had been a powerful nation for seven hundred years, and more. Scarce a hostile foot had touched her soil in all that time. For at least the three hundred years immediately prior to 1826, she had been one of the first three powers of western Europe; exhibiting the highest faculties in the highest departments of human action. She had her great Universities, like Oxford and Cambridge. She had thrown off the Papal authority, politically and religiously. She had produced great rulers, like Elizabeth and Cromwell. She had overthrown one dynasty, and set up another. She had brought one king to the block, and driven another out of the country. She had produced great naval and military commanders, like Drake, and Marlborough, and Nelson, and Wellington; great statesmen, like the Pitts, Fox, and Burke; great poets, like Shakespeare and Milton; great philosophers, like Bacon and Newton; great inventors, like Watt,[30] and Arkwright, and Stephenson.

In 1826 her thirteen millions of people had probably more machinery at work than all the other thousand millions of people on the globe. She was probably creating more wealth annually—if we estimate wealth by the labor performed—than any other nation, however populous, then in existence. She had ten years before closed triumphantly a twenty year's struggle with the greatest military nation, the greatest military leader, of Europe; in which struggle, beside sustaining her own armies and navies, she had furnished money to keep in the field the armies of allies second only to herself in power. She had, in 1826, been ten years at peace with all European powers. She had armies and a navy capable of defending

30 Watt was born in Scotland; but his invention was first brought into use in England.

her rights in all parts of the world. She had such foreign markets for her manufactures as no nation before had ever dreamed of.

One would naturally infer that a people so great, and strong, and rich, would be also wise and just. Especially would we infer that, as an instrumentality for the creation and distribution of their enormous wealth—and on which all their machinery depended for its efficiency—they would have had a currency the most ample, stable, and effective that had then been devised. We should naturally infer that, as a consequence of all these agencies, there would have been, among her people, something like a general diffusion and equitable distribution of wealth; that the humblest among them would possess intelligence; and that, as a whole, they would be a model nation, the admiration of the world.

But did England present any such spectacle as this? Not at all. The farthest from it. Her immense wealth was all in the hands of a few. The great body of her people—the real producers of her wealth—were poor, ignorant, wretched, hopeless; the merest slaves, in all but the name, of those few, in whose service they wore out their lives. For four hundred years, or thereabout, they and their predecessors in the same rank in life, had had no voice in the government, or in making the laws that controlled the production or distribution of wealth. She had no currency, upon which her people, either rich or poor, could rely, from one year to another, or even from one month to another, to serve as a means of keeping her industry and commerce in motion, or scarcely even of buying and selling the common necessaries of life among themselves.

On the 17th of February, 1826, her Prime Minister described her currency as follows:—

> "The present system of law, as to banks in this country, is considered to be one of the most absurd that was ever invented. It was in the teeth of all sound policy or common sense… What was the system in existence at present? Why, the most rotten, the most insecure, the very worst in every respect, that could possibly be conceived. Any petty tradesman, any grocer or cheesemonger, however destitute of property, might set up a

bank in an place; while a joint stock company, however large their capital, or a number of individuals, exceeding six, however respectable and wealthy they might be, were precluded from doing so by the present system. One more absurd, therefore, he repeated, could not be conceived."[31]

February 27, 1826, Mr. Hume said:—

> "It was a notorious fact, that many individuals who were possessed of scarcely any property, had been in the habit of issuing notes to an enormous extent." (p. 879.)

On the same day he said again:—

> "The system in its present form afforded no security." (p. 906.)

On the same day Mr. Hobhouse said:—

> "The banking system of the country, generally speaking, was carried on without capital. He did not mean to assert that there were no many establishments with whom the case was quite the reverse; but the want of capital was much more generally the case." (p. 886.)

On the same day Mr. Monck said:—

> "Much has been said lately of the respectability of the country bankers. He did not mean to say that there were not some of those persons who, in every point of view, deserved all that had been said in their favor; but it was not less true that some who called themselves country bankers, were little better than swindlers." (p. 891.)

And what had been the effect of this system? Why, a panic, which Brougham, on February 13, 1826, described as:—

31 *Hansard*, p. 461–2. The pages annexed to the quotations hereafter given, will be understood to be Hansard's.

> "That gloomy and fatal period—the most disastrous and most horrible, perhaps, in their commercial annals." (p. 353.)

On the same day another member, Mr. Pearse, said:—

> "When one banking house in London stopped, more than forty country banks suspended payment. Other banks followed; this produced a panic; the panic once commenced, confidence was gone; and as it was impossible to restore confidence, the country still remained in a state of dismay." (p. 342.)

Another member, Mr. Heygate, said, on February 14, 1826:—

> "The fact could not be disputed, that the country was reduced to a degree of suffering wholly unprecedented." (p. 393.)

Mr. Huskisson, another member, said, on February 10, 1826:—

> "If the difficulties in the money market a short time since had continued for only eight and forty hours longer, he believed the effect would have been to put a stop to all dealings between man and man, except by means of barter." (p. 230.)

February 20, 1826, Mr. Baring said:—

> "He had said that people who, a month before, had not known what to do with their money then, did not know how to raise enough to pay current demands." (p. 631.)

Mr. Wilson said, February 20, 1826:—

> "It was well known that many parts of the country were at that time in a state of starvation, for the want of some sort of currency. In Yorkshire they were in such distress

> that the manufacturers could not pay their men, except by orders on the butcher and the baker." (p. 626.)

SECTION XXII.

We can now see distinctly the differences between the Scotch and English systems of banking, as they existed in 1826, and prior to that time; and can also see the consequences that naturally resulted from each.

The most important differences between the two systems were these, viz:—

(1) The number of partners in each of the Scotch banks was large; in some cases amounting to several hundreds; and having of course a corresponding amount of capital; while in England no bank (with the exception of the Bank of England) had more than six partners. Many, probably most, of them had less. The amount of capital embarked was therefore generally too small to give the public any good ground of confidence in their notes.

(2) In Scotland, land was liable to be taken for debt; and in most cases, a large amount of land was owned as private property by the individual partners in banking companies, and was consequently holden for the debts of the banks. *This was a visible, immovable, and indestructible property,* that could be relied upon, under all circumstances, for the payment of the notes of a bank, even if all its other resources should fail.

In England, on the other hand, the land was either wholly exempted from liability for debt, or its liability was encumbered with so many difficulties as to make it practically unavailable as banking capital.

The only banking capital, therefore, that remained was personal property; property that was movable, destructible, and, where it consisted of money, indivisible to the public. It was, for all these reasons, an unreliable property, even if the bankers had had enough of it. The public, therefore, had really nothing on which they could rely as a guaranty for the solvency of the banks, or the payment of their notes.

In short, the public had no real ground of confidence in the banks, other than the simple one that they were paying specie *for the time being*. But the fact that they were paying specie to-day was no proof that they would do so to-morrow.

Whenever con was coming into the country, and the vaults of the Bank of England were full of it, that bank would extend its loans, and reduce its rates of interest. And all the other banks would do likewise. Then business would move. But whenever, from any cause, coin was leaving the country, in any large amounts, the Bank of England would contract its loans and raise its rates of interest. And all the other banks were compelled to do the same. This contraction of loans, and rise in the rates of interest, gave notice to everybody that coin was leaving the country, and that the banks might be unable to pay it. At this, depositors and note-holders would at once take fright. The depositors would make a run for their deposits; not because they had any use for them, but because they were afraid to leave them in the banks. The noteholders would make a run for specie, not because they had any use for it, but because they were afraid the banks were insolvent, and that their notes would prove worthless. The consequence was that, in the panic thus created, all money was withdrawn from circulation. The banks could do nothing for the public; it was hardly possible, even for the best of them, to save themselves. All business would necessarily come to a stand; and bankruptcy stare everybody in the face, who was doing business, in any considerable degree, on credit.

All these disasters naturally and necessarily resulted from the simple fact that the banks rested upon no such basis of actual, ample, *visible,* immovable, and indestructible property, as to give the public any abiding confidence in their solvency. Had they rested upon such a basis, it would have been a matter of no appreciable importance, either to them or to anybody else, whether coin was coming into the country, or going out. Neither the amount of currency in circulation nor the rate of interest, would have been affected by either event. All this is demonstrated by the example of Scotland.

The Scotch banks had not only been solvent, but their solvency, *and the grounds of it—land,* in addition to all their other resources—had always been so fully open to inspection—so plainly *visible, immovable, and indestructible*—as to be satisfactory to everybody who chose to look at them. The result was that no tests, to which banking institutions were ever subjected, had been able to shake public confidence in them for a moment. As a consequence, nobody had ever seen a *run* upon them for coin, either by depositors or note holders. *The exportation of coin produced no effect upon them.* They had consequently never been obliged to contract their circulation, or to withhold discounts. They had always been able and ready to supply all the currency that could be kept in circulation. That is, they had always been able and ready *to keep the volume of circulation up to its highest possible point.* Their currency had also always stood at par with coin. Yet they had kept very little coin on hand; knowing that they would have no use for it—but that all their notes issued would come back in payment of notes discounted; and that only very rarely would any other redemption be called for.

Their rates of interest had also always been low and stable; seldom or never rising above five per cent.

As a consequence of all this, the industry and prosperity of Scotland had never been interrupted, unless by causes outside of herself; and even those causes had made very little impression.

SECTION XXIII.

It will now be taken for granted that the following propositions have been established, namely:—

(1) That land is the best possible banking capital. It is the best for these several reasons, to wit:—

(a) Because, being visible, immovable, and indestructible, it necessarily gives to the public such an assurance, as no other property can, of the solvency of the currency based upon it. It thus prevents the currency from ever being a subject of panic, on the part of the holders of it; and thus protects the bankers from all danger of *runs* upon them, and, as a general rule, from all liability to be called upon to redeem it, otherwise than by receiving it in payment of notes discounted.

(b) Land is also the best banking capital for this further reason, that there is so much more of it than any other property. In any civilized country the value of the landed property is probably a hundred times greater than the amount of coin. It is therefore capable of furnishing a vastly greater amount of currency than can ever be used; in fact, much more than can ever be used. Furthermore, the use of it as banking capital does not interfere at all with its use for other purposes. All the profit, that is derived from using it as banking capital, is therefore a clear profit, in addition to that derived from its uses for other purposes. The result is that competition, among the holders of real estate, in the use of it as banking capital, will always be so great—where banking is free—as to insure, at all times, the greatest amount of currency that can be used, and at the lowest rates of interest at which the business of banking can be done.

(2) The second proposition, which is now assumed to have been established, is, that coin is not a suitable basis for paper currency. It is not a suitable basis, for these reasons, to wit:—

(a) Because it is invisible to the public, and is also movable. If a banker really has it on hand, it is locked up in his vault, where the public cannot see it, or know of its existence. It is also movable; and if it be in his possession to-day, he may put it out of his possession to-morrow; and put it where his creditors, the holders of his notes, cannot reach it, or even find it. It may be on the ocean, going to a foreign country. It, therefore, is utterly incapable of being made a reliable basis for a paper currency.

(b) Coin is also an unsuitable basis for a paper currency, because there is so little of it as to be scarcely any practical importance. It may serve well enough as a standard of value—that is, as a standard by which to measure the value of all other currency, as well as of all other commodities. But as a means of furnishing the currency itself, or the basis of a currency, for any civilized people, its quantity is not only inadequate, but utterly insignificant. As already said, its quantity is probably not more than a hundredth part as great as that of the landed property. It is, therefore, a sheer absurdity to talk of it as capable of furnishing the currency necessary for civilized life.

(3) The third proposition now assumed to have been established, is, that a panic may result simply from an *unreliable* currency. There may be currency enough, such as it is; yet if it be an *unreliable* one, a panic will sooner or later result.

By an *unreliable* currency is here meant a currency that rests upon no adequate or satisfactory foundation of actual property, that can be made available for the payment of the notes that are in circulation. Such a currency will remain in circulation as long as the bankers are able to pay specie. But when specie leaves the country, and the banks become unable to pay it, public confidence in the currency fails, because the banks have no other resources—*that are visible to the public*—with which to pay their notes. A panic necessarily ensues, because men are afraid to take this doubtful currency, either in exchange for other property, or in payment of debts; and there being no other money in the country, men can neither meet their engagements, nor make their necessary purchases.

The panics that occurred in England, in December, 1825, and on various previous occasions, were illustrations of the manner in which panics proceed from an unreliable currency.

We have had repeated panics in this country, proceeding, in whole or in part, from this cause.

What these panics teach is, that a banker's credit is like any other man's credit, in this particular, to wit, in order that it may be stable and reliable, it is indispensable that it be based upon actual property, *that is visible and tangible by his creditors;* and not upon property that is invisible and intangible by them, and which, therefore, may have no existence.

To give credit to a banker, merely because a government permits him, or licenses him, to be a banker, is just as absurd as it would be to give credit to a merchant, merely because a government permits him, or licenses him, to be a merchant.

(4) The fourth proposition, now assumed to have been established, is this, viz.: that panics may arise simply from an insufficient currency.

The currency may be perfectly solvent, and the public may have entire confidence in it—it may even be a purely metallic currency—*yet if there be not enough of it,* a panic will be the result.

Such was the panic, in this country, in 1873; from which we have not yet recovered. The currency we had in 1873 was solvent enough. That is to say, no one was afraid to take it, either in payment of debts, or in exchange for other property. Yet a panic resulted from it, *simply because there was not enough of it.* The explanation of the matter is simply this: -

When there is an insufficient currency, men are necessitated to do business by buying and selling commodities on credit; and this is done until the amount of indebtedness between man and man becomes so great in comparison with the amount of currency in the market with which to cancel it, that it becomes impossible for debtors to get money with which to cancel it. The indebtedness is also so general—so nearly universal—and each man's indebtedness is so complicated, directly or indirectly, with the indebtedness of everybody else, that no one's solvency can be relied on; the money lenders withdraw their money from circulation, and the whole mass of credit falls to the ground.

But if perfect freedom in banking were allowed, everybody, or nearly everybody, who was worthy of credit, could get it at bank. The banks would grant it, by issuing their own notes for circulation as money. The borrowers of these notes would then use them to make their purchases for cash, instead of buying on credit, as they do now. *All ordinary traffic between man and man would be done for cash.* There would be no indebtedness extant, except the indebtedness of borrowers to the banks, and that of the banks to the holders of their notes. These two forms of indebtedness would just balance each other; would be—sufficiently for all practical purposes—offsets to each other, and legal tenders in payment of each other. They would be continually exchanged for each other; that is, offset against each other; and thus made to cancel each other. In other words, the bank notes, issued for circulation, would all come back to the banks in payment of the notes discounted. Thus all the indebtedness extant—to wit, the indebtedness *to* the banks and indebtedness *by* the banks—would be cancelled, on an average, once in about three months. And such a thing as a panic would be impossible.

But this matter has been already more fully explained in Sections III and VI.

> (5) The fifth proposition now assumed to have been established, is, that the general system of credit that naturally results from entire freedom in banking is beyond comparison the safest and best that has ever been devised; that it is the safest and best, both for those who give credit, and for those who receive it.

It is the safest and best for those who give credit, because, in giving it, they issue their own notes for circulation as currency; and thus make it certain that there will always be enough currency in the market to enable their debtors to obtain it, and repay their loans. They thus furnish their debtors with the necessary means for paying their debts.

It is the safest and best system for those who obtain the credit, because, in obtaining it, they obtain a currency that enables them to make all their purchases for cash, and, of course, on better terms than they could make them on credit; and also because, in obtaining it, they obtain, and put in circulation, such an amount of currency as, they know, will always enable them to sell their commodities for cash, and thus enable them to get the currency with which to repay their loans.

In short, freedom in banking is the safest and best system of credit, for both debtors and creditors, because the issue of currency enough to pay all debts created, makes it more certain than it can be under any other system, that all debts will be paid.

It is the safest and best system for everybody, because it introduces a universal system of cash payments in trade; and thus saves everybody from the dangers of that complicated system of universal indebtedness, wherein no man knows whether he will either be able to pay what he owes, or obtain what is due to him.

(6) The sixth proposition, now assumed to be established, is, that there is no more ground, in justice, reason, or necessity, for making circulating notes a subject of monopoly, or for limiting the amount of them, than there is for making book accounts, private promissory notes, checks, drafts, or bills of exchange, subjects of monopoly, or limitation; that monopoly or limitation in the case of the circulating note, is as gross a tyranny, and as plain a violation of men's natural rights, as monopoly or limitation would be in the case of book accounts, private promissory notes, checks, drafts, or bills of exchange; and that the practical injury of monopoly or limitation, when applied to the circulating note, is far greater than it would be if applied to all these other forms of credit; inasmuch as the circulating note, if left free, is capable of far greater services to industry and traffic, than are all these other forms of credit put together.

(7) The seventh proposition now assumed to be established, is, that there is no danger whatever, and no evil of any kind—but only unmixed and unalloyed good of the highest value—arising out of perfect freedom in banking: that all the alleged dangers of insecurity, instability, expansion, contraction, fluctuation, inflation, and the like, with which the daily papers are filled, are the merest chimeras and impostures; that the outcry in regard to them comes only from the ignorant and dishonest; that the contrary had been practically demonstrated, beyond all possibility of refutation, fifty years ago; that there is, therefore, no manner of excuse for any such

> outcry now; and that the only purpose and effect of it are to maintain a monopoly of money, and to defraud and deprive mankind at large of the right that is absolutely indispensable to freedom of industry and traffic, and to the greatest aggregate production, and most equitable distribution of wealth.

All this, this writer proposes to show—much more fully than he has now done—in a new treatise, to be published, with Mr. Babcock's permission, in *The New Age,* and entitled Financial Impostors; or the Great Fraud in Regard to the Value of Money.

Financial Imposters:

Or the Great Fraud In Regard to the Value of Money.

No. I.

(1876–77)

SECTION I.

Incomparably the most important economical discovery that was ever made was this, viz.: that property in actual use, and whose actual use as property cannot be dispensed with, can nevertheless be represented by paper, and thus made to furnish a credit and currency that might otherwise not exist.[1]

Theoretically all the vendible material property in the world can be thus represented—and practically nearly all of it can be—without interfering with the ordinary use of it as property.

The employment of all this credit and currency is practicable, without interfering with the ordinary use of the property represented, because, in the common course of things, the currency comes back to the banks in payment of the notes discounted, without any demand being made for the actual delivery of the property itself. And this is all the redemption which a currency KNOWN TO BE SOLVENT, *usually needs. If it be only known that property represented* CAN *be delivered, its actual delivery is seldom called for.*[2] Nevertheless, as it

1 By the representation of property by paper is here meant simply this: That a man having, say, a hundred thousand dollars of property, that can be made available for the payment of his notes, or other obligations, can issue his notes, or other obligations, for that amount, to circulate as currency; his property being holden, and liable to be taken, for the redemption of his paper.

2 Appendix C.

will sometimes be called for, the necessity arises at this point, *and only at this point*, for a more perfect system than has ever been adopted, for represented the property. That is to say, it is desirable that the property represented should be put into such shape as shall make it immediately and certainly available for delivery, on demand, or at the times agreed on, in redemption of the paper, *without resort to legal process*. Whenever this shall be accomplished, there will be no further obstacle to the representation of nearly all the vendible material wealth of the world, for purposes of credit and currency.[3]

Under such a system, paper, representing property in any one part of a country, can not only be made to furnish credit and currency in its own immediate neighborhood, but can also be used to pay debts, and make purchases, in every other part of that country, even the most distant; and that, too, without serious expense, or loss of time; when the property itself could either not be moved at all, or moved only at such cost, and loss of time, as would make traffic impossible.

So long as this currency remains in circulation, it is equivalent to an actual increase of property to that amount. In fact, it is something vastly more important than an actual increase of property to that amount. In fact, it is something vastly more important than an actual increase of material wealth would be of little or no benefit, so long as it could not be divided into small parcels, and loaned, bought, sold, and transported, and thus distributed to those who want it for their uses. Without such facility for division, for loans, for buying and selling, and for transportation, it would be impossible to have any such credit, or currency, any such division of labor, or exchange of commodities, as are indispensable to any considerable

3 To what precise extent *personal* property can be thus represented, satisfactorily to all concerned, is perhaps not as yet entirely settled; although that it can be advantageously represented to a very large extent, is proved by the bank notes, the checks, drafts, and bills of exchange, which usually represent personal property alone, and yet perform so large a part in the industrial and commercial transactions of the most wealthy, productive, and commercial peoples in the world. But that real estate everywhere can be thus represented, to nearly the amount of its true and natural market value, is shown in the *"Outline of a New Banking System,"* hereafter to be given. And it is probable that, by the aid of this latter system, the representation of personal property (if it should be needed) could be carried to a still greater extent than it ever has been.

progress in wealth. But paper, *representing property*, supplies all these defects in the property itself; for the paper is divisible—as the property otherwise could not be—into such precise amounts, large and small, as traffic requires. It is also manipulated, counted, transferred, and transported, with an ease, rapidity, and freedom from expense, that are impossible in regard to the property itself.

In the nature of things there can be no considerable increase of wealth except through the division of labor, and the employment of machinery. And there can be no considerable division of labor, or employment of machinery, unless the raw materials can be taken from the producers, and distributed to the manufacturers; nor unless the manufactured products can be taken from the manufacturers, and distributed to the consumers. But all this is impossible, except through the agency of money; for every person, through whose hands the raw material or the manufactured product passes, must be paid for such material or product, or for his or her labor upon it. Hence the necessity for great amounts of money. *But evidently this money can be created only by paper representing property, that is in use as property*. And by most persons this money can be obtained only by borrowing. It is, therefore, only by the loaning of the paper, representing property in use—and that, too, in vast amounts—that the whole people can be supplied with all the materials and machinery necessary to make their industry most effective, and all the facilities for distributing and exchanging the products of this industry, with the least expense of time and labor.

The experience of the whole world, from time immemorial, demonstrates the truth of these propositions. That experience has proved that *without* any representation of property by paper, there can be, almost literally, no money, no credit, no diversity of industry, no employment of machinery, no exchange of commodities, no production, and no wealth. But *with* such a representation, it is evident, both from reason and experiment, that sufficient credit and currency—credit in the form of currency—can be supplied, to set in motion, and forever keep in motion, the greatest and most diversified industrial agencies that man has ever devised, securing all the while a cheap, easy, rapid, and equitable exchange of all the commodities produced.

Thus the whole system of production and exchange, substantially the whole progress of the world in wealth, rests upon the credit and currency that can be furnished only, by the representation of property by paper.

All this has been evident for the last fifty years at the least; not to say for the last hundred and fifty.

If, now, it be asked why this great discovery—capable of giving wealth to all mankind—has not been heretofore more fully utilized? And why the many examples of its successful employment, under such imperfect systems of representing the property as have been tried, have not taught mankind the wisdom of still greater freedom, and still greater perfection of system? The answer is, that substantially all governments are mere conspiracies of tyrants and robbers, who prefer to secure to themselves, by force, or fraud, or both, the fruits of other men's labor, rather than content themselves with their own just share of a universal prosperity. As in all past ages, and in most countries, a few men—rather than become honest laborers themselves, and be content with their own earnings—have chosen to combine, and by military power seize all lands and other wealth, and reduce all other men to slavery or dependence; so to-day, those who control governments, seeing the vast power of credit, currency, and machinery, in the production of wealth, desire to monopolize them, and make all other men their servants and victims. Hence their opposition to all credit and currency, except such as they themselves can employ and control. And as force alone might not be sufficient to enable them to accomplish this purpose, they have resorted also to fraud.

What that fraud has been, and how it has operated, it is the purpose of this treatise to explain.

SECTION II.

This fraud consists in the declaration, which is constantly made, that the amount of money, relatively to other property, is wholly unimportant; that if, at any time, the amount be doubled, the only effect (except upon the value of existing debts) will be that the prices of all commodities will be doubled also; and that there will then be no more money than there was before. Also that, if the amount were, at any time, to be diminished by one-half, the only effect (except upon the value of existing debts) would be that the prices of all commodities would fall to one-half of what they had been; and that there would then be just as much money as before.[4]

According to this theory—that half of any amount of money is just as good as the whole—a quarter would be just as good as a half; and an eighth just as good as a quarter; a sixteenth as good as an eighth; and so on indefinitely. And the logical and necessary result would be that a single sixpence would be just as good as all the money that could be made out of all the property in a nation, or even in the world!

This is the only argument that was ever offered against *the principle* of representing property by paper, to any and every possible extent, and using that paper for purposes of credit and currency. Other arguments have been urged against particular modes or systems of representing the property; such as that the currency furnished by them was inadequate, unstable, or insecure; or that the property represented was not made immediately available for the redemption of the paper. *But no other argument was ever offered against the principle itself.*

In this treatise we are to deal with the principle, and not with any particular system.

In dealing with the principle, then, the only argument we have to answer is this, viz.: that any given amount of money, however small, or however worthless intrinsically, is just as good, for purposes of commerce, as any other amount, however great, or intrinsically valuable.

It is no exaggeration or caricature of this argument—but only a legitimate and logical statement of it—to say that it is virtually this: That any single piece of money, however worthless intrinsically, is just as good as all the money that can be made out of all the property in any particular nation, or even in the world!

Now, there are, in the United States, at least thirty thousand millions of dollars ($30,000,000,000) worth of property;[5] probably much more than that. Every dollar's worth of this property has—or in free and open market

4 See Appendix A.

5 Such were the census estimates in 1870.

would have—a true and natural market value equal to a dollar in gold; *gold being supposed to stand either at its value as a metal, or at its value in the markets in the world*. It is not only supposable, but actually practicable, that nearly every dollar's worth of these thirty thousand millions of property should be represented by paper, and be deliverable, *or made available*, in redemption of the paper; and be thus bought and sold from hand to hand as money. It is, in short, not only supposable, but actually practicable, that nearly all the material wealth of the nation should be made into money, be represented by paper, and thus bought and sold freely by all who should choose to buy and sell it. And yet the argument we are combating virtually says that *one single gold dollar* is worth just as much, *as money*, as all these thirty thousand million dollars of paper, representing all the material wealth of the United States!

And why do men put forth such an assertion as that? Certainly not because the one gold dollar has the same amount of true and natural market value with the whole thirty thousand million dollars' worth of other property; for it really has only a thirty thousand millionth part as much. Why, then, do they say that it has as much value, *as money*, as the thirty thousand millions worth of other property would have? Solely on this ground, viz.: "*If* (say they) *all other money were only prohibited*, then the one gold dollar would have—not indeed as much true and natural market *value*—but as much '*purchasing power,*' as the whole thirty thousand millions; because (say they) the holder of that one gold dollar would—*in the absence of all other money*—have it in his power to coerce the holders of all other property ($30,000,000,000 worth) into selling it for that single gold dollar."

Thus their argument, that the one gold dollar is just as good, *as money*, as the thirty thousand millions of other money would be, rests wholly upon the supposition *that all other money than the one gold dollar is to be prohibited, and that the holder of the one gold dollar is to avail himself of that prohibition, to extort from other men thirty thousand million times as much of their property as his gold dollar is really and truly worth.*

We need to stop now to inquire how far it is possible that this theory could be carried out in practice. It is enough here to state what the theory really is. And it is just what it has now been described as being.[6]

This is the only ground on which any one ever said that one dollar of money was just as good, or could be made to have *"as much purchasing power,"* as thirty thousand million dollars' worth of other property, represented by paper. It is the only ground on which any one ever said that two dollars of money were no better, or had no more *"purchasing power,"* than one. It is the only ground on which any one ever opposed the *principle* of the unlimited representation of property by paper, and the circulation of that paper as money.

This prohibition upon money is advocated, of course, by the present holders of money. And their motive, in advocating it, is to increase *"the purchasing power"* of *their own* money beyond its true and natural value; and thus enable them to get, in exchange for it, more of other men's property than the money is worth.

The principle of this prohibition is the same as would be that of a man, who should demand that the use of all food, except a few bushels of wheat, produced by himself, should be prohibited, in order that, by such prohibition, a famine might be brought on, that would so raise *"the purchasing power"* of *his* wheat, as to enable him to extort, in exchange for it, all the other property in the United States. There would be no difference of principle between this case and that of a man who should demand the prohibition of all money but his own. And the difference in the practical iniquity of the two cases would be by no means so great as most persons would at first thought imagine.

Supposing the true and natural market value of all the vendible property in the United States to be thirty thousand millions of dollars, the real question to be decided is, whether it would be better there should be thirty thousand million dollars ($30,000,000,000) of money; each dollar having the same true and natural market value with a gold dollar? or whether it would be better to prohibit all money but a single gold dollar, and thus

6 See Appendix A.

raise its *"purchasing power"* so high (if that be possible) as to enable its holder to extort, in exchange for it, all the other property in the United States: thirty thousand million times more than the dollar is worth?

If any one can settle this question, he will thereby settle the whole question, both of principle and expediency, that is involved in the prohibition of money.

SECTION III.

It is no answer to the view of the case that has now been given, to say that nobody proposes to reduce the money of this country to a single dollar. Of course no one proposes to do so; because every one knows that if the principle were to be carried out to its logical conclusions, he himself would be involved in the general ruin; that only one man, of the whole population, would escape. For this reason it is that no one, who desires a restriction upon money, desires it to be carried—as it ought to be, if the principle be a true one—to its logical conclusion. Each one, who desires a restriction upon money, desires only such a one as will give *himself* money, and withhold it from others; and thus enable him to extort more of other men's property or labor, in exchange for his money, than his money is worth.

But the man who advocates any restriction whatever—even a slight one—does so upon the same principle, and for the same reason, as he who should demand that the restriction be carried to its utmost extent. That is to say, he does it solely upon the principle, and solely for the reason, that, by such restriction, *"the purchasing power"* of the licensed money will be raised above its true and natural value as a metal (or whatever other material it may be made of); and that the holder may be thereby enabled to extort more of other men's property or labor, in exchange for it, than the money itself is worth.

If this be a sound principle, either of justice or economy, no reason can be given for not carrying the restriction to its utmost extent; that is, to all but a single piece of money. If the principle is good for any part, it is good for the whole.

The moment it is admitted that we must have more than one piece of money, in a nation, or in the world, there is no man, no government, no science, no logic, no principle of expediency, justice, or reason, that can fix any possible limit to the amount of money that should be made, short of all the vendible property in the world. And the value of any and all money that shall be thus made, will depend upon the value of the materials of which it is composed.

The true and natural market value of all money is that value, and only that value, which it will bear in free and open market, in competition with all other money, and all other property. We have no means of ascertaining the true and natural market value of any money whatever—any more than of any other property—otherwise than by putting it into the market in competition with all other money, and all other property, that may there be offered, and then seeing how much of other money, or other property, people will voluntarily give in exchange for it.

Money, in its true, natural, practical, commercial, and universal sense—as distinguished from its narrow, legal, and technical sense—is simply property cut up into such pieces or parcels as are convenient and acceptable to be given and received in exchange for other property. And anybody, who has property of any kind whatever, that *can* be cut up into such pieces or parcels as will be convenient and acceptable to be given and received in exchange for other property, has an unquestioned natural right to cut it up into such pieces or parcels, and then to offer them freely in the market, in competition with all other money, and all other property. And if any of these pieces or parcels shall be too heavy or too bulky to be carried about in the pocket, he has the same right to offer and sell them, by means of contracts on paper, promising to deliver them on demand, or at times agreed on, as he has to offer and sell them, by delivering them at once in exchange for other property.

To be, if possible, still more explicit, *the true and natural market value of every material of which real money can be made, is that market value, and only that market value, which it has for use or consumption as a material*. At that value it will be freely bought and sold from hand to hand as money, if it can but be put into such shape as will make it convenient and acceptable for that purpose. That is, if it can be put into such shape that it can either be itself carried about in the pocket, and delivered at once in exchange for the property purchased with it; or if it can be represented by paper, and be delivered on demand, or at a time agreed on, in redemption of the paper. This latter mode of making property into money is, intrinsically and naturally, as legitimate and lawful as the former; and any one kind of material wealth has the same right as any other kind to be thus represented, and to be thus bought and sold as money. And any attempt to limit the amount of property that shall be thus represented, and bought and sold as money, is only an attempt to give to the holders of the licensed money a power of extortion and robbery, as against the holders of all other property. This power of extortion will of course be greater or less—by making the amount of licensed money less or greater—the principle and the motive are forever the same, viz.: to enable the holder of the licensed money to get more of other men's property, in exchange for it, than the money is really and truly worth. If, for example, A B had ten bushels of wheat, and he were to ask government to license it as money, *and to prohibit all other money*, obviously his only motive for so doing would be that he might extort, from other men's necessities for money, an hundred, a thousand, or a million times more, for his ten bushels of wheat, than they were truly and naturally worth. And this is the motive which all men have who ask for restrictions upon money.

SECTION IV.

One class of those who desire restrictions upon money, insist that only gold or silver coins shall be permitted to be bought and sold as money. If this were done, there would now be not more than two hundred millions of dollars ($200,000,000) of money in the United States, with which to buy and sell what we now estimate at thirty thousand million dollars' ($30,000,000,000) worth of other property. Supposing this estimate of the whole property of the nation to be correct—and it is probably very far below the truth—the two hundred millions of coin would give only one dollar of money to a hundred and fifty dollars' ($150) worth of other property. What the power of extortion would be, in this case, on the part of the holders of money, each man can judge for himself. But every man who ever urged this restriction, virtually said—by the only argument that was ever offered in favor of it—that the restriction would enable a holder of money to extort, in exchange for it, *a hundred and fifty time more of the other property than the money was worth.*

If we suppose that *three* dollars of paper could be always kept in circulation, for one dollar of gold or silver kept on hand for its redemption, we should then have not more than six hundred million dollars ($600,000,000) of money, with which to buy and sell the thirty thousand million dollars' ($80,000,000,000) worth of other property. This would give only one dollars of money for fifty dollars of other property. What the power of extortion would be in this case, each one can judge for himself. But every man who ever urged this restriction, virtually said—by the only argument that was ever offered in support of it—that the restriction would enable a holder of money to extort, in exchange for it, *fifty times more of other property than the money was worth.*

If we suppose that four dollars of paper could always be kept in circulation, for one of gold or silver kept on hand for its redemption, we should then have not more than eight hundred millions of dollars ($800,000,000) of money, with which to buy and sell the thirty thousand millions' worth of other property. This would give only one dollar of money for thirty-seven and a half dollars of other property.

If we suppose that five dollars of paper could always be kept in circulation, for one dollar of gold or silver kept on hand for its redemption, we should then have not more than one thousand millions of dollars ($1,000,000,000) of money, with which to buy and sell the thirty thousand millions' worth of other property. This would give only one dollar of money for thirty dollars of property.

What the power of extortion would really be in these cases, each one must judge for himself; but, *the advocates of the extortion being themselves judges*, the restriction would enable the holders of money, in one case, *to extort thirty-seven-and-a-half times, and in the other, thirty times, more of other property, in exchanges for the money, than the money was worth.*

Whatever extortions would be possible, would be facilitated by the fact that, as the amount of money should be diminished, that which would remain would fall into fewer and fewer hands. If we suppose the number of holders to diminish in the same ratio with the amount of money—and that supposition is probably not wide of the truth—then, with a currency of one thousand millions ($1,000,000,000) *there would be only one-thirtieth as many holders as with a currency of thirty thousand millions*. With a currency of eight hundred millions, or six hundred millions, or four hundred millions, or two hundred millions, the holders would diminish *to one in thirty-seven-and-a-half, to one in fifty, to one in seventy-five or one in a hundred and fifty, of the number there would be if the currency were thirty thousand millions*. So that the facilities for extortion would be increased, not only by the diminutions of the money with which to buy, but also by a corresponding diminution in the number of persons who would have any money to buy with.

But whether all these extortions could be really carried out to the extent here supposed, or not, this one thing is clear, viz.: that if the whole thirty thousand millions ($30,000,000,000) of property were represented by paper, and were bought and sold as money, each man would stand *a hundred and fifty times better chance* of getting the full value of his property or labor, in exchange for money, than if there were no money, except two hundred millions ($200,000,000) of gold and silver coins; *a chance seventy-five times better* than if there were no money except four hundred millions ($400,000,000) of paper, redeemable in coin on demand; *a chance fifty times better* than if there were no money, except six hundred millions ($600,000,000) of paper, redeemable in coin on demand; *a chance thirty-seven-and-a-half times better* than if there were but eight hundred millions ($800,000,000) of paper; *a chance thirty times better* than if there were but one thousand millions ($1,000,000,000) of paper; *and a chance thirty thousand million times better* than if the principle of restriction were carried out to its only logical and legitimate result, viz.: the prohibition of all money, except one single dollar.

All this, be it understood, is upon the supposition that the property of this country is really worth but thirty thousand millions of dollars

($30,000,000,000); whereas it is doubtless worth a much greater sum. Or, at least, it would be worth much more than thirty thousand millions of dollars ($30,000,000,000), if it were allowed to be represented by paper, and this made divisible, saleable, loanable, and transportable, as it then would be.

SECTION V.

But we are constantly to bear in mind that, if the principle be a true one —that the amount of money should be restricted at all, in order to raise *"the purchasing power"* of the licensed money in the least degree above its value as a commodity for consumption—then that restriction should be carried to its fullest extent; and only one single piece of money should be permitted in a nation, or, if possible, in the world. It is just as much a violation of this principle to allow all gold and silver coins—or all paper that can be redeemed with gold or silver coin on demand—to be bought and sold as money, as it is to allow the thirty thousand millions ($30,000,000,000) of paper, representing all the material wealth of the nation, to be thus bought and sold. Neither gold nor silver coins, nor paper redeemable with gold or silver coins on demand, have any natural or rightful preference over any other property whatever, that men, when left free to make their own bargains, may choose to buy and sell as money.

But even this is not all. If the principle be a true one, that *"the purchasing power"* of any particular money should be raised at all *by a prohibition upon all other money*, then it follows that *"the purchasing power"* of one single dollar should be raised to its greatest possible height, not only by a prohibition upon all other money, *but also by a prohibition upon all barter traffic, all book accounts, promissory notes, checks, drafts, orders, and bills of exchange*; since these—according to the theory—may evade the necessity for using the one privileged dollar, and thus lessen its *"purchasing power."* They are, therefore, just as illegitimate as the same amount of money would be.

More than this: If the principle be a true one, then all loans, *and even gifts outright*, and all transfers whatsoever, of any and every species of property—except in exchange for the one dollar that the government has licensed—should also be prohibited, as tending to evade the use, and thus lessen *"the purchasing power"* of that dollar.

There is no consistency of principle in stopping short of this extreme point, if the principle is to be acted upon at all, that *"the purchasing power"* of any licensed money whatever is to be raised above its true and natural value, by prohibitions upon all other money.

If the principle were to be carried out to its full extent, it is perhaps hardly a fiction to suppose that a single dollar could be made to buy all the vendible property in the United States; for property, which the owner cannot use or consume, has no value, unless it can be permitted to pass into the hands of those who can use or consume it. And it can pass into their hands only by being bought, sold, loaned, or given outright.

Moreover, it is substantially impossible for one man to produce—that is to create—any material property whatever, either agricultural or manufactured, without the aid of materials or implements supplied to him by others. The farmer himself cannot construct the implements that are indispensable to enable him to cultivate the earth with any success. he cannot build his own house, unless it be a mere wigwam, or hovel. It is only the savage that can live without buying something of his fellow man. And even the savage can live only by giving up all claim to property, except to such wild fruits as he can gather, or such wild game as he can kill, or such a wigwam as he can build. Consequently, in the savage state—that is, in the absence of money—there is nothing that can be called property, except the few simple possessions of the hour, or the day. And all prohibitions upon money tend to drive men back to the savage state, and not only destroy the value, but prevent the production, of all those kinds of wealth that are peculiar to civilized life. The prohibition, therefore of all money, except one single dollar, would soon bring about a state of things in which there would scarcely be a dollar's worth of vendible property in the United States.

SECTION VI.

It is further to be borne in mind, that if, by the prohibition of all other money, and of all barter traffic, all book accounts, promissory notes, checks, drafts, and bills of exchange, and also of all gifts, loans, and transfers of property whatsoever, *"the purchasing power"* of the one gold dollar could be so raised as to purchase all the thirty thousand millions of other property, it would not be because the true, natural, and intrinsic value of the one gold dollar had been raised at all (for it would still be only so many grains of gold, of no more *real* value than any other equal quantity of gold;) *but it would be solely because all the thirty thousand million dollars' worth of other property had been struck down from its true and natural market value by the prohibition put upon its sale to those who wanted it for use or consumption, and who were ready to pay, in such property as they have, an acceptable equivalent for it*.

It, therefore follows that the prohibitions upon all other than particular pieces or amounts of money, *do not at all raise the real value of that privileged money; but only strikes down the value of all other property, that is deprived of its legitimate market by the prohibitions imposed upon its sale for such money as those who want the property for consumption, can offer*.

Civilization could not exist under such a principle as this. There is nothing in barbarous, nor even in savage life—unless it be slavery itself—that is half so barbarous or savage as such a principle would be, if carried out to its only logical and necessary result; for barbarians, and even savages, are free to buy and sell whatever they have, in exchange for anything else that is offered to them, and which they choose to accept.

There are no such blockheads or villains extant on the globe, as those who deny mankind this right. And to deny this right to mankind at large, in order to raise *"the purchasing power"* of some one man's property, by destroying the value of all other men's property, is the vilest motive that was ever offered for such a crime. It is like destroying the value of the houses, lands, cattle, horses, grain, and other property, of the great body of mankind, in order to raise the nominal (not real) value of some one man's houses, lands, cattle, horses, grain, and other property.

SECTION VII.

It is not necessary at this point to either assert or deny that, *by the prohibition of all other money*, a single gold dollar can be made to purchase thirty times, or thirty thousand times, or thirty thousand million times, as much of other property as the dollar is really worth. For the sake of argument, it may be granted that it can be made to purchase any one, or all, of these amounts. But the question then arises, *Can it be made to honestly pay for them*?

Will any arbitrary restriction upon all other money, enable a single gold dollar to honestly pay for property that has, naturally and truly, thirty times, thirty thousand times, or thirty thousand million times, as much real, natural, *bona fide* market value as the dollar itself?

The only honest answer that can be made to this question, settles all controversy as to the necessity for a greater or lesser amount of money.

Upon any other principle than that money is to be a true, natural, *bona fide* equivalent of the property purchased with it, it is plain that all traffic, instead of being a being a mutual benefit to the parties, must be simply extortion and robbery upon one side, and loss on the other.

The moment it is conceded that money should be a true and natural equivalent for the property purchased with it, that moment it must be further conceded that, if any given amount of money is not a true and natural equivalent for a given amount of other property, enough more money must be paid to make it such an equivalent; else there can be no equity in traffic.

And this is the point on which the whole controversy turns; *one party, the restrictionists, claiming that it is not at all necessary that money should be a true and natural equivalent for the property purchased with it*; that it is only necessary that it should be something *which the government chooses to call money*; and which the government has provided, and *the amount of which it has limited*, for the very purpose of enabling the holders of it to get other men's property without giving an equivalent.

It cannot be said that the amount of money must be limited, lest its holders should give more of it in exchange for other property, than such property is worth; for the true and natural market value of all money—like that of all other property—is that value, and only that value, which it will bear in free and open market, in competition with all other money, and all other property. On the other hand, the only reason that was ever offered for limiting the amount of money, was to enable the holders of it to get more of other property, in exchange for it, than their money was worth. And whether such limitation shall be perpetuated, *for that purpose*, is now the only question we have to settle.

The opinions of all professed political economists to the contrary notwithstanding, it is quite as important, both morally and economically, that property should be honestly paid for, as it is that it should be purchased. But this is a consideration of which the writers on money seem never to have dreamed. For some two hundred years, or more, they have been continually asserting—and, I suppose, proving to their own satisfaction—that, *by the prohibition of all other money*, a single piece of coin, of very little true or natural market value, can be made to purchase almost fabulous amounts of other property. *But none of them, so far as my reading has informed me, has ever attempted to prove that such a coin could—either by the prohibition of all other money, or by any other process whatever—be made honestly to pay for any thing that was naturally and truly worth more than itself.* Until, however, something of this kind can be shown, it is idle to talk of *"the purchasing power"* that can be arbitrarily given to any particular money, by the prohibition of all other money.

These writers seem to have taken it for granted that if, by the *prohibition of all other money*—or, of course, by any other possible coercion or extortion whatever—governments could reduce mankind to the necessity of giving ten, fifty, a hundred, a thousand, or a million, times as much of their property or labor, for a gold dollar, as the dollar was really and truly worth, such coercion or extortion was perfectly legitimate, *and rendered all increase of money unnecessary*. They seem, in short, to have taken it for granted that it was not at all necessary that mankind should receive a true, natural, genuine, *bona fide* equivalent for their property or labor, when they sell it; that it was only necessary that they should receive some comparatively worthless thing called money, which the government had provided, and prescribed, to be given in exchange for all other property; and that the less even of this money that should be given, the better.

If those learned economists who have expended so much labor in trying to prove that, by the prohibition of all other money, some particular money, provided and designated by the government, could be made to purchase other property to the amount of many times its own true and natural value, and who have taken it for granted that such prohibition would be perfectly legitimate, had simply asked themselves how much of other property such government money *could fully and honestly pay for*? they would have come to a very speedy conclusion. They would very soon have learned that a piece of metal—gold, silver, or any other—that had been weighed, assayed, and stamped, and declared money by a government, was really worth no more, *as money*, than it was worth before, as a metal; that the weighing, assaying, and stamping simply certified the quantity and quality of the metal, but had added nothing to its value; and that all prohibitions upon other money, that should enable the holder of that coin to extort from other men more of their property than the coin was worth, *as a metal*, was intrinsically as real and gross a robbery as it is possible for a government to commit. They would have learned that such a prohibition of all other money was a real and gross a robbery as would be the prohibition of the sale and use of all property whatever—houses, lands, cattle, horses, food, clothing, and whatever else—except some small quantities specially provided, designated, and licensed by the government.

The purpose of this treatise is to show that all such schemes as these are simply the schemes of the merest tyrants and robbers; that the only motive for them is to plunder and enslave mankind; and that all money should have enough real, genuine, *bona fide* market value to make it a true, natural and *bona fide* equivalent of the property that is purchased with it.

If this latter point shall be established, it will then necessarily follow that there can be no objection to making all the material property of the world into money, and represented that property by paper; even though all exchanges of property should be mere exchanges of money; for, in that case, all material money (represented by paper), would be worth, *as money*, just what it was worth for use or consumption as a material; no more, no less. And all exchanges of money for money, or of money for other property, would be merely exchanges of one commodity for another; the commercial values of both commodities being simply their true and natural market values for use or consumption, as commodities. No commodity could be worth any more, or sell for any more, because it was called money, than if it were not called money. Gold and silver coins would stand at, and only at, their true and natural values for uses or consumption, *as commodities*. And all traffic would necessarily be merely the giving and receiving of real, genuine, *bona fide* equivalents for real, genuine, *bona fide* equivalents.

SECTION VIII.

It is now perfectly evident that if all vendible property in the United States—estimated at thirty thousand millions of dollars ($30,000,000,000)—were represented by paper, and were free to be bought and sold from hand to hand as money, there could be no possible inflation of the price of any one kind of property, above its true and natural value, relatively to any other kind. No one kind, therefore, could be said to be *"inflated,"* any more than another. If, under such circumstances, the prices of commodities could be said to be raised at all, they could be said to be raised *only relatively to some fixed standard; not relatively to each other*. No harm, therefore, could be done to any one. Every commodity would evidently stand at, and only at, its true and natural market value for use or consumption as a commodity, relatively to the true and natural market value of each and every other commodity, for use and consumption as a commodity. And this is the only market value at which any and all commodities should stand.

Who, then, can object, or has any reason to object, to all this money and credit, that are so indispensable to the greatest aggregate increase, and most equitable distribution of wealth? Manifestly nobody but the holders of the present privileged money. And why do *they* object? Solely because they say that the privilege, the monopoly, now accorded to *their* money, has raised its *"purchasing power"* far above its true and natural market value, and thus enabled them to extort from other money; in exchange for their money, a great deal more than their money is really and truly worth, And this power of extortion they do not wish to surrender. That is their reason; their true and only reason. It is a dishonest reason; and as such it stands out nakedly in the face of the whole world. It is not only their only reason, *but it is their only avowed reason*! No other reason has their ingenuity ever been able to invent as a cover for the villainy that is too patent to admit of concealment or excuse.

If this money—gold, or silver, or any other material commodity—now stood at its only true and natural market value, *as a commodity for use or consumption*, it would retain that same value, relatively to all other commodities, under any and every possible increase of currency and credit. It would stand on the same footing with all other commodities. As a commodity, it would be as much benefited by such an increase of currency and credit, as would any other commodity. Its value, as a commodity, *relatively to any fixed standard*, would be as much raised as would the value of other commodities. But its privilege—the privilege of extorting in exchange, more of other property than it is worth—would be at an end. This is the beginning, middle, and end of every argument that was ever offered against the principle of the unlimited representation of property by paper, and the free purchase and sale of such property as money.

SECTION IX.

If any one now wishes to know what power of extortion—*in the opinion of its own advocates*—is wrapped up in the present monopoly of money, he can be enlightened by the estimates which these advocates themselves put forth to the world.

All of them—without any exception, I think—either expressly declare, or impliedly admit, that the true and natural market value of money—by which they mean gold and silver coin—*is very small compared with "the purchasing power'" they now have; and that this increase of "purchasing power" over real value, is owing wholly to the prohibitions or restrictions which the laws put upon other money. Some of them go so far as to declare that the coins have no real value at all;* thereby virtually declaring that their present "*purchasing power*" is an entire extortion, dependent wholly upon the laws prohibiting or limiting other money.

Thus David Hume says:—

> "Money having chiefly a fictitious value, the greater or less plenty of it is of no consequence, if we consider a nation within itself; and the quantity of specie, when

> once fixed, has no other effect than to oblige every one to tell out a greater number of those shining bits of metal, for clothes, furniture, or equipage, without increasing any one convenience of life."[7]

This is an acknowledgement, not only that the present market value of money is *"chiefly fictitious,"* but that it comes so near to being entirely fictitious, that it is of no consequence whether there be more or less of it, in a nation, *or whether a man gets more or less of it in exchange for other property*. It is an acknowledgement that the so-called market value of money is no real value at all, but only a *"purchasing power,"* or power of extortion, arbitrarily given to it by laws prohibiting, or limiting, all money that has value.

Adam Smith also says:—

> "It would be too ridiculous to go about seriously to prove that wealth does not consist in money, or in gold and silver; but in what money purchases, and is valuable only for purchasing."[8]

He means by this, to say that it would be too ridiculous to attempt seriously to prove such self-evident truths (!) as that money—even "gold and silver"—*are not wealth!* That is, have no value in themselves, no value as metals; that they are "valuable only for purchasing" other things that *are* wealth—that *have* value.

But if they are not wealth; if they have no value as metals, no value in themselves, no value for use, as commodities, how happens it that they could ever be made *"valuable for purchasing"* other things that *are* wealth"—other things that *have* value? How is it that things that have *no* value can be made so available for purchasing everything that *has* value?

To be consistent, he would be obliged to answer, that *all* their *"purchasing power"* had been arbitrarily given to them *by laws prohibiting all money that has value*; and consequently that the price at which they now pass in the market is an entire extortion.

7 Hume's *Essay on Interest*.

8 *Wealth of Nations*, B. IIV, ch. 1.

John Stuart Mill says:—

"Money [is] a thing only wanted to buy other things with."[9]

This is a virtual declaration that money—gold and silver—have really no value at all; that their present *"purchasing power,"* as money, is a mere extortion; dependent wholly upon the prohibition upon money that has value. For if gold and silver are never wanted for use as metals—if they are never wanted, except to buy other things with—it necessarily follows that their present market value is no real value at all. And if Mr. Mill were asked how a thing having no value in itself—that was never wanted for use as a commodity—could he made to buy other things that *have* value?—that *are* wanted for use?—he would, to be consistent, be obliged to answer, *that it could be done only by laws prohibiting all money that has value*; for mankind, if left free, will certainly never give things that have value in exchange for things that have none. If left free, they will never give things that *are* wanted for use, in exchange for things that are *not* wanted for use.

Mankind want things only for use or consumption; and it is solely to get things for use or consumption, that they exchange commodities with each other. Things that are *not* wanted for use or consumption, cannot be exchanged for those that *are*. They have, therefore, no value in the market, if people are left free to buy them or not. Hence the necessity that money should be made of materials that have value for use or consumption as materials. No other money can be an equivalent for things that have value for use or consumption. If, therefore, it be admitted that gold and silver are *not* wanted for use or consumption, that moment it must be admitted that they can have no legitimate value in the market; that they cannot be an equivalent for anything that *is* wanted for use or consumption; and, consequently, that they can have no legitimate value, as money, and that all their present market value, or *"purchasing power,"* is simply extortion and robbery.

When, therefore, Adam Smith, John Stuart Mill, and others, say that money is not wealth; that the materials of which it is made—whether gold, silver, or whatever else—are not wanted for use or consumption *as*

9 Mill's *Political Economy*, B. III, ch. 8, Sec. 2.

materials; they virtually say that such materials have no legitimate market value as money; and that their present market value, or *"purchasing power,"* is sheer extortion and robbery.

Amasa Walker also says:—

> "Money is good for nothing except for purchasing commodities and paying debt."[10]

If money—gold, silver, or whatever else—be really "good for nothing, except *for purchasing commodities*," it is certainly no equivalent for commodities that are good for anything, except to be sold for good-for-nothing money. If it be "good for nothing, *except for paying debts*," it is certainly good for paying none but debts that are good for nothing. To say that good-for-nothing money can honestly pay any but good-for-nothing debts, is an absurdity,

When, therefore, Mr. Walker says that "money is good for nothing except for purchasing commodities and paying debts," he virtually declares that the present market price, or "purchasing power," of money—gold and silver—is an entire extortion, forced upon mankind by laws prohibiting money that has real value.

Mr. Walker, however, as will be seen in a subsequent number, has since admitted that a *"very little"*—but only a *"very little"*—of the market value, or *"purchasing power,"* which gold and silver now have, is due to their being wanted for other purposes than money; thereby admitting that *nearly all* their present market value is an extortion. And yet the advocacy of this extortion is the great business of his life.[11]

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10 *Bankers' Magazine* (N.Y.) for December 1861, p. 408.

11 Since the above was written, Mr. Walker has died; but I do not feel disposed, on that account, to strike out anything that I had previously written of him. He was, for many years, the most conspicuous writer in the country, in support of the imposture and tyranny of depriving mankind of their natural right to sell their labor and their property at their true and natural values, relatively to money. And he attempted to cloak this enormous crime under the name of "science." His last and principal work he entitled, *"The Science of Wealth."* He should have entitled it, *"The Science of Poverty"*; since to rob mankind, either in whole or in part, of the value of their labor and property, manifestly tends to nothing but their poverty. If he did not know this, he was a pitiable ignoramus—not to say an idiot. If he did know it, he was an impostor. My own opinion of him is that, like the rest of his tribe, he was both an ignoramus and an impostor;

While I am writing this number, the *Boston Daily Advertiser*, in an article against any increase of money, lays down "*the fundamental principle that money* [gold and silver] *is not wealth*."[12]

Well, if it really be a fundamental principle [of political economy] that money [gold and silver] is not wealth, then it is clearly a fundamental principle of common sense and common honesty, that it cannot pay for anything that is wealth; that it can be no equivalent for anything that *is* wealth; that it is consequently wholly unfit to be money; and that we ought to make our money of materials that *are* wealth; of materials that *have* value, and that will be real equivalents for the things that are to be purchased with them; of such materials, in short, as are wanted for use or consumption.

These absurd and preposterous declarations have now been quoted—not at all as proof that gold and silver coins have really no value as metals—but to show what self-confessed robbers and villains all these men are who advocate restrictions upon money. By their own admissions they openly declare themselves to be so. By their own admissions they declare that the present market price of money is mostly or wholly an extortion; that they fully understand and desire it to be so; that they do not desire, and will not consent, that money shall be an honest equivalent for the property purchased with it; and that they demand prohibitions upon other money, solely for the purpose of continuing these extortions and robberies, and making them greater and greater as wealth and population increase.

SECTION X.

Absurd, outrageous, and villainous as are the declarations and admissions quoted in the next preceding section, they are, nevertheless, only what is said every day by all those who oppose the unlimited increase of money. As has already been stated, the "one sole argument of all these men

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that he knew very little about "the science of wealth," and that he did not teach even the little that he knew. So far as money was concerned—and that was his specialty—the only science of wealth that he professed to teach, was the science by which (as he said) one man could get another man property without giving an equivalent.

12 *Boston Daily Advertiser* of Nov. 10, 1873.

is, that the value of money is mainly or wholly fictitious; that any increase of money is only a dilution of its value, or *"purchasing power;"* that the amount of real money is not thereby increased; that the smallest possible amount of money has the same *"purchasing power"* as the greatest possible amount; that, for example, if the whole thirty thousand millions of dollars ($30,000,000,000) worth of property in the United States were all made into money, and represented by paper, it would have no more "purchasing power" than a single dollar; that, in short, if the whole thirty thousand millions of property were made into money, they would all be wanted; but that if only one dollar were allowed, that would be sufficient!

All such talk as this is equivalent to saying that money has really no appreciable value at all; that its so-called *value* is a mere fiction; a mere *"purchasing power"* arbitrarily given to it by laws prohibiting all money that has value. To say that one dollar 'has as much' value as thirty thousand millions of dollars, is to say that neither the one dollar, nor the thirty thousand millions, have any appreciable value at all. It is equivalent to saying that all money—whether there be more or less of it—is a mere instrument of extortion and robbery; that it is no honest equivalent for any thing that is purchased with it. '

And yet the advocates of this kind of money have the impudence to talk of it as a standard of value. This thing, which, they say, has itself *no value*, or *no appreciable value*, is, in their philosophy, the only standard that can measure the value of all other things that really have value. On their own theory, and on their own admissions, instead of its being a standard for measuring the value of property, it is a mere instrument, or weapon, for robbing men of their property. On their own theory, and on their own admissions, its so-called value, or *"purchasing power,"* is simply the measure of the extortions and robberies that the holders of it are specially licensed to commit upon other persons. It might as well be said that the burglar's tools, and the highwayman's revolver, were standards of value. And if a government were to furnish tools and revolvers to burglars and highwaymen, and were to license the free use of them, and legalize all the robberies that should be committed by means of them, it would be guilty of no greater crime than it is guilty of when, by prohibitions upon any or all money that has value, it gives a false, fictitious, or extortionate value, or *"purchasing power,"* to such money as it licenses; and then legalizes all the extortions and robberies which the holders of this licensed money may commit, by means of it, upon other persons.

SECTION XI.

The answer to all the absurdities, and falsehoods, and villainies of these impostors is simply this: If a dollar is really a measure of value—that is, if it be a *fixed amount* of true and natural market value (as nearly as such a thing is reasonably practicable)—-then it is plain that ten, a hundred, a thousand, or a million dollars, have ten, a hundred, a thousand, or a million times as much real and true market value as one dollar has; and that to assert the contrary is just as false and ridiculous as it would be to assert that ten, a hundred, a thousand, or a million pounds' weight is no more weight than is one pound's weight; or that ten, a hundred, a thousand, or a million yards' length is no greater length than is one yard's length. It is also plain that any attempt, on the part of government, *by a prohibition upon all other money*, to coerce people into selling ten, a hundred, a thousand, or a million times as much of their property, in exchange for a dollar, as the dollar is naturally and really worth, is just as tyrannical and villainous as it would be to attempt to coerce them into selling ten, a hundred, a thousand, or a million pounds of iron, at the true and natural price of one pound; or as it would be to attempt to coerce them into selling ten, a hundred, a thousand, or a million yards of cloth, at the true and natural price of one yard.

That such, and such only, is the scheme of every body who, for two hundred years, or thereabouts, has advocated any restriction whatever upon a solvent paper currency, will be shown still more fully in the subsequent numbers of this treatise.

APPENDIX A.

The theory mentioned in the text— that the value of money is diminished just in proportion as its quantity is increased, and that its value is increased just in proportion as its quantity is diminished; *and, consequently, that whether the amount of money be greater or less, its aggregate value is* *forever the same*—carries on its face such an enormous absurdity and falsehood, that many of my readers, I apprehend, who are not familiar with the writings on this subject, will doubt whether so preposterous an idea was ever even broached. And they will, perhaps, even more strongly doubt my assertion that that is the only argument that was ever offered against the principle of representing property by paper, and using that paper as currency. For the satisfaction of such, and all other persons, I shall hereafter give abundant evidence that that theory has prevailed for two hundred years, or ever since paper currency can properly be said to have been invented. But that such is the theory to-day, of all those who oppose the unlimited representation of property by paper, I give the following quotations from recent speeches in Congress, and from leading journals and writers. They are such as have come under my eye, and are doubtless only such as have been repeated hundreds and thousands of times within the period in which they appeared.

The fraud, it will be seen, all lies in the use made of the word *"value."* These impostors continually assert, in substance, that if all money, except one single dollar, were prohibited, the *"value"* of that dollar would be thereby increased a hundred, a thousand, or a million fold. Yet, in reality, its only real and true value—its value as a metal—would not be increased at all. The dollar, thus protected against competition, would really and truly be worth no more than any other dollar, or any other thing of equal natural value. But the prohibition upon all other money might, perhaps (as these imposters assert) enable the holder of the one dollar to extort from other men, in exchange for it, a hundred, a thousand, or a million times more of their property than the one dollar was really and truly worth. And it is only because this prohibition upon all other money might enable the holder of the one dollar to extort from other men, in exchange for it, a great deal more of their property than the dollar is really and truly worth, that they say the "value" of the dollar itself has been increased. By thus fraudulently using the word "value," they attempt to hide the plain fact that the prohibition upon all other money simply enables the holder of the one dollar to practice a pure extortion and robbery to the extent to which its *"purchasing power"* has been increased by the prohibition.

Some of these speakers and writers are frank enough to use the term, *"purchasing power"* instead of *"value."* They appear to be so stupid as not to see that this additional *"purchasing power"* that is given to a single dollar, by the prohibition upon all other money, is a mere power of extortion and robbery.

If the people of the United States were prohibited by law from using any *food*, except a single bushel of wheat, belonging to Mr. A B, the *"purchasing power"* of that bushel would be enhanced to many million times its true and natural *"value."* But it would be ridiculous and deceitful to say that its *"value"* itself had been at all increased. Its real and true *"value"* would not have been at all affected. The prohibition upon all other food would simply have enabled the holder of that one bushel to extort, in exchange for it, many million times more of other men's property than the bushel was really and truly worth. And this supposed case of *food* simply illustrates the fraud, and robbery, and extortion 'that are advocated by those who say that the *"value"* of a dollar—instead of its *"purchasing power"*—is increased by the prohibition of all other money.

So, if those who should advocate the prohibition of all *food*, except the one bushel of wheat belonging to Mr. A. B, were to say that the *"value"* of that bushel would be simply *"diluted,"* by allowing all other food to be sold freely in competition with the one bushel, we should understand this fraud at once. We should see that what they call a *"dilution"* of the *"value"* of the one bushel was simply a taking from the holder of that bushel his power of extortion and robbery, by bringing his bushel of wheat down to its true value and level, in comparison with all other food in the market.

The only real and true market value, or purchasing power, which any commodity—whether it be money, food, or whatever else—has, is that value, or purchasing power, which it will maintain when exposed to the free competition of all other money, food, or whatever else that may be offered in the market in competition with it. Any prohibition upon this free competition may give an additional *"purchasing power"* to the protected commodity, but can add nothing to its true and natural *"value."*

With these explanations, I think the reader will readily understand what all the writers and speakers, hereafter quoted, mean, when they protest against any increase of the currency, upon the ground that the *"value"* of the existing currency will be thereby *"diluted,"* or diminished. Its *"value"* will not be either *"diluted,"* or diminished. But its false and extortionate *"purchasing power"* will be taken away.

Thus, Alexander Mitchell, of Milwaukee, Representative in Congress, said, March 27, 1874:—

> "Any increase that might be made to the currency would, in the long run, make it no more efficient for the carrying on of business. If you add to its quantity, you lessen its value. There would be an apparent increase of prices; it would take more paper promises to buy a given quantity of gold, wheat, lumber. or iron; these commodities would be worth no more; but the currency would be worth less, audit would take more currency to represent an equal quantity of them. If a bushel of wheat be to-day worth one dollar, and to-morrow you double the volume of paper notes in circulation, the bushel of wheat will bring two dollars in such currency; but your doubled depreciated circulation doss no more business than half its quantity did before."—*Congressional Record*, No. 85, p. 17.

Samuel J. Randall, of Philadelphia, Representative in Congress, said, April 9. 1874:-

> "To my mind, all classes and pursuits suffer by an increased volume of currency.... An increased volume is nothing but lowering the value and cheapening the currency, thereby reducing its purchasing power."—*Congressional Record*, No. 96, p. 59.

Abram Comingo, of Missouri, Representative in Congress, said, May 8, 1874:—

> "Should we increase the volume of the currency, its purchasing power, it is manifest, will be proportionally diminished.... The market value of real estate and all

> commodities of trade, will be increased." He then adds that, "On the other hand," by contracting the currency, "we would, of course thereby increase purchasing power of our currency," … " and diminish the market values of all commodities of trade. These propositions are self-evident."—*Congressional Record* No. 122, p. 5.

Julius H. Seelye, of Amherst, Mass., now a member of Congress, in an address before the Hampshire Agricultural Society, September, 1874, said:—

> "The value of money depends exactly upon the amount in circulation. "The amount is the great thing. The more money there is, the less valuable, just as in any other commodity.— quoting Glass. *Republican*, Sept. 30, 1874.

Eli Saulsbury, United States Senator from Delaware, said in the Senate, February 13, 1874:—

> "The purchasing power of the currency will be lessened by its expansion [increase in quantity]. . . . The process of cheapening money, in the sense of making it more abundant, has often been tried, and always with the same result—depreciating it in value, and rendering its purchasing power less."—*Congressional Record*, No. 50, p. 35.

The *New York Tribune* for December 18, 1873, in an editorial article, says:—

> "Increase the money and you simply increase prices. Decrease the money and you simply decrease prices. You cannot, except for the moment, make money plenty by increasing the quantity of it, or make it scarce by decreasing the quantity. By increasing the quantity of money you simply lower its value, and by decreasing the quantity you raise its value."

A correspondent of the *New York Tribune*, of July 21, 1875, under the head of "*Labor and Inflation*," says:—

> "We must show the laboring classes that expansion of the circulating medium lowers its purchasing power in the same ratio.

The *Tribune* of October 23, 1875, also says:—

> "Calling everything in the country worth twice as many dollars as it used to be, adds to the wealth of no one."

Rowland G. Hazard, in *Old and New* (a magazine published in Boston), for November, 1873, says .—

> "The increase of the volume of money does not increase the purchasing power of the whole mass."

Albert S. Bowles says:—

> "No one will, for a moment, contend that an increase of money does not tend to increase prices, and that any more can be purchased, in the aggregate, with the whole sum, than with the sum existing before the increase was added."— *Bankers' Magazine* (N.Y.) for July, 1874, p. 38.

The *Chicago Tribune* of April 20, 1874, says:—

> "An increase in the volume of currency diminishes the purchasing power of the dollar.... Doubling the volume of the currency diminishes the purchasing power of the dollar one-half.... The numbers are changed, the purchasing power remains the same." '

The *Chicago Tribune* of Oct. 1, 1875, has an editorial article entitled "*The Dilutionists*," in which it says that—

> "The dilutionists desire not only that the issue shall be increased in quantity, but that the currency itself shall be weakened in purchasing power."

In subsequent numbers the same paper frequently applies the term "*dilutionists*" to those who desire an increase of money.

The *Springfield* (Mass.) *Republican* of April 11, 1874, says:—

> "Inflating the currency is watering the milk."

The *Republican* here evidently means to say that increasing the amount of currency is simply diluting its value.

The *Financier* (N.Y.) of Feb. 28, 1874, quotes the *Indianapolis Journal* as having said, in August, 1873:—

> "If we had just twice as much currency as we now have, each dollar would be worth, say, half as much as at present, and the whole amount would move no more crops than now."

The *Independent* (N.Y.), for August 6, 1874 (on page 24), says of "paper money:"—

> "In proportion to its volume it invariably depreciates or lessens in the degree of its purchasing power, as shown by the rise of prices whenever it is used."

The *Boston Herald*, of Aug. 30, 1875, says:—

> "Property that is worth $1,000 when our whole currency is $500,000,000, would be worth $1,500 when the currency was increased to $750,000,000, and $2,000 when the currency was increased to $1,000,000,000."

A writer in the *Boston Daily Advertiser* of March 11, 1875, says:—

> "The issue of twelve hundred millions of greenbacks would add nothing to the available working capital of the nation. The whole mass of currency then in existence would have no more value than the present issue. It would not, after prices had become adjusted to it, buy any more merchandise. It would not run any more mills. It would merely dilute and reduce the value of the paper dollar. The experiment has been tried over and over and over again, and always with the same result.... The prime element in determining the value of money, whether gold or paper, is quantity, and it is subject to the same laws as any other commodity. Increase its quantity

> and you diminish its value; that is, it will buy less. In other words, it produces a rise in prices, but no increase in values."

The *Boston Daily Advertiser* of March 30, 1874, in its financial article, said:—

> "However minutely we subdivide and increase the amount of our currency, we really reduce the value in equal or greater proportion."

It evidently means to say that, by increasing the currency, we only subdivide it into pieces of less value.

One of a series of "*Aphorisms*," first published in a London magazine in 1811, and republished in the *Boston Daily Advertiser* for July 7, 1874, is the following:—

> "The nominal and relative value of all property will be in proportion to the amount of currency employed in the circulation of that property; and this can only find its true level when the currency itself, in all stages of its circulation, is the special representative of transferred property. Increase the amount of currency, and all commodities will rise in nominal value; or make it bear unequally on particular kinds of property, and they will attain a factitious or unnatural price."

Charles W. Carroll, in the *Financier* (N.Y.) for October 25, 1873, says:—

> "More or less currency is only a question of more or less price for the same capital."

The *Boston Daily Globe* of August 3, 1875, says:—

> "Put $1,000,000,000 more into the circulation, and in a short time the whole volume would not be worth any more than that now in circulation."

The *Boston Transcript* of August 23, 1875, has an article taken from the *Cincinnati Gazette*, and entitled, "*Primary Lessons in Money.*" It contains a dozen or more propositions, among which are these:—

> (1) "The prices of things in general will adjust themselves to the volume of money: therefore money cannot be permanently either plenty or scarce."
>
> (2) "The quantity of money is always sufficient for business, so that the quantity be fixed, or subject only to such variations as are made by the natural movements of trade:" [that is, by the movements of money from one place to another.]
>
> (3) "The volume of trade is not limited by the volume of currency, nor swelled by augmenting the volume of currency."
>
> (4) "The notion that the volume of money must be increased in order to have an increase in trade, is an ignorant notion that civilized commerce is limited by the barbarous conditions and customs of the wild Arabs and Africans."
>
> (5) "It is not true that increase of trade requires, or is caused by, increase of money."

The article lays down various other propositions based upon the same idea as the above.

The *New York Herald* of April 11, 1874 (page 4, column 2), says:—

> "Money, of whatever it is composed, whether of metal or of paper, like every other commodity, depends for its value on the proportion between it and the commodities for which it is exchanged. If this proportion is altered or deranged, the value of the money will be altered; if, while the quantity of money remains the same, the quantity of commodities be diminished, the money must necessarily bear a larger proportion to them than it previously did, and consequently its power to purchase them will be lessened. But if, while the quantity of commodities continue stationary, the amount of the circulating medium be

> increased, the same result will happen—that is, the power of the currency to purchase will be diminished, and the currency, therefore, as far as it is considered in relation to commodities, will be depreciated."

The *New York World* of March 21, 1874, undoubtedly means to express the same thing when it says, in speaking of the demand of Senator Morton, of Indiana, for more money:—

> "If the Senator would merely give us his theory for supposing that diluting the currency, in new countries, will not inflate prices, we might have a chance of applying some test to his logic."

In the *Atlantic Monthly* for April, 1874 (p. 451), Mr. David A. Wells quotes with approbation this statement, made many years ago, by Wm. M. Gouge, in regard to the exclusively metallic money of Texas:—

> "Money is scarce, as it ought to be, for without scarcity it would lose its value."

Mr. Amasa Walker says, in the *International Review* (N.Y.) for March, 1874 (p. 229):—

> "The current estimate of value, in other words, the price of each commodity, in a given community, will depend, other things being equal, upon the quantity of money in use or circulation."

Also, in a speech delivered in San Francisco, and published in the *Overland Monthly* (San Francisco) for June, 1873, he said:—

> "It is a well-settled principle that general prices depend upon the quantity of existing currency."

In an article entitled, *"Corn, Cotton, and Currency,"* in *Lippincott's Magazine* (Philadelphia), for November, 1871, Amasa Walker says:—

> "Other things equal, the general average of prices is determined by the quantity of currency in circulation, and prices advance or recede as that is increased or diminished. A particular article, at a particular time,

> owing to some circumstance connected with its production or the demand for it, may rise or fall in price as compared with other commodities, but the general prices of all objects of value will ever depend upon the quantity of currency existing in the country in which they are produced and sold. This is an economic law, as certain as any of the laws of Nature."

The *New York Evening Post* of January 30, 1873 [4?] in an editorial article entitled, *"Two Natural Allies*," says:—

> "A redundant currency alone can raise the price of all things, a gainless and illusory rise indeed it is, but still a universal rise in money prices." Also, "Prices are universally determined by the quantity and quality of the money in circulation, as compared with the quantity and quality of other desirable things."

The *Commercial and Financial Chronicle and Hunt's Merchants Magazine* (N.Y.) for December 23, 1873, says:—

> "It is an elementary principle of financial science, too much forgotten by the inflationists, that money is simply an instrument for measuring and cancelling debts. By new issues of paper money, we only add to the volume, without adding to the value, of the whole circulating mass."

The same paper for June 27, 1874, says:—

> "Sismondi defined the unit of paper money to be a fraction, of which the denominator is increased with every issue. This definition shows one of the results of inflation in a clear light; with every fresh emission of paper money, the standard of value grows less and less."

E. E. Hale says:—

> "If, in answer to this cry [for "more money"] we give them only two pieces of paper instead of one, with the

> certainty that the two will buy no more than the one bought, we only play with their demand; we give them a bone instead of meat. And an enlargement of the currency is nothing more than this. If it had been called dilution instead of inflation, the parallel with the process which waters whiskey is so precise that it would make the matter very intelligible even to the meanest capacity." —*Old and New* for June, 1874, p. 659.

The well known Peter Cooper, in a letter addressed to Roscoe Conkling,

U.S. Senator from New York, and published in the *New York Times*, of February 20, 1874, said:—

> "It is a fact that everything in this country will rise in price in exact proportion as we pour paper money into the volume of circulating medium."

The *Financier* (N.Y.) for March 29, 1873, has an article entitled, "*The Money Delusion*" that says:—

> "Increasing paper money is only a dilution. Filling up with water a barrel already half full of wine, does not make a barrel of wine, although all the Congresses that ever assembled may enact that it shall." '

The *Financier* for August 23, 1873, says:—

> "That increasing the quantity of paper money is, in every respect, like diluting milk with water; there is more in numerical quantity, but no more in real."
>
> Also, that "the prices he has to pay increase at least as fast as the volume of currency,"
>
> Also, "That people cannot see that the desired end, cheapness, may be better reached by lowering prices, than by inflating the paper currency, is something incomprehensible, unless we explain it by the fact that

> everybody wants lower prices for every thing except the particular article he has to sell."

The *New York Herald* of February 26, 1874, says:—

> "So far from any increase of the currency being an advantage to the people, they would be the first to suffer. The majority of the people deal in fixed values, and live on fixed incomes. Now let the currency be increased, and these values and incomes are at once affected." [Diminished, he undoubtedly means to say.]

The *Boston Post* of April 17, 1874, gives the following from the *Chicago Times*.—

> "'Give us more money!' cry the speculators and gamblers. And Congress proceeds to dilute the currency by grinding out another hundred millions of paper promises to pay. 'I demand more whiskey!' cries the irascible toper. And the generous tapster proceeds to dilute the beverage demanded by adding another gallon of water. Is the quantity of whiskey increased by the device of the tapster?"

A. L. Perry, Professor of Political Economy in Williams College (Mass.), says in the *Financier* (N.Y.) for January 3, 1874:—

> "A confusion is perpetually and most mischievously made between capital, of which there can never be too much, and currency, of which there can scarcely be too little."
>
> He also says: "Prices, in any country, depend on the quantity and quality of the money there, relatively to the quantity and quality of other salable things."—*Treatise on Political Economy*, quoted by *Financier* (N.Y.) for Oct. 31, 1874, p. 305.

Sanford E. Church, Chief Justice of New York, says:—

> "The trouble is that inflation, while a ruinous theory, is still a very taking idea to the mass of the people. They say, 'Why should I not get $2 or $3 for wheat, beans, or potatoes, or corn, instead of $1, if I can?' And the laborer, who has to purchase these articles at inflation prices, considers himself compensated by the increased wages he gets. He thinks he is so much richer at $3 or $4 a day than he was at $1 or $2; forgetting that all he earns still goes to purchase the same necessities that the smaller income purchased before.—*Springfield* (Mass.) *Republican* for June 24, 1875.

The *New York Times* of January 22,1876, says:—

> "The exchanges to be effected, the business to be transacted, are not increased by the mere increase of the circulating medium. These remain constant,[13] and if the currency be increased, it must be at the expense of its efficiency or purchasing power. If ten men lift a weight of a thousand pounds, the effort required of each is a hundred pounds. If the number of men be increased to twenty, each will lift but fifty pounds. So with the effective force of the currency. If $800,000,000 in paper is issued when only $400,000,000 is required on a specie basis, the efficiency of the $800,000,000 will be no greater than that of the $400,000,000 displaced. It will require one hundred dollars of the former to equal in purchasing power fifty dollars of the latter; or, in other words, the currency will be at a discount of fifty per cent."

Again, the *Times* of July 17, 1876, says:—

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13 *"These remain constant."* The Times means here to say that there will be the same amount of exchanges effected, and the same amount of business transacted, whether the amount of currency be greater or less. This is equivalent to saying that a single dollar can be made to effect as many exchanges, and transact as much business, as thirty thousand millions of dollars.

> "The value of money is inversely as its quantity. This principle is fundamental."

Again, the *Times* of June 16, 1876, says:—

> "No man in the country, who has sufficient sense to be left by the law to manage his own affairs, doubts that a great crop of apples cheapens that fruit, and so of everything else. All schools of currency agree that the greater the number of dollars the less the dollars are worth."

Also it says, August 13, 1876:—

> "The money of a country may be doubled and quadrupled without adding an iota to the capital of the country."

It will now be seen, from the preceding quotations, that the prevalent theory, in Congress, in the newspapers, and among financiers generally, is that, by a prohibition upon all other money, one dollar can be made to buy as much property—or have as much *"purchasing power"*—as ten, a hundred, a thousand, or a million; or, in other words, *that by the prohibition of all other money*, one dollar can be made to buy ten, a hundred, a thousand, or a million times as much of other property as the one dollar is really and truly worth. It will also be seen that the only reason why the advocates of this theory desire a prohibition upon all but a limited amount of money, is that the holders of that limited amount may avail themselves of the prohibition to extort from other men, in exchange for the money, more of the latter's property than the money is worth.

APPENDIX B.

The same idea as that already given in Appendix A, has been repeated, in Congress and in the newspapers, continually for the last three or four years, with the exception that the rule has been applied to *irredeemable* paper.

By *irredeemable* paper the speakers and writers have meant, not paper that was *never* to be redeemed—for such paper would be worth nothing at all—but only paper like the present United States notes, which, it is assumed, are to be redeemed in full at some time—*though not with interest*—but are not now redeemed *on demand* (except so many of them as are received for taxes).

Only a few examples need be given of the opinions that have been continually expressed for years.

Thus the *Cincinnati Commercial* of March 23, 1876, says:—

> "The value of the greenback declines as the quantity increases. If $100,000,000 of the dirty greenbacks and national bank notes in this country were burned to-day, the purchasing power of the remainder would be as great as that of the whole sum. And if $1,000,000,000 were issued, the aggregate value of the whole sum would be no greater than that which this day exists. The quotation of the value of greenbacks would fall, and there would be an inflation of prices.... A people cannot enrich themselves by calling dimes dollars. It will not improve human affairs to take paper dollars and cut each into ten pieces, and call each piece a dollar."

Hugh McCullough, late Secretary of the Treasury, in a letter in the *New York Tribune* of October 16, 1875, says:——

> "Our legal tender notes are not greatly depreciated, because the United States are a great nation, rich in undeveloped resources, if not in actually acquired wealth—because these notes are receivable, for all public dues except duties on imports, but chiefly because the amount is limited. Let this limitation be removed, and further issues authorized, and we shall find that every dollar thus added to the circulation will be marked by an equal if not greater depreciation in the exchangeable value and purchasing power of the outstanding notes. Does any sane man suppose, if the circulation of legal tender notes were increased, as some are desirous it should be, to two thousand millions, that

> there would be any more real money by reason of the increase?"

George S. Boutwell, late Secretary of the Treasury, and now Senator in Congress from Massachusetts, undoubtedly intended to declare the same principle when he said, in a. speech at New Bedford (Mass.), October 28, 1875:—

> "Our difficulty is understood, and a statement of it can be easily made. There is more paper money in circulation than there ought to be, and, therefore, for commercial purposes, it is not as valuable as coin. If you diminish the quantity, the parts will become more valuable; if you add to the quantity, the parts will be less valuable. If you diminish the quantity, you hasten the day when specie payments can be resumed; if you increase the quantity, you postpone the day when specie payments can be resumed. There is no mystery in this, and every scheme touching the finances of the country should be tested by the inquiry, Does it increase or diminish the volume of paper currency?"

And he attempted to give the greatest force to this idea by saying, in the same speech:—

> "Judging the Republican party by the latest expression in the several States, there is perfect agreement that there shall be no addition, however little, to the volume of paper money, until that in circulation is equivalent in value, dollar for dollar, with coin. On this point there is no difference among us which can affect the action of the party.... On this point, then, there ought to be, and there can be, no misunderstanding. Whether we are destined to victory or defeat, the Republican party will resist every proposition to increase the volume of paper money. There can be no compromise, no concession. If the evil work is to be done, let it be

> done by other hands than ours."—*Boston Daily Advertiser* of October 27, 1875.

John Sherman, United States Senator from Ohio, and Chairman of the Senate's Committee on Finance, in a speech in the Senate, January 16, 1874, said:—

> "Any increase of paper currency tends to impair its value, when it is once depreciated. . . . If the Senate should dilute the currency, put water into the elements that now compose our currency, it would undoubtedly depreciate it."—*Congressional Record*, Vol. II, No. 38, p. 11.

Carl Schurz, also, United States Senator from Missouri, in a. speech in the Senate, January 14, 1874, said:

> "Now, suppose for a moment we could, by some witchery, wipe out all existing engagements in which money is involved, such as debts, contracts, and so on, and then multiply all the greenbacks [United States notes] and national bank notes in the possession of the people by ten, so that, waking up one beautiful morning, every individual in the United States would find ten greenback dollars in his pocket, or safe, where the day before he had only one. What a jubilee there would be among fools! But what a disappointment, as soon as the true state of the case became generally known. Does any sane man think that by such multiplication, the wealth of the country would be increased one farthing? It is evident that it would not. Does any sane man think any individual in these United States would have become richer by the multiplication? Not a cent's worth; for, going to market the next morning, he would find. that he would have to pay just ten dollars for what cost one dollar the day before? Does any sane men think that the currency, so multiplied, would have received an increased power of exchange? Not the least, for every

> transaction would require the use of ten dollars which the day before had required the use of only one."—*Congressional Record*, Vol. II, No. 2-1, p. 28.

The speech, of which this extract was the gist, was extolled beyond measure through the press, as declaring the true theory in regard to the "*value*" of all notes not redeemable *on demand*. The same idea was often repeated in Congress. In fact, I think it may be said with substantial truth, that all opposition, in Congress and out of it, to any increase of such currency, was professedly based upon this same idea. Yet, if it be really true that *ten* such dollars have no more purchasing power than one such dollar would have, then, by the same rule, a hundred, a thousand, a million, or a thousand millions, would have no more purchasing power than *one single dollar*, and consequently all the notes now extant, beyond one single dollar, are mere surplusage; a mere dilution, or depreciation of the true value of that one dollar!

But there is really no more truth in the idea, when applied to such *irredeemable* paper as the present United States notes, than when applied to paper redeemable on demand. That is to say, the real "*value*"—not the "*purchasing power*"—of such *irredeemable paper is determined, not at all by the amount in circulation, but wholly by the time when it is to be redeemed*. If only a single note of one dollar were in circulation, and—*bearing no interest*—was not to be redeemed until one, two, three, five, or ten years, it would be below par of specie, *by the amount of the interest to be lost on it in the mean time*. But if, instead of a single note of one dollar, a thousand millions ($1,000,000,000) of such notes were in circulation, they would fall below par of specie *only to the amount of the interest to be lost on them prior to their redemption*. Yet according to the rule laid down by Mr. Schurz and his indorsers, these thousand millions of (so called) irredeemable notes would be worth, in the aggregate, no more than a single irredeemable one!

It is no answer to this to say that a thousand millions of notes *are not likely* to be paid *so soon* as the one note would be; and that therefore interest is likely to be lost on them *for a longer time* than on the one note. That may, or may not, be true; yet it has nothing to do with the rule which they lay down as governing the value of such paper. They base the rule solely on the assumption that the depreciation of the currency results wholly from the increase in quantity, *and not at all upon the greater length of time the notes will have to run without interest*. In other words, they rest the rule upon the assumption that the one note, and the thousand millions of notes, *have each the same time to run without interest, before they are redeemed*.

It is certainly not to be presumed that it must necessarily take the government a thousand million times as many years to redeem the thousand millions of note, as it will to redeem one note. The government can pay the whole thousand millions when it pleases, and it will not pay the one dollar until it pleases. *Supposing the thousand millions to have only the same time to run with the one dollar—and this is the only way to test the principle*—they will all have the some real value, dollar for dollar, with the one; and will make just a thousand million times as much real money as the one.

Suppose the government had issued but a single note for one dollar—*and had prohibited all other money*—do these men really believe that the *"value,"*—or even the *"purchasing power,"*—of that one-dollar note would have thereby been rendered equal to the value or purchasing power of all the hundreds of millions of notes that were issued? If they do not, what are we to think of men who are capable of uttering such astounding and impudent falsehoods?

This word *"irredeemable"* is therefore thrown in, by these men, only to hide, in some measure, the absurdity, falsehood, and monstrosity of the rule which they apply to all money—*to gold and silver coins*, as well as to paper (whether the latter be redeemable, or irredeemable, on demand)—to wit: the rule that one dollar has as much *"value"* as a hundred, a thousand, or a million.

APPENDIX C.

Those who oppose an unlimited *solvent* paper currency, studiously keep out of sight, as far as possible, this vital fact—on which the whole question of a paper currency practically turns—viz., *that in all legitimate banking*—by which term is here meant the issue of a *solvent* paper currency, in discounting *solvent* notes—*every dollar of the currency issued is certain to be wanted, and certain to come back to the banks in payment of the notes discounted; and that, practically, no other redemption of the currency is needed, in order to keep it at par with coin.*

The true understanding of this point is all that is required to overthrow all the objections that were ever made to a *solvent* paper currency; and to establish forever the principle that the issue of *solvent* paper currency should be limited only by the amount of *bona fide* property that is legally holden, and capable of being *made practically available*, for its redemption. To illustrate this principle, let us suppose that A has lands that are worth one hundred thousand dollars in the market. He issues his notes for circulation as money by discounting the solvent notes of other persons; *these latter notes having, say, three months to run*. In three months, all the notes issued by A will come back in payment of the notes he has discounted. They are a legal tender in payment of the notes discounted; and are, therefore, of equal value with coin *for that purpose*.

The notes issued by A, that are in circulation as money, are also equal in value to coin, for the reason that everybody knows that the property of A is holden and ample to pay them in coin; and that, if any holder of them chooses to sue them, he can compel the payment of them in coin, *with costs and interests for delay*. This keeps them at par with coin in the hands of every man who chooses to take them. And nobody is compelled to take them against his will.

But under such circumstances, no holder of them wishes to sue, because the coin would be worth no more in the market than the notes. It is known that, in three months, from the time they are issued, all the notes will be wanted to pay the notes discounted; and will be returned to the banks for that purpose; and will thus be redeemed. And this is enough to keep them at par with coin.

When it is known that the whole volume of bank notes in circulation—*no matter how great the amount—whether it be ten thousand, ten millions, or ten thousand millions of dollars*—will all be redeemed once in every three months, that fact alone is sufficient to keep them at par with coin; or so near to coin that the difference is not of any appreciable practical importance.

That such a currency as this has an equal value, dollar for dollar, with coin, is still further proved by the facts that men, under no legal compulsion to accept it, prefer it to coin; and that it will buy as much in the market as the same nominal amount of coin.

Under the conditions. named, therefore, there is no such thing as a depreciated paper currency. That is, there is no such thing as a paper currency falling *materially* below specie. It probably would not, once in a hundred years, fall so much as one per cent. below specie.[14]

The only things necessary, therefore, to our having *solvent* paper currency, equal, dollar for dollar, with coin, *and equal in volume to the whole vendible property of a country, are these*, viz.: first, that the currency should be issued by the persons who *are known* to have the property with which to redeem it; and, second, that it should be issued by discounting *solvent notes*, having but a reasonable time, say three months, to run. In such a case, the currency issued, and the notes discounted, precisely balance each other, *except by the amount of the discount*.[15] And the currency, being a legal tender in payment of the notes discounted, and being more easily obtained than gold, is certain, *as a general rule*, to come back in payment of the notes discounted; and thus to be redeemed, without disturbing the banking capital itself—that is, the property which the bank notes represent, and which (it is known) can be drawn upon for their redemption, in case they are not redeemed in the way just mentioned.

Thus it will be seen that the notes discounted, and the bank notes issued and circulating as a currency, stand in very nearly the same relations to each other as two book accounts between A and B; which are of equal

14 In Scotland, perfect freedom in banking existed from 1765 to 1845, subject only to the condition that no notes should be issued for a sum less than one pound. And yet, during these eighty years, the currency never fell below par of coin.—*Maclead on Banking*, Vol. I, p. 377.

15 The amount of the discount—that is, the profits of the banking—being also issued in notes, in payment of current expenses, and dividends to stockholders, makes the entire issue of bank notes correspond, to a dollar, with the amount of notes discounted.

amounts, and which are practically offsets to each other; and which can be cancelled by being simply exchanged for each other.

In this case the currency is practically *self-redeeming*; as under any system it necessarily must be, to be permanent and reliable. It is *self-redeeming*, because the borrowers are virtually compelled to bring it back in payment of the notes discounted.

It is also perfectly just that the borrowers of a paper currency should themselves be compelled to bring it back for redemption; instead of the whole people being taxed for that purpose. It is a gross injustice to tax a whole people for the redemption of currency that has been issued solely for the benefit of an individual.

We now see the reasons why government paper currencies always have been, and always will be, failures. These reasons are, first, that the government has no property with which to redeem its notes, and cannot be sued, or compelled to redeem them. And it dare not, and ought not, to tax the people to redeem any large amount of them.[16] Another reason is that government *cannot discount notes*, and thus make the currency self-redeeming, by compelling borrowers to bring it back in payment of notes discounted.

We now see the reasons, not only why government currencies always have been, and always will be, failures, but also why legitimate banking, or the issuing of currency, by private solvent companies, has always been a

16 A stable government, in good credit, can keep out a small number of its notes—so many as will be quickly wanted for the payment of taxes; and such not, being received for taxes, will be equal in value to gold. But if a government issue so large an amount that the redemption of many or most of them will have to be postponed for any considerable time, they will depreciate to the extent of the interest that is to be lost on them during the delay. The present depreciation of United States notes indicates nothing but the amount of interest which the public expect to lose on them, while waiting for their redemption. Beyond this, the amount in circulation has nothing to do with their value, relatively to specie. The men of to-day, who tell us that the reason why our paper currency is below par of specie, is not because the money is not redeemed, had because there is too much money, are simply enormous blockheads, or preposterous liars; probably the latter. The amount has nothing to do with the question. The sole reason why the paper is not equal to specie, is that no prompt redemption of it is provided for; and as it bears no interest, there is necessarily a loss of interest for the time of delay.

success. There is no mystery on the subject; and it is only an ignoramus or an impostor that makes any dispute in regard to it.

Financial Imposters

No. II.

A Gallery of Financial Impostors

SECTION I. — JOHN LOCKE.

Nearly two hundred years ago—that is, in 1691—John Locke said:—

> "Supposing an island, separate from the commerce of the rest of mankind; if gold and silver, or whatever else (so it be lasting) be their money, if they have but a certain quantity of it, and can give no more [if all other money be prohibited] that will be a steady, standing measure of the value of all other things."[1]

This is equivalent to saying that, if the few barbarians or savages who, three thousand years ago, inhabited the spot now occupied by the city of London, had had a few pieces of money, "gold, silver, or whatever else"—iron, copper, or tin, even—sufficient for their then purposes, and could get no more—*all other money being prohibited*—these same pieces of money would at this time have so risen—*not in real value, but only in "purchasing power"*—keeping pace with the increasing population and wealth—as to be a sufficient currency for the present city!

In fact, it is equivalent to saying that if the first few inhabitants of the globe—say five, ten, or twenty in all—had had a few pieces of money, "gold and silver, or whatever else"—iron, copper, or tin, even—sufficient

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1 Locke's Essay on *"The Lowering the Role of Interest and Raising the Value of Money."*

for their then purposes, *and all other money had been prohibited*, those same pieces of money would now have so risen—*not in real value, but only in "purchasing power"*—keeping pace with the increasing population and wealth—that they would be a sufficient currency for the thousand millions of people now inhabiting the globe!

This is saying, in effect, that, *if all other money were but prohibited*, the holders of these few pieces of nearly or really worthless money would now be able to so use them as to extort from all other persons all the present wealth of London, or of the world, without giving them any equivalent.

How far it would be possible to carry out this theory in practice, we will not now stop to inquire. The material point to be considered is, that this is the theory of every man—or at least of every writer on money—from the time of John Locke to this day—who has opposed the unlimited increase of material money; or, what is the same thing, an unlimited increase of solvent paper currency.[2]

Their sole argument has been this: "What is the use of allowing an indefinite increase of money, when, *by prohibiting all but a limited amount*, that limited amount can be made to have, not indeed so much real value, but nevertheless as much 'purchasing power,' as ten, fifty, a hundred, or a thousand times that amount would otherwise have. To increase money will only 'inflate prices.' The greatest amount of money that we can have will buy no more of other property than the money we now have. What good, therefore, will the increase of money do?"

"What we want," say these men, *"is not more money, but lower prices of the property that is to be bought with money."*

This is saying: "What we want is not more money, *but that people should sell their property for less than it is worth."*

It is saying that, as the wealth of the world increases, money should not 'be correspondingly increased; but men should be compelled to sell their property for less and less in proportion to its real value.

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2 By a "solvent paper currency" is here meant paper representing material property, actually on hand, and ready to be delivered on demand, or at a time agreed on, in redemption of the paper; or that can be made available for, or be applied by legal process to, the redemption of the paper.

It is saying that, as the wealth of the world increases, all the increase should go into the hands of the few holders of money, except what they choose to allow for the sustenance of the producing population.

Now, if this principle be correct, its advocates are bound to carry it out to its full extent, and to allow but one piece of money in a nation; or rather but one piece of money in the world; and thus enable the holder of that one piece of money to buy all the other property in a nation, or in the world.

If—as these men, in effect, say—one piece of money, of little or no real value, can *be made, and ought to be made, by law,* to buy all the other property of a nation, it is—according to their reasoning—sheer folly, a mere "inflation of prices," to allow any addition to the money of that nation, or of the world.

And this is the principle upon which the English government, and nearly or quite all the other governments of Western Europe and the United States, have acted, for nearly two hundred years; or from the time that it can properly be said that paper money (so called) was invented. They have not indeed carried the principle out to the full extent to which they were bound to carry it, if the principle itself had been correct. They have not dared to carry out the principle to its legitimate conclusions; because they well know that to do so would ruin everybody and everything. But they have, nevertheless, constantly and avowedly, acted upon the principle that, *by prohibiting all other money, they could raise, not the real value, but the "purchasing power,"* of such money as they chose to license, to any height they pleased, above its true, real, and natural value; that is, its value as a material; and thus enable the few holders of it to extort from all other persons their property, without rendering any real, natural, *bona fide* equivalent.

And all the leading writers on political economy, from that time to this, with very few exceptions—perhaps without an exception—have either acknowledged, or asserted, the same principle. They may have differed quite materially among themselves as to the extent to which the principle had best be enforced in practice. But the principle itself they have, with nearly unbroken uniformity, acknowledged and sustained. In fact, this principle has constituted the staple of everything that has ever been said, or that is now said, against an unlimited amount of material money;[3] or, what is the same thing, an unlimited amount of solvent paper currency.

In fact, this is obviously the only thing *that ever can be said* against allowing all the property of a nation, or of the world, to be made into money; for if all the property of a nation, or of the world, were made into money—so that all exchanges of property would be mere exchanges of money—nobody could pretend that any one kind of money, or any one kind of property, would thereby be given any advantage over any other kind of property; or that there could be any "inflation of the prices" of any one kind of property over those of any other kind. All money and all property would stand at their true and natural market values, relatively to each other. That is to say, all *material* money, and all *material* property, would stand at their true and natural market values, relatively to each other, *for use or consumption as materials*. And every purchaser of money or property would be compelled to give so much, *and only so much*, of his own money, or his own property, as would be a true, natural, and *bona ide* equivalent for the money or property he purchased.

All this is so perfectly self-evident that no one can dispute it for a moment. And it is only because the holders have *not been willing* to give any true, natural, or real equivalent for the property they purchased—*it is only because they have wished to get other men's property for less than it was*

3 By "*material money*" is here meant all such *material* property as can be represented by paper, and be either itself delivered in redemption of the paper, or be legally held and *made available* for the redemption of paper. All such property is worth, as *money*, just what the commodities of which it is composed are worth for use or consumption as *commodities*. I use the term "*material money*" in this way, in contradistinction to such money as the present United States notes, which may properly be called *immaterial* money, because they represent no *material* property, that is actually on hand, or that can be delivered, or made available, in redemption of the notes; but only such *prospective* property as the government may be able and willing to raise by taxation, at some future time, and apply to the payment of its notes. In a subsequent number I propose to define more particularly the difference between material and immaterial money. This difference, however, is obvious, viz.: that all *material* money, as wheat, coal, or iron, for example, is always worth, *as money*, just what it is worth for use or consumption *as a material*; while *immaterial* money, like government notes, representing no specific property, but only faith in the power and will of a government to raise revenue and apply it to the fulfilment of it promises, is always an uncertain quantity, as has been often demonstrated.

worth—that they have called upon the government—of which they themselves have been the greatest part—to prohibit all money but their own.

On this point, then, turns the whole controversy. The only question is, whether all *material* money ought to be a true, natural, *bona fide* equivalent for the material property purchased with it. Whether it ought to have the same value, *as a material*, as the property purchased with it? Or whether the law ought to step in, and, *by limiting the amount of money*, enable the few holders of it to get all other men's property for less than it is worth?

On this point the (so called) standard writers on money have, with very few exceptions, taken the latter alternative.

And it has been only by thus pandering to the avarice and injustice of the few holders of money, that they have found anybody base enough to speak their praises, or justify their theories.

Not one of these writers, so far as I am aware, has ever defended, or even asserted, the self-evident truth that material money should be a true, real, natural, *bona fide* equivalent of the material property that was to be purchased with it; and that, in order to be such equivalent, it was indispensable that it should have the same amount of true, real, natural, *bona fide* market value, *for use or consumption as a material*, as had the material property purchased with it. Not one of them, so far as I am aware, has ever defended, or even asserted, the self-evident truth, that any given *quantum* of market value, existing in one material, is precisely equal to the same quantum of market value existing in any other material; *and has the same right to be bought and sold from hand to hand as money*. Not one of them, so far as I am aware, has ever defended, or even asserted, the self-evident truth, that any material, containing a given quantum of market value, has the same right to be bought and sold from hand to hand as money, *by means of a contract on paper, promising to deliver the material itself, on demand, or at a time agreed on*, as it, or any other material—gold, silver, or whatever else—has to be bought and sold from hand to hand, as money, by *actual delivery of the material itself*. Not one of them, so far as I am aware, has ever defended, or even asserted, the self-evident truth that every man has a natural, inherent, inalienable right—of which nothing but the grossest tyranny can deprive him—to put all his material property into the most marketable forms possible for sale—into such pieces, parcels, or packages, as will be convenient and acceptable to be given and received, in exchange for other property; and then to sell them freely in the market, in competition with all other money and all other property.

Some two or three governments—especially those of Scotland and Rhode Island—have heretofore—to the great profit of their people—made some reasonable approach towards these self-evident truths, in the comparative freedom of their banking systems;[4] but both these governments have been finally compelled to succumb to the principle that government has the right to limit, *and ought to limit*, the amount of money, in order both to keep the money licensed in a few hands, and also to raise its "purchasing power" to a great height above its true and natural market value; and thus to enrich the holders of it by enabling them to use it as an instrument for robbing everybody else.

And this outrageous tyranny, robbery, or crime, I repeat, has been either justified or directly advocated—generally both—by nearly every public writer on money, for two hundred years or thereabouts. Space can here be afforded for only a few quotations from the indefinite number that might be given.

SECTION II. — DAVID HUME.

Some sixty years after Locke, about 1752, David Hume said:—

> "If we consider any one kingdom by itself, it is evident that the greater or less plenty of money is of no consequence; since the prices of commodities are always proportioned to the plenty of money; and a crown in

4 Although their systems—that of promissory notes, promising to pay specie on demand—have been incapable of furnishing more than a small portion of the credit and currency needed.

> Harry VII's time, served the same purpose as pound does at present![5]

This is saying that "the greater or less plenty of money *is of no consequence*," because *by limiting the amount of money*, a crown can be made to buy as much as a pound; or, by the same rule, a single pound can be made to buy as much as a hundred, a thousand, or a million pounds.

> Also he says: "From the whole of this reasoning we may conclude that it is of no manner of consequence, with regard to the domestic happiness [prosperity] of a State, whether money be in greater or less quantity."[6]

This is equivalent to saying *"that it is of no manner of consequence"* to the prosperity of a people, whether those persons who choose, or are compelled, to sell property, shall be permitted to get a real, *bona fide* equivalent for it, or not; that, *by prohibiting all other money*, any worthless thing, which a government has chosen to call money, can be made to have a *"purchasing power"* sufficient to buy all other things with; and that is all that is needed!

And Hume said much more of the same kind. And he was a writer of authority in his day.

ADAM SMITH.

A few years after Hume—that is, in 1776—came Adam Smith. He said:—

> "Increase the scarcity of gold to a certain degree, and the smallest bit of it may become [be made] more precious than a diamond, and exchange for a greater quantity of other goods";[7]

What could be Smith's motive in such a remark as this, unless it were to induce and justify that artificial scarcity of money which he advocated. Suppose that, *by prohibitions upon all other money, "the smallest bit of gold"*

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5 Hume's *Essay on Money*.

6 Hume's *Essay on Money*.

7 Smith's *Wealth of Nations*, B. I, Ch. xi, Part 2.

could be made *"more precious than a diamond,"* and made to *"exchange for a greater quantity of other goods,"* would that be any justification for prohibiting all other money than a few *"small bits"* of gold, and thus raising—not their real value, but only their *"purchasing power"*—to the value of diamonds; thereby throwing enormous wealth into the hands of a few holders of them, by enabling them to rob all other persons, who, by nature, have the right to exchange all their vendible property freely with each other, in all such honest ways, and for all such honest money, as they may voluntarily agree upon; and without the intervention of gold at all, if they so please? And Adam Smith said other things of the same kind, and apparently from the same motive. And yet he has been esteemed an oracle in political economy for a hundred years!

J. R. MCCULLOCH.

After Adam Smith came one of his commentators, who, in one of his *"Notes"* to the *"Wealth of Nations,"* says:—

> "'It appears, therefore, that whatever may be the material of the money of any country, however destitute it may be of all real value, it is yet possible, by sufficiently limiting its quantity, to raise its value in exchange [that is, its "purchasing power"] to any conceivable amount."—Note 7, Sec. 2.

This is equivalent to saying that if a government were to take a few worthless chips, and put upon them some government mark, designating them as money, *and should then prohibit all other money*, these chips would bear so high a fictitious value in the market, that they would be sufficient for the traffic of the most numerous and wealthy people; and enable the holders of them to control the sale, and secure to themselves the possession, of all other property.

> Also he said: "The country has a certain number of exchanges to perform; and it is quite obvious that if the currency which is to perform these exchanges were

> sufficiently limited, a shilling ought be made to do the business, or pass at the value, of a guinea.—Note 9, Sec. 1.

DAVID RICARDO.

In 1817 David Ricardo said:—

> "By limiting the quantity of coin, it can be raised to any conceivable value."[8]

This means only that, *by limiting the amount of coin* in circulation, its "purchasing power" "can be raised to any conceivable" extent *above* its true and natural value as a metal; that is, can be made an instrument, in the hands of its holders, for purchasing the property of all other men at a price "to any conceivable" degree *below* its true and natural value.

> Also he said: "Though it [paper money} has no intrinsic value, yet by limiting its quantity, its value in exchange [its purchasing power] is as great as an equal denomination of coin, or of bullion in that coin. On the same principle, too, namely, by a limitation of its quantity, a debased coin would circulate at the value it should bear if it were of the legal weight and fineness, and not at the value of the quantity of metal which it actually contained."

This is equivalent to saying that a money that has no real value at all, can, *by limiting its quantity*, that is, *by prohibiting all other money*, be made to have the same "purchasing power" in the market, as the most valuable material of which money can be made. It is equivalent to saying that, "by limiting its quantity," a bushel of chaff can be made to have as much "purchasing power," as *money*, as a bushel of wheat.

And Ricardo said still other things of the same kind. And he also has been considered an oracle on the subject of money.

The *Encyclopedia Britannica*, in its article on "*Money*," says:—

8 Ricardo's *Principles of Political Economy*, Ch. xxvii. "On Currency and Banks."

> "The remark of Anacharsis, the Scythian, that gold and silver coins seemed to be of no use but to assist in numeration and arithmetic, would, if confined to a limited currency, be as just as it is ingenious. Sovereigns, livres, dollars, etc., would then really constitute more tickets or counters for computing the value of property, and transferring it from one individual to another. And as small tickets or counters would serve for this purpose as well as large ones, and those of brass, tin, or paper, quite as well as those of gold, there can be no doubt that by sufficiently limiting its quantity, a currency, though destitute of intrinsic worth, may be made to circulate on a level with gold or silver, or higher, if it be desired." (p. 422.)

All this is but saying that *"a currency, though destitute of intrinsic worth"*—that is, a currency having no real value at all—can, *"by sufficiently limiting its quantity,"—and by prohibiting all other money*—be made to serve the purpose of *"transferring property from one individual to another."* In other words, it is saying that a currency, that has no real value at all, and which, therefore, can be no equivalent for other property, that has value, can, nevertheless, *by the aid of the law*, be made an effective instrumentality, in the hands of its holders, for *"transferring"* to themselves the property of other persons, without rendering any equivalent.

SECTION III. — JOHN STUART MILL.

John Stuart Mill says:—

> "The uses of money are in no respect promoted by increasing the quantity which exists in a country; the service it performs being as well rendered by a small as by a large aggregate amount. Two million quarters of corn will not feed so many persons as four millions; but two million pounds sterling will carry on as much traffic,

> will buy and sell as many commodities as four millions, though at lower prices."[9]

This means simply that, *if government will but limit the amount of money to one-half of what it ought to be*, the holders of that half will then be able to extort other men's property from them for half of what it is worth! And, by the same rule, if government will but limit the amount of money to one-tenth, one-hundredth, or one-thousandth of what is needed, it can thereby enable the holder of it to extort all other men's property from them, for one-tenth, one-hundredth, or one-thousandth of what it is worth! And there is just as much reason, in principle, why government should limit the amount of money to one-thousandth or one-millionth part of what is needed in order to make it an equivalent for the property purchased with it, as there is for limiting it to one-half of what is needed for that purpose.

Mr. Mill also says:—

> "There cannot be intrinsically a more insignificant thing, in the economy of society, than money, except in the character of a contrivance for sparing time and labor."[10]

Now, it is obvious that, if mankind ought to receive equivalents for their property, when they sell it, then money, instead of being the "insignificant thing" which Mill represents it, is really just as important a thing, "in the economy of society," *as is the property purchased with it!* There is no difference whatever between them. It is indispensable that the money should have the same amount of true, natural, *bona fide* market value, *for use or consumption, as a material*, as has the property purchased with it.

Mr. Mill, like all the rest of his class, holds that there is no need that money should be any real equivalent for the property purchased with it; inasmuch as it is simply *"a contrivance for sparing time and labor."* This means—if it means anything—that money is merely "a contrivance" to

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9 I have spent two hours' precious time in searching Mr. Mill's absurd and dismal volumes, that I might verify the quotation given in the text. Not finding it, I cite it on the authority of Mr. Amasa Walker, who gives it as a quotation, in his *Science of Wealth*, p.215.

10 Mill's *Principles of Political Economy*, B. 3, Ch. 7, Sec. 3.

enable holders of it to save the time and labor of producing anything that would be an equivalent for the property they wish to buy!

And Mr. Mill has not only been an oracle on the subject of money, but he was the great philosopher, so called, whose death the world has recently been mourning, and whose praises it has been sounding. He wrote a book *"On Liberty,"* which was supposed to be greatly in advance of prevailing ideas in favor of individual freedom. But I do not remember that he ever carried his theories on this subject so far as to maintain that men should be permitted to sell their property for as much money as it is worth.

It is amazing that the world has ever produced either such knaves, or such asses, as these writers have shown themselves to be. *They have seemed incapable of comprehending the simple idea that the money paid for a thing should have as much real value as the thing purchased!*

If men really cannot comprehend such an idea as that, they ought certainly to be set down as mentally incompetent to understand at all what kind of contracts men ought to make for exchanging property with each other.

If A and B were to exchange wool and wheat, every body can understand that, in order to make the contract a just and equitable one, the wool and the wheat ought each to have the same amount of true, natural, *bona fide* market value. Why, then, can they not understand that, when wool or wheat is exchanged for money, the money ought to have the same amount of real, natural, *bona fide* market value with the wool or the wheat? What could ever have put into the head of any man, who was not fool as well as knave, the ridiculous as well as knavish idea that a government should step in between the parties to bargains, and compel every man, who should sell property for money, to sell it for a half, a tenth, a hundredth, or a thousandth, of what it is really worth?

The divine right of kings, the infallibility of popes, and all the other religious and political absurdities, monstrosities, and impostures, by means of which a few men, in all ages, have deluded, cheated, robbed, cursed, and enslaved the mass of mankind, have usually rested on some such pretence or color of evidence, as could be addressed, at least to the ignorance and superstition, if not to the reason, of their dupes and victims. But on what pretence or color of reason can these writers say—even to the most ignorant or superstitious—that all men, who have property to sell, ought to be compelled, by law, to sell it for less than it is worth?

It would seem that no human being, capable of putting together two rational ideas, on such a subject, could have ever been made to gulp down such an absurdity, monstrosity, and villainy as that.

And yet this imposture has been proclaimed constantly for nearly two hundred years, by men calling themselves philosophers, statesmen, and political economists! It is proclaimed by them now, daily, hourly, and continually; at all times, in all places, and to all people! And for what purpose? For none but this, viz., that a few holders of money may have it in their power to rob all other persons; and that mankind at large may be deprived of incomparably the most important economical invention, or discovery—though as yet poorly developed in practice—that has been made in a thousand years, viz.: the invention of banking, or the discovery that property in actual use, and whose actual use as property cannot be dispensed with—property, too, that is too heavy or too bulky to be carried around in the pocket as money, and delivered at once in exchange for other property; and whose delivery at once is not desired by the purchasers—may yet be represented by contracts on paper, promising to deliver it on demand, or at times agreed on; and that these contracts may serve the purposes of both credit and money.

Banking is the most important of all economical inventions, because upon the credit and currency furnished by it, nearly all other economical inventions have depended, and ever must depend, both for their origin and efficiency. But for the credit and currency furnished by banking, nothing like such a division of labor, or diversity or amount of production, as now exist, would have been at all possible; the great mechanical inventions of the last hundred years, or more, would either have had no existence, or been very little used. It is only where banking now prevails, that new inventions continue to be made, and either new or old ones are in effective operation. In short, it is only in (so-called) paper money countries, that the mechanic arts have gone beyond a very primitive state, either in respect to the number or the efficiency of inventions.

It is to suppress, as far as possible, such an invention or discovery as this—on which substantially all the progress of the World in arts, science, wealth, knowledge, freedom, and happiness depend—that men—apparently bereft of all conscience, and honor, and reason, and even decency—interpose the one solitary objection that, if all men are permitted to sell their property for what it is worth, and in any and every honest way they please, the few holders of money will never again be able—as they always have been able in the past—to cheat, plunder, or enslave the rest of mankind!

We read with detestation and disgust of that gross form of robbery so often heretofore practised, by monarchs, who had contracted debts, viz.: that of issuing new coins, bearing the same names as those they had promised to pay, but containing less amounts of pure metal than those; and then not only compelling their creditors to accept these inferior coins in place of those that were really due, but also using all their powers of oppression to compel their subjects in general to give as much of their property, in exchange for these new coins, as they had before given for the old one. We wonder what could be the state of society, when such flagrant tyranny and robbery as this could have been practised, without bringing instant retribution on the tyrants that were guilty of it. Yet this is just what the governments of the (so called) most free and highly civilized nations are practising to-day. The dominant political forces of these nations are, at this time, directed to one great purpose, viz.: that of limiting the amount of money, for the avowed purpose of keeping down the prices of other property; that is, of enabling the holders of that money to extort from other persons more of their property, in exchange for the money, than the money is worth; or, what is the same thing, compelling these other persons to sell their property for less than it is worth.

If every dollar's worth of vendible property on the globe were represented by paper contracts, promising to deliver it, on demand, or at times agreed on, and these contracts were allowed to circulate, as money (so far as the parties to bargain should voluntarily give and receive them, in exchange for other property), does any one imagine there could be such a thing as "an inflation of prices"? That the holders of any portion of this paper would give any more of it, in exchange for other property, than this other property was worth? Nobody dreams of such an absurdity. Why, then, does any one attempt to prohibit, or limit, the circulation of these contracts? For no other reason whatever than this, viz.: that the holders of our present money may be enabled to get more for it than it is worth; or, what is the same thing, that they may compel other men to sell their property for less than it is worth.

And the people who submit to such tyranny and robbery as this—*who are not even permitted to sell their property for what it is worth, imagine themselves to be free!*

SECTION IV.

But I must pass over a long list of other writers, of the same character as those already mentioned, and come down to those of our own country and our own day. The most conspicuous of these is AMASA WALKER[11]

For some thirty years I think he has been incessantly reiterating such ideas as those already quoted from other writers. It would be idle to attempt to give all the quotations of this kind that might be given from his writings. Two, therefore, must suffice. Thus he says:—

> "Anything, which, by general consent, or in obedience to law, all receive in exchange [that is, in payment for other property], will answer the purpose [of money]. So far as this function is concerned [that is, the function of buying and paying for other property], it is no matter of consequence whether the article have value or not—safety and convenience in the use of it are the only considerations of importance; hence many things will answer the purpose almost equally well. Money is, in this respect, simply a tool, an instrument, like an axe, or a spade,

11 This was written before Mr. Walker's death.

> performing a certain operation, viz., that of transferring value from one person to another."[12]

Mr. Walker has here explained his theory of money quite as frankly as could be expected; and indeed almost as frankly as would have been possible. He holds that, in so far as money is a thing to be given in exchange for other property, *it is no matter of consequence whether it have value or not*!

This is, in reality, saying that, when a man sells property that has value, "it is no matter of consequence whether" he receives in payment anything that has value, or not!

And why, pray, is it not necessary *that money should have value*, if it is to be the only thing a man is to receive in exchange for property *that has value*?

Mr. Walker is kind enough to tell us why, viz., because it [money] is "simply a tool, an instrument, like an axe, or a spade [or, to be consistent, he should have added, a set of burglar's tools—for] performing a certain operation, viz., *that of transferring value from one person to another*."

Such is precisely Mr. Walker's idea of money. He holds that it need not be any thing *having value*, or, therefore, *capable of paying for, or being an equivalent for*, the property purchased with it; because it is "simply a tool, an instrument, like an axe, or spade [or a set of burglar's tools—for] performing a certain operation, viz., *that of transferring value from one person to another!*"

He evidently thinks there ought to be some "tool, or instrument," by which one man's property can be "transferred to another," *without any value being given in return*. And exactly such an instrument he thinks he finds in money!

And a great many others have thought the same thing.

But why does he imagine that mankind will suffer their property *that has value*, to be thus "transferred from one person to another," in exchange for money *that has none*?

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12 *Hunt's Merchants' Magazine*, for June, 1857, p. 670.

Why, in his simplicity, or duplicity, he suggests two reasons, on one or the other of which he professes to think this may be supposed to take place, viz., *"by general consent, or in obedience to law."*

This supposition that it could take place *"by general consent,"* must certainly be set down to the account of his duplicity, rather than his simplicity; for, if he knows nothing else, he certainly knows there can never be any *"general consent"* among mankind, that one man's property, *that has value*, shall be "transferred to another:' in exchange for money *that has none*.

He, therefore, suggests an alternative, viz.: *"or in obedience to law!"*

He has now hit the mark precisely. He has now revealed the whole of his philosophy of money. He thinks that money is "simply a tool, an instrument," *provided by the government for that purpose*, and that can be made to *perform the operation of transferring property from one person to another without giving any value in return!* And that, *"in obedience to law"*—that is, *by coercion of law—men can be made to submit to the operation of such an instrument!*

And this is the beginning, and end, the sum total, of all that Mr. Walker has ever said on the subject of money.

His principle, then, is, that it is not necessary that money should have any value at all. A plenty of *"law,"* and a plenty of *"obedience,"* would, in his opinion, suffice to make anything, however worthless, pass as money; or serve as "a tool, and instrument," for *transferring one man's property to another*. But knowing how difficult it might be to get either "law" or "obedience" enough for such a purpose, he would so far compromise the matter as to consent that gold and silver coins—which, he confesses, have some value, as metals—although he says they have *"very little,"* compared with the price, or "purchasing power," they now have in the market—should still remain money, provided that, *by arbitrary prohibitions upon all other money*, the value, as he calls it—that is, "the purchasing power"—of these coins shall be raised still higher than it now is, above their true and natural value as metals. That is, he requires that, *by prohibitions upon all other money*, the people may be coerced into giving still more of their property than they now do, in exchange for these—as he calls them—comparatively worthless coins.

To accomplish this kind of robbery has been the great labor of his life. But he made a new and explicit acknowledgment of it in a speech in San Francisco, in the early part of 1873. The speech was a general argument in favor of an exclusively metallic currency. He said:—

> "Why are these metals [gold and silver] mined? Because there is an universal demand for them. What occasions this demand? They are wanted throughout the commercial world for use as money, *and* VERY LITTLE *comparatively for other purposes*. Now, then, it is certain *that the greater this demand for gold and silver, as money, the greater will be their value [purchasing power—and], the more they will purchase of all other commodities*."[13]

Now Mr. Walker knows that all these *"other commodities"* must be sold for merely what they are worth as commodities, *for use or consumption*. And he knows that, in order to make the purchase of them, by silver and gold, an equal and equitable contract, it is indispensable that the silver and gold should also be sold for only what they are worth as commodities, *for use or consumption*. But that idea does not suit him at all. He wishes to make them *"purchase more of all other commodities"* than they themselves are worth *as commodities*. The way to do this he says, is to increase the demand for them *as money*. And how will he increase this demand? Why, he knows there is but one way, viz., *by prohibitions upon all other money*. And this he exhorts the Californians to do.

He virtually said to them: "Your gold and silver have *'very little'* real value for use as metals; *but by laws prohibiting all other money*, you can give them a value in the market, *as money*, greatly above their true and natural value as metals. That is, by laws forbidding the people to use any other money, you can compel them to give a great deal more for your gold and silver than they are worth."

13 This speech was afterwards written out by himself, and published in the *Overland Monthly* (San Francisco) for June, 1873. A part of it was also republished in the *Financier* (N.Y.) for June 14, 1373.

He might as well have said to them: "Your wheat and wine bear only a low price in the market; but if you can procure the passage of laws prohibiting the consumption of all wheat and wine, *except those produced in California*, you will be able to rob your fellow men handsomely—in the price of your wheat and wine—and make yourselves rich."

There would have been just as much reason, and justice, and decency, in this last speech, as there were in the one be actually made.

The speech is the more shameless because he acknowledges that only a "*very little*" of the value which gold and silver *now* have in the market, consists of their value as metals. But not content with the false and extortionate value—which he says constitutes nearly the whole of their present market value—already given to them by laws prohibiting all other money, *he desires additional laws of this kind, in order to raise their false value still higher*; so high, apparently, that their true and natural value as metals would be entirely lost sight of, ill their fictitious value as money.

Although, therefore, he dare not profess a purpose of compelling people to sell their property for a money *that has absolutely no value at all*, he is, nevertheless, bent upon coming as near to that result as possible.

He seems, throughout his writings, to be incapable of any thought in regard to money, other than this, viz., that government ought to make it "a tool, an instrument," in the hands of a few persons, *for transferring to themselves other men's property, without giving any equivalent in return*.

SECTION V. — GEORGE OPDYKE.

Mr. Opdyke says:—

> "The materials of which real money is made (gold and silver) are valuable for purposes of art, but that application of their value has nothing whatever to do with their functions as money; nor would their adaptation to this

> purpose be lessened, if their usefulness in every other respect should be destroyed."[14]

This is equivalent to saying that if gold and silver had no value at all, for use as metals, or commodities, they would nevertheless be just as good for money, because mankind could then, as now, be *coerced by law—that is, by prohibitions upon all other money*—into giving all their most valuable things in exchange for them.

In fact, he is so impressed with the idea that it is unnecessary that money should have any value at all, or, consequently, that it should be an equivalent for any property that is to be purchased with it, that he seriously proposes a paper money that shall neither have any value in itself, *nor be redeemable in anything that has value*. Thus he proposes that, by an alteration of the Constitution, the government shall be authorized to issue bills, with figures upon them to denote their value, in this form:—

> "_____ Dollars, legal money of the United States, issued by authority of the people thereof. Dated, Washington City, Jan. 1, 18__

(Signed)	A. B., President of the United States,
"	C. D., Treasurer,
(Countersigned)	E. F., Commissioner,
"	G. H., Register."[15]

He says: "The substance of the proposition [his proposition] is this: That the people of the United States grant to their government *an exclusive patent* for the production and emission of paper money, accompanied by positive and unbending restrictions as to the quantity it may emit, *and as to the legal value* at which it shall be omitted, *and received by the people*, not only in exchange for commodities, but in payment of debts."[16]

Also he says: "As an additional, but perhaps unnecessary safeguard, I have also proposed *that the production and emission of every other sort of*

14 Opdycke's Political Economy, p. 297.

15 Opdycke's Political Economy, p. 266.

16 Opdycke's Political Economy, p. 301.

money, save gold and silver, of which there need be no fears of a redundancy, *be strictly prohibited*."[17]

In answer to the query whether this money, that has no value, would be accepted by the people, in exchange for their property that has value, he concludes that it would; and for these reasons, viz.:—

"The name and the legal character that would be thus stamped upon this paper by the supreme law, combined with the promised recognition implied in granting the authority to issue it, could not fail to secure its general recognition and acceptance as money, everywhere within our borders, *especially as the want of some other medium*, to take the place of bank notes withdrawn from circulation, would be intense, *while this [the paper money] would be the only legal substitute attainable*."[18]

The amount of all this is, that he is convinced that, *by the prohibition of all other money* (except gold and silver), *"the want of some other medium"* (money) *would be* [made so] intense, *while this* [the worthless money] would he *the only legal substitute* [money] *attainable*," the people would be coerced into accepting it in exchange for their property.

He seems to have never entertained the suspicion that there would be any tyranny, or robbery, in thus prohibiting all money *that has value* (except gold and silver), and thereby reducing the people to a want of money so "*intense*" as to coerce them into giving all their valuable property, in exchange for certain pieces of paper *of no value at all, and redeemable in nothing that has value*.

We may profess our astonishment that any man, having one spark of either common sense, or common honesty, could deliberately propose a scheme so entirely destitute of both; a scheme having no possible purpose but to enable a few persons to rob all other men of their property, by coercing them into selling it in exchange for an utterly worthless thing to be called money. And yet Mr. Opdyke is only carrying out, to its logical conclusion, the same principle that is advocated by everybody who advocates restrictions upon money. There is no difference in principle, but only

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17 Opdycke's Political Economy, p. 302.

18 Opdycke's Political Economy, p. 302.

in degree, between the villainy of coercing men to sell their property for money that has no value whatever, and that of coercing them into selling it for money that is worth only a half, a tenth, a hundredth, or a thousandth of what the property is worth that is to be given in exchange for it.

CHARLES MORAN.

Mr. Moran says:—

> "Instead of its being the value of the metal that controls the value of the money, it is the value of the money that governs the value of the metal of which it is made."[19]

Mr. Moran also, in support of this opinion, quotes Le Hardy de Beaulieu—with whose writings I am not acquainted, but whom Mr. Moran calls "an eminent Belgian economist of the present day"—as follows:—

> "The second cause of the value of money is entirely independent of the substance of which it is made, it results entirely from the services rendered by money in facilitating exchanges. This value has no tendency to equalize itself to the cost of the material of which the money is made. It depends solely on the relation between supply and demand. If a government only coined and emitted one-half of the coin necessary to make the exchanges of community, and could interdict all importations of foreign coin, and the use of all representatives, the value of money could [would?] double, whatever be the intrinsic value of the material of which it is made; and vice versa."[20]

SECTION VI. — HUGH MCCULLOCH.

Mr. McCulloch was Secretary of the U.S. Treasury from 1865 to 1869. In arguing for a contraction of the currency, and a reduction of prices, he says:—

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19 *Moran on Money*, p. 32.

20 *Moran on Money*, p. 32. I would not be understood as calling Mr. Moran himself an impostor. I believe he is personally opposed to any monopoly in banking. I give the quotations from

> "The real value of property is not affected by the standard by which it is estimated. Property is not dependent for its value upon a fiction."[21]

He means by this to say that money is "a fiction," and not a reality. In other words, that, instead of its being a thing of value, it is a thing of no value.

He therefore means to say that it is of no importance to the real value of any piece of property, whether it be sold for one "fiction," or for a hundred or a thousand "fictions;" that it is of no importance whether it be exchanged for only one piece of money that has no value, or for a hundred or a thousand pieces of money that have no value. And if money be really "a fiction"—a thing of no value—then certainly it is of no importance whether a piece of property be sold for one, or a hundred, or a thousand of these "fictions." But if money is a reality—a thing of value—then it does depend wholly upon the amount of money one gets for his property, whether he gets an equivalent or not.

But Mr. McCulloch means also to say that a piece of property has just as much "real value"—that is, to the purchaser, or consumer—if he gets it for nothing—or for "a fiction"—as it would have if he were to give a real equivalent for it.

This, too, may all be true (at least for those who have no scruples about getting property of "real value" for nothing); just as it may be true that stolen food is worth just as much for consumption (at least to those who can relish it) as is food that is honestly paid for. Yet we all know that food that is stolen, or that is sold for "a fiction"—a thing of no value—does not reward the *producer* so well as does that which is paid for by an equivalent.

We also know that stealing one's food, or compelling the producers to sell it for "a fiction," does not so much tend to encourage the production of food, as it does to allow them to sell it for a *bona fide* equivalent.

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his book, to show how he, and doubtless many others, have been misled as to the true value of money; and also for the purpose of giving the extract from Le Hardy de. Beaulieu.

21 His letter to L. B. Harrison and others, of Cincinnati, Aug. 17, 1874. Published in *New York Herald*, Aug. 31, 1874.

Mr. McCulloch, like all the rest of them, evidently considers money a mere contrivance, tool, or instrument for enabling one man to get another man's property, without paying for it. And to this end he holds that the government should coerce men into selling their property for "a fiction." And he would even have as few of these "fictions" as possible, in order to bring the control of all property into as few hands as possible.

SECTION VII. — CHARLES H. CARROLL.

Ever since 1856—and for how many years before that time, I do not know—Mr. Charles H. Carroll has—apparently to the best of his ability—been filling all the magazines and newspapers of the country with his writings, to prove the utter absurdity and inutility of the idea that money should he an equivalent for the property purchased with it. His mind seems ever on fire, imagining the glorious state of things we should have, if men could only buy things, without being compelled to pay for them; or, as he himself puts it, if men would only consent to sell their property, and accept in exchange for it something that has no real or appreciable value. He evidently believes it would be better if all property were given away outright; nothing at all being given in return. Yet, in consideration of what he would call the absurd prejudices, which so many men have, in favor of being paid for their property when they part with it, he would so far modify his theory as to consent that they should receive something that should be *called* money. And he would even go so far as to consent that that money should be made of some kind of metal. But, then, he holds that, if we must have such a useless and senseless thing as money, certainly the less we have of it, the better; "*provided its metal pieces are not so diminutive as to slip through the fingers*." And although he does not say it himself, his system really requires that the fingers of children should be trained from their earliest years, to the manipulation of the smallest possible pieces, in order that, when they become men, they may be sufficiently expert to handle such "diminutive pieces," as he thinks we ought to have, and not let them "slip through the fingers." Nothing, certainly, but this early training of the fingers would seem to make it practicable to reduce the pieces of money to a size so nearly infinitesimal as he thinks they ought to be.

The reader may imagine that I am attempting to caricature this prolific and indefatigable writer. Not at all. Here are his own words:—

> *"The less we have of it* [money], and the more property that is not money, *the better; provided its metal pieces are not so diminutive as to slip through the fingers. Once having on organized currency, the less we have of it, in relation to our commodities, the greater will be its value and the greater its* [purchasing] *power."*[22]

Again he says:—

> "I have said that one-tenth part of our present money would answer every purpose of the whole; still less would answer equally well. *There is no limit to the reduction that might be made,* AND WITH SUSTAINED PRICES, *if the weight or fineness of the coin should be reduced in the same ratio, until a degree is reached beyond which the divisibility of the metal would not admit of expressing amounts sufficiently small."*[23]

Mark: he would reduce the *"fineness"* as well as the *"weight"* of his coins, to the lowest degree. And, to conciliate the prejudices of that somewhat numerous class who have property to sell, and do not like to submit to a reduction of prices, he utters the comforting assurance that there is no limit—except the possible divisibility and debasement of the metal of which the money is made—to the reduction that might be made in both the size and quality of the coins, *and yet "with sustained prices,"* if only these diminished and debased coins *be called by the same names as the larger and purer ones had been!*

This must certainly remove a great weight of objection from the minds of all those who think that the pay they get for their property, when they sell it, does not consist at all the size or quality of the pieces of money they receive, *but only in their names!*

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22 *Hunt's Merchants' Magazine* for July, 1859, p. 27.

23 *Hunt's Merchants' Magazine* for August, 1857, p. 168.

Such astonishing ingenuity as this, on the part of Mr. Carroll, in obviating the difficulties in the way of his theory, must certainly be very dangerous to all systems but his own. Also he says:—

> "This notion that trade requires more money is the fallacy upon which our paper money system is erected, from a blind ignorance of its principles, *and an unwillingness in the community to submit to any fall of prices*."[24]

Again, in the same article, he says:—

> "We cannot be too emphatic in denouncing the idea that an increasing trade necessarily requires an increase of money, as an error and delusion." (p. 169).

Thus Mr. Carroll's financial principles are, *first*, that money should be made of the basest metal that can be found; *second*, that the pieces of money should be as small as "the divisibility of the metal" will allow; or, at least, as small as they can be, and not "slip through the fingers;" and, *third*, that as wealth and commerce increase, it is not at all necessary that money be increased, but only that everybody should give more and more of his property in exchange for one of these infinitesimal, worthless pieces of money!

Mr. Carroll has evidently omitted but one thing—and, no doubt, inadvertently—that is necessary to make his system logically and theoretically complete and consistent. He should have said that the number of these pieces of money should also be reduced to the lowest possible point, viz., to one for each nation; or, rather, to one for the whole world.

The glorious rewards he offers to the nation that shall act upon his theory, are these:—

> "The less the volume of the currency, the greater will be the value of the dollar, the lower will be the price of commodities, the greater will be the exports, and the consequent employment of navigation, the more the employment of the people in the production of property,

24 *Hunt's Merchants' Magazine*, for September, 1857, p. 307.

> and, in fine, the greater will be the prosperity and Wealth of the nation!"[25]

What he evidently means by all this is, that those people who will produce the most wealth, *and demand no pay for their labor in producing it*, will be the happiest in the world, *because they will always have a plenty of employment!* And the nation that exports every thing it produces, *and receives nothing in exchange*, will also be the most prosperous in the world, *because it will have a great many exports, and abundant employment for its navigation!*

In other words, he means that the nation that will produce the most wealth—paying nothing to the producers—and then sell it all to foreigners for the smallest and most worthless piece of money that can be fabricated, will be the most prosperous and happy in the world, *because it will get that worthless piece of money in exchange for all its real wealth*.

These visions of prosperity, which have so enchanted the mind of Mr. Carroll, and which he claims would all be realized by those who shall sell all their labor and property for nothing, are certainly so astonishing that it seems unaccountable that neither he, nor any of his disciples, have ever adopted the principle in their private affairs.

If his system be really so good for a nation, in its relations to other nations, and for laboring people in their relations to employers, it must certainly be good also for each and every individual, in his relations to other individuals. On this theory, therefore, the individual who shall sell all his labor, or all the products of his labor, for the smallest and most worthless piece of money that can be made, will inevitably be the richest man in the nation, *because he will then be the owner of that worthless piece of money!*

Mr. Carroll's demonstration is certainly complete, if his theory is correct. Yet I hope the world may not all rush into that kind of traffic, until Mr. Carroll, or some of his followers, shall have made the experiment practically in their own affairs, and reported the result. Even such logical and such everlasting preaching as Mr. Carroll has given us, is not to be implicitly relied on, until the plan has been practically tested. It is, therefore, the

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25 *Hunt's Merchants' Magazine*, for August, 1856, p. 169.

highest duty of Mr. Carroll and his disciples to put his principles in practice for the enlightenment of the world.

All sensible people, not already familiar with the writings of the professed economists, on this subject, will wonder that such a ridiculous monstrosity as Charles H. Carroll ever existed; or that he could ever have found a magazine or newspaper to indorse or even print his gibberish. Yet he is really the most consistent and honest exponent we have—with the exception, perhaps, of Mr. Opdyke—of the theory that now prevails. The only difference between him and others is, that he is honest and foolish enough to propose to carry out their theory to its logical results: the others are crafty and knavish enough not to urge it beyond the point at which they think they can best promote their own interest. Each desires that there may be so much money in the market as that be himself may get some of it, in order that he may get more of other men's property for it than it is worth. Having got control of money himself, he is thenceforth opposed to any increase of money in the hands of other persons, lest they should become his competitors in the purchase of other property, and thus compel him to pay more for it than if he were to have the whole field to himself.

This is the principle, and the only principle, on which everybody—*who understands the subject*—acts, when he calls for legal restraints upon the unlimited increase of material money; or, what is the same thing, the unlimited increase of solvent paper; that is, paper representing actual material property, *of whatever kind*—gold, silver, or whatever else—that can be delivered on demand, or at a time agreed on, or be otherwise made available, in redemption of the paper. The opposition to an unlimited amount of such paper, is simply a device of extortioners to get more for their money than it is worth; that is, more than it is worth *for use or consumption as a material*.

And this is the principle, and the only principle, on which all the legislation against an unlimited amount of such paper has ever been founded.

No material whatever has intrinsically any more value on account of its being called money, or made into money, than it had before as a material. And no material that is called money, or made into money, would ever have any more value—or "purchasing power"—in the market, than it had before as a material for use or consumption, *were it not for the arbitrary prohibition of all other money. This arbitrary prohibition of all other money, is the sole reliance of these impostors*, for getting more for their own material money than it is worth as a material; for they well know that mankind will never voluntarily exchange their property, that has value, for money that has less, or has none.

The principle of selling one's property for less than it is worth—or, what is the same thing, of giving more for material money than it is worth as a material for use or consumption—is evidently one that can just as well be tried by a single individual, as by a whole nation; and if an individual shall really make himself rich by that process, aplenty of others will voluntarily follow his example. There will be no necessity for any law compelling them to do so. But until Mr. Carroll, or Mr. Walker, or Mr. McCulloch, or Mr. Boutwell, or Mr. Opdyke, or Mr. Schurz, or some one of their class, shall test the matter fairly in their own affairs, and report a favorable result, they clearly ought all to be regarded as a set of ridiculous impostors, preaching what they themselves and everybody else know to be false. And next to the impostors or blockheads themselves, who preach these ideas, the next most contemptible, or at least pitiable, persons are those who are so nearly destitute of common sense as to listen for a moment to such absurdities.

We have been annoyed, and insulted, and disgusted, for nearly two hundred years, by these impudent apostles, not one of whom ever thought for a moment of practising what he preached; not one of whom—if he had any sensible thought on the subject—ever thought of anything, except how much he could make out of the victims of his imposture. It is time that they were compelled, either to practice their own theory, or cease calling for its enforcement upon others.

SECTION VIII. — DAVID A. WELLS.

When I had closed the last preceding section, I intended to introduce no more pictures into this gallery of impostors. But since then Mr. David A. Wells has drawn his own portrait, and set it so conspicuously before the public, that it would be inexcusable to omit it here.

Within a few years he has risen into great prominence as a writer on financial subjects; more especially on the subjects of taxation and international trade. But he also claims to have much knowledge on the subject of currency. This knowledge he offered to the public, in an elaborate article of nearly four columns of fine type, in the *New York Herald* of February 13th, 1875[26]. The *Herald* itself introduces this article with the following encomium. It says:—

> "In accordance with its plan of enlisting the ablest pens in the country and the world in treating special questions of deep public interest, the *Herald* lays before its readers this morning the most enlightened discussion of the question of resuming specie payments which has as yet been presented to the American public. It is by Mr. David A. Wells, *prepared by him at our request*, and is an admirable specimen of the joint application of scientific principle and wide practical knowledge to the solution of a great problem. Mr. Wells is almost the only American writer, on this class of subjects who has acquired a European reputation, and is quoted as a high authority by foreign economists. Besides a fondness for this kind of inquiries, founded on a strong natural aptitude, he has devoted his whole time and all the vigor of his mind for the last fourteen years to investigations connected with our financial system; pursuing his researches not like a mere scholar or theorist, but by going abroad into the world, and making diligent personal inspection of the practical working of our banks, our great manufacturing and mercantile establishments, our principal railroads, our systems of taxation, both State and national, our mining industries, and our foreign and domestic exchanges. It is this practical cast of his mind which seeks to build on a sure basis of facts, not taken at second-hand from books, but acquired

26 It has since been published in a pamphlet.

> by original observation and constant intercourse with every variety of men in the higher walks of business, that have given to the labors of Mr. Wells their great value and reputation."

What, now, is the first proposition which this financial Solomon offers on the subject of money. It is this:—

> "A three-cent piece, if it could be divided into a sufficient number of pieces, with each piece capable of being handled, would undoubtedly suffice for doing all the business of the country in the way of facilitating exchanges, *if no other better instrumentality was available*."[27]

The words, *"if no other better instrumentality was available,"* are utterly superfluous, if he means that money should be any equivalent for the property bought with it; for he knows that on no spot on the earth, where human beings could exist, could there be such a dearth of useful commodities, *as that there could be no better equivalent of such commodities than an infinitesimal part of a three-cent piece!*

His proposition, therefore, amounts to this: that—

> "A three-cent piece, if it could be divided into a sufficient number of pieces, with each piece capable of being handled, would undoubtedly suffice for doing all the business of the country in the way of facilitating exchanges."

He means by this, that the government, *by prohibiting all other money*, could coerce the people into selling all the vendible property of this country in exchange for "a three-cent piece, if it (the three-cent piece) could be divided into a sufficient number of pieces, with each piece capable of being handled!"

Now it is evident that *"a three-cent piece,"* would have just as much real value, if it were to remain entire, as if it were divided into any greater or less number of pieces. Mr. Wells, therefore, virtually says, that, *by*

27 The italics are mine.

prohibiting all other money, the government could coerce the people into selling the entire vendible property of this country for "*a three-cent piece*"!

And his argument throughout is based on the assumption that the government would be perfectly justified in so doing! For if, by restricting the amount of money in circulation, it can rightfully reduce any man to the necessity of selling his property, *or any portion of it*, for anything less than an honest *bona fide* equivalent, it can, on the same principle, rightfully coerce the whole people into selling their entire property for "*a three-cent piece*," or even for an infinitesimal portion of a "three-cent piece!"

Such then is the doctrine of Mr. David A. Wells, of the *New York Herald*, and of everybody else, who, within the last two hundred years, has held that it was the right and duty of the government to restrict the amount of money for which the people should be permitted to exchange their property.

And if the government has the right to do this, it has the further right of saying who shall be the fortunate owner of this "three-cent piece," and be authorized, by means of it, to make himself the owner of all the other property in the country.

And when this favorite of the government should have thus made himself the owner of all the other property of the country, he would doubtless conclude that he had no further use for the "three-cent piece;" that there was nothing more that he could buy with it, if he had it; and that it would be best for him to retire from trade, and live, if not upon his money, at least upon his property.

Such, then, would be the ultimate result "*of the joint application of scientific principle and wide practical knowledge*," which the *New York Herald*, and most other papers and writers in this country, so highly recommend to public adoption.

SECTION IX.

The atrocious villainy of this whole scheme is so transparent that it can scarcely be made more so. Its manifest purpose is to abolish all honest and equitable traffic, and license a few robbers to plunder all the rest of mankind. And this purpose it effectually accomplishes.

It is a natural right of all men to buy and sell, to borrow and lend—in any and every possible way that is intrinsically just and honest—any and all property whatsoever, that is naturally vendible and loanable. Every dollar's worth of vendible property in the world has the same amount of true and natural value with a dollar of coin. *So for as value is concerned, it is as much a dollar as is a dollar of coin*; and—by virtue of the natural right of all men to exchange all their vendible commodities freely with each other—it has the same right to be bought and sold from hand to hand, as money —that is, in exchange for other property— (so far as the parties to bargains may voluntarily agree thus to buy and sell it), as has a dollar of coin. And it has the same right (if the parties so agree) to be bought and sold, by means of a contract on paper, promising to deliver it, or its equivalent, on demand, or at a time agreed on, as it has to be bought and sold, and actually delivered at the time of the contract. And the facts that such money as this, if permitted to be freely bought and sold, may supersede, and is sure to supersede, in whole or in part, all other money, are no arguments against the natural right of men to buy and sell it as freely as they may any other money, or any other property. Such facts, instead of being arguments against such money, only proves that it subserves, better than any other money can, the wants of mankind. And any attempt, on the part of a government, to specially license any small amount of property as money, and to prohibit that great mass of other and better money, which the property of the world is capable of furnishing, is a plain attempt to license the holders of the privileged money to extort, from all other men, their labor and property for less than they are worth. It is as plainly a matter of downright robbery as it would be to license a few men to go upon the highway and rob their fellow-men. And the advocates of restrictions upon money shamelessly acknowledge that robbery is their only motive for advocating them. And in enacting such restrictions, a government openly declares itself to be, what it really is, a mere tool in the hands of these robbers. And there is no limit to the vengeance that should be visited upon a government that thus lends itself to such wholesale spoliation of a people as is accomplished by this means.

Financial Imposters

No. III.

The Practical Operation of the Fraud

SECTION I.

The practical operation of the great fraud in regard to the value of money can properly be seen only by contrasting it with the practical operation of the true theory.

The true theory of money—as has already been explained, but which seems necessary to be repeated here—is that money, practically speaking, is simply property cut up, or divided, into pieces or parcels that are convenient and acceptable to be given and received in exchange for other property; that any vendible property whatever, that can be, may rightfully be, cut up, or divided, into such pieces or parcels—or, what is the same thing, may rightfully be made into money—and be freely offered for sale in the market, in competition with all other money, and in exchange for all other property; that any material of which money can he made, has the some true and natural market value, *as money*, that it has for use or consumption *as a material*, no more, no less; that its being called money, or being made into money, adds nothing to the value of any material of which money can be made; that all equitable traffic, by which money is given in exchange for other commodities, is therefore really nothing but the exchange of two different commodities for each other, *at their true and natural market values for use or consumption as commodities*; that the free and open market, where all money and all other commodities are freely offered, bought, and sold, in competition with, and in exchange for, each other, is the only test of the true and natural market value of any and all commodities; that the only really important things about any piece of money are, first, that it should have the same amount of true and natural market value with the property for which it is to be exchanged, and, secondly, that it should be such that the parties to bargains may know its market value, relatively to other property; that there is no more necessity that it should have a government stamp on it, than there is that the commodities to be bought with it should have government stamps on them; that there is no more need that it should be inspected and certified by a government, or a government officer, than there is that the commodities purchased with it should be thus inspected, and certified; that when a man knows the quantity and quality of the material of which a piece of money is composed, he is as competent to judge of its value as he is to judge of the value of the commodities that are to be exchanged for it; that any attempt, on the part of a government, to restrain men from buying and selling such money as they prefer, and thus to coerce them into buying and selling such money as they do not prefer, is as gross a tyranny, and as gross a violation of men's natural rights, as it would be to restrain them from buying and selling such other commodities as they prefer, and thus coerce them into buying and selling such commodities as they do not prefer.

From this theory it necessarily follows that every dollar's worth of vendible property in the world has the same amount of true and natural market value as a dollar of coin; *and has the same right to be bought and sold from hand to hand as money* (so far as the parties to bargains choose to give and receive it in exchange for other property) *as has a dollar of coin; and that it has also the same right to be bought and sold (if the parties so choose) by means of a contract on paper, promising to deliver it, or its equivalent, on demand, or at a time agreed on, as it has to be bought and sold by being actually delivered and accepted at the time of the contract*.

The *false* theory is that money should not be a true or natural equivalent of the property that is to be bought with it; that, on the contrary, it is the right and duty of government to specially license a few pieces of money, having little or no true or real market value, and to prohibit all other money; thus enabling the holders of this licensed, privileged, and comparatively worthless money, to extort, in exchange for it, from all other persons, their property and labor for less than they are worth.

To state the case a little differently: the *true* theory of money is simply this, that all commerce should be the exchange of any and all such real and *bona fide* equivalents as the parties to bargains may voluntarily agree to exchange. The *false* theory is, that commerce should *not* be an exchange of equivalents; but that some particular kind and amount of property, of little or no real value, should be called money, and be specially licensed to be exchanged for all other property; *and that all other money should be prohibited*, for the sole purpose of enabling the holders of this privileged money to get all other men's property, without giving an equivalent.

The practical operations of these two opposite theories cannot be properly contrasted otherwise than by supposing each to be carried out to its legitimate and logical results.

Let us look first at the practical operation of the true theory.

For greater convenience of calculation—although the sum is probably much below the truth—we will suppose that, with all the property of the United States represented by paper, that property would be valued at only forty thousand millions of dollars ($40,000,000,000).[1] This would give forty thousand million dollars of money. It would also give forty thousand million dollars of loanable capital. That is to say, all this property could be represented by paper, and the paper loaned for circulation as money. This would be equal to a thousand dollars of loanable capital for each and every man, woman, and child in the country. It would give two thousand dollars for every male and female person of sixteen years of age and upwards. It would give twenty-five hundred dollars ($2,500) for every male and female person of twenty-one years of age and upwards. It would give five thousand dollars ($5,000) for every male person of twenty-one years of age and upwards.[2]

1 The paper representing this property would be equal, dollar for dollar, with gold; gold being supposed to stand at its value as a metal, or at its value in the markets of the world.

2 It is not necessary now to inquire whether all this money could be used. We are only showing how much could be furnished if it could be used.

These numbers may not be exact, but they are sufficiently so for the purpose of illustrating this theory.

Supposing, now, that such an amount of credit and currency could be employed, what would be the effect upon the diversity of industry, the employment of machinery, the exchange of commodities, the aggregate production, and the equitable distribution, of wealth? Certainly it would far surpass everything that has ever been witnessed on earth.

Machinery being the great power in the production of wealth, and money being the great instrumentality for creating and moving machinery, nothing but experiment can give us any rational idea of the variety and amount of wealth mankind would be able to produce, if they were only aided by the money and machinery which the property of the world, under this theory, is capable of supplying.

And how would it be as to the distribution of the wealth thus produced?

No person having the ordinary capacities of mind and body for producing wealth, and known to have such integrity, industry, and economy as to entitle him to credit, would ever need either to stand idle, or to sell his labor to another, for the want of capital to make him the master of his own industry, and thus enable him to secure to himself the whole of its proceeds, except what he should pay as interest. From the competition among money lenders, he would be able to get his capital certainly at a moderate, and likely at a low, rate of interest. From the abundance of currency, he would always be able to sell the products of his labor for cash, *and at their full value*.

And as it would be with *men*, in these respects, so also would it be with women. They would be dependent upon men for employment and subsistence, no further than they should choose to be.

How long could there be any poverty in the world, after such a system should have gone into full operation? How long could any one man oppress another, by extorting from him either his labor, or the products of his labor, at less than their true and natural value? Plainly, such oppressions, extortions, and robberies, of which the world is how full, would soon become obsolete, never to be known again among men.

Under this system, therefore, the diversity of industry, the amount of machinery, the variety and amount of production, and the equitable distribution of wealth, would all be such as only a small portion of mankind have ever expected to see.

SECTION II.

Let us now suppose that the *false* theory were carried out to its legitimate and logical conclusions. There would then be but one piece of money in the country, or even in the world. And that one piece would be small and intrinsically worthless. All transfers of property, except in exchange for that one piece of worthless money, would be prohibited. That is to say, all transfers by loan, gift, barter, by book account, promissory note, check, draft, order, or bill of exchange, would be forbidden. And the theory is that, under such circumstances, one piece of worthless money could be made to buy, at a single purchase, all the other property in any one country, or even in the World!

There would then be, at most, but two persons, in any country—or rather in the world—who would have any vendible property. These two persons would be, we will suppose, Mr. A—the man who had given the one piece of money in exchange for all the other property—and Mr. B—the man who had given all the other property in exchange for the one piece of money. All other persons would be without property. Most of them would perish. A few of them would be permitted to live only on the condition of their becoming the slaves, and devoting themselves wholly to the service and pleasure of Mr. A or Mr. B, the one only person who could feed them. Even Mr. A and Mr. B, the two persons holding property—that is, the one who should hold the one piece of money, and the one who should hold all other property—would be obliged to frequently exchange their respective properties, else the one holding the money would starve to death. A, therefore, would hold, all the other property, except the one piece of money, until he should have eaten enough to satisfy his appetite; B, in the meantime, holding the one piece of money, but having nothing to eat. They would then exchange properties, and B would hold all the property, except the one piece of money, until he should have satisfied his appetite, and A had become hungry; when they would make another exchange. Thus they would go on exchanging the same properties, as often as the holder of the money should become so hungry as to make it necessary.

Such will be the state of things when the grand financial system—which has been advocated by all the professed scientific, philosophical, orthodox economists, from John Locke down to Charles H. Carroll and David A. Wells — shall have been logically and practically perfected, and put in full operation. "The purchasing power" of money—that is, the purchasing power of the one piece of money—will then be carried to its highest point. Prices will be stable; for the only traffic will be simply the necessary exchange of that one piece of money, and of all other property in the world, for each other; that is, the exchange of a single sixpence for the world, and of the world for a sixpence, (supposing the one piece of money to be really worth a sixpence). All speculation, all extravagant living, and all wild and extravagant enterprises, will then be at an end. There will be no more panics, crises, inflations, expansions, or contractions; no rise or fall of prices. In fact, the real financial millennium—according to the theory of the standard writers on money—will then have arrived! And not till then!

SECTION III.

But it will be said that nobody proposes to carry the theory out to its logical results—that is, to reduce the money of a country, or of the world, to a single piece. It is true that nobody does propose to do this; because no one person is able to rob all the rest of mankind. To do that requires a combination of men; and each one of the combination must have a share in the spoils, to induce him to join in the robbery. Consequently it happens that men who say that "a three-cent piece" is as much money as the United States really need, do not propose to reduce the money of the United States to a three-cent piece, but only to the amount of gold coin that can be kept in circulation; this sum being the smallest which they think a sufficient number of robbers can be brought to agree upon.

This sum, we will suppose to be equal to five dollars for each one of the whole forty millions of people—or two hundred million dollars

($200,000,000) in all; which, I think, would be a greater amount of coin, in proportion to the population, than any people have ever kept in circulation.

But it will also be said, on the other hand, that paper, equal in amount to the whole property of a country, cannot be kept in circulation as money; that no people have use for so much. This also is doubtless true, though no one knows how much they could use; since no people have ever been at entire liberty to use all they pleased. But for the sake of comparing the operation of the restrictive with the free system, we will suppose that, under perfect freedom, where money was a real equivalent for the property purchased with it, the amount of money kept in actual circulation would be no more than fifty dollars for each one of the whole population. On this supposition, there would be in the United States two thousand millions of money ($2,000,000,000), instead of only two hundred millions ($200,000,000), as under a purely gold currency.

To contrast the results of the two systems, let us, for convenience, take a smaller territory than the United States, and also a smaller population.

Let us suppose an island cut off from all communication with the rest of the world. This island, we will suppose, has a population of one hundred thousand; divided into families of five persons each; making twenty thousand families. Each family consists of a father, mother, and three children. The father, mother, and oldest child, we will suppose, are capable of running machinery and creating wealth.

There are, then, sixty thousand wealth-producing persons on the island. Let us suppose that all these sixty thousand persons have every facility for producing wealth, and that they really produce a thousand dollars each per annum—making sixty millions ($60,000,000) in the aggregate—for sale; that is, over and above what each family consumes of its own peculiar products.

Here, then, are sixty millions of wealth that is to exchanged for other wealth; each family wishing to exchange its three thousand dollars' worth of surplus products for an equal amount of commodities produced by the other families.

Let us suppose, further, that each of these twenty thousand families has ten thousand dollars' worth of property; making an aggregate of two hundred millions ($200,000,000.) This property consists of houses, lands, shops, mills, machinery, horses, cattle, grain, manufactured goods, etc.

This property is all capable of being used as banking capital; that is, of being represented by paper, and of being bought and sold as money. It is, therefore, possible for them to have two hundred millions of money; although they will probably have use for but a small portion of this amount.

This use of the property as banking capital does not—except very rarely—interfere with the use of it for other purposes; since, as a general rule, the borrowers of the bank notes bring them back in payment of their own discounted notes; and there is therefore no call that the property represented be itself resorted to, to pay the notes which represent it.

Let us suppose the rate of interest charged by the bankers to be one per cent. for three months, or four per cent. per annum; that being a rate sufficiently high to induce enough persons to become bankers to supply all the money that is needed.

Let us suppose five millions to be the average amount of money which these twenty thousand families find it convenient to keep in circulation in making their exchanges; which exchanges amount, in the aggregate, to sixty millions. Or if we suppose that these sixty millions worth of commodities are sold twice over—once to the merchant, and by him to the consumers—then the aggregate exchanges will be one hundred and twenty millions.

In this case, the five millions of currency will be all bought and sold twenty-four times over in the course of the year.

The interest paid for the use of these five millions, at four per cent., will be two hundred thousand ($200,000); or about one-third of one per cent. on the value of the commodities exchanged. This will be equal to ten dollars for each family; or three and one-third dollars for each of the sixty thousand wealth producers.

If we suppose that each one of these sixty thousand wealth producers works three hundred days in a year, and produces one thousand dollars' worth of wealth in the course of the year, each day's labor will be worth, on an average, three and one-third dollars; which sum is just equal to the amount of interest which each one will pay for his proportion of the five millions of currency borrowed by the bankers.

In other words, if each one of these sixty thousand wealth producers will but give to the bankers the proceeds of one days' work per annum, the whole sixty thousand wealth producers will be furnished, for a year, with all the money and credit they need for their industry, and for making all their exchanges. *And this constant abundance of money will enable every man to sell the products of his labor at their full natural value*.

This abundance of money would also make it certain that substantially all purchases and sales between man and man would be made with cash. There would be no credits, except the credits which the people would give to the bankers by taking their notes, and the credits which the bankers would give to their customers by discounting the notes of the latter. These two credits would just balance each other; and, on an average, would be cancelled once in three months, or thereabouts, by being exchanged for, or offset against, each other. That is, the banks' debtors would, once in three months on an average, bring back the notes of the banks in payment of their own notes discounted. The result would be that, at an average cost of one day's work per annum, each one of these sixty thousand wealth producers would have all the money that he needed to make his industry most effective, and to insure the sale of all the products of his industry at their full natural value. He would also, by the universal system of cash payments, be guarded against all liability to panics in credits, and consequent suspensions of industry, and falls in prices. He would owe nobody, unless it should be a single note at the bankers; and nobody would owe him, unless it should be the bankers whose notes he would hold.

Under such a system, there would be no fluctuation in prices, no stagnation in industry, no interruption to the universal prosperity. These sixty thousand wealth producers would all be enabled to produce their greatest aggregate amount of wealth, and to exchange their products with each other, *at their full and true natural values, and at a cost of only one day's labor in a year, or one-third of one per cent. on the amount of their products*.

SECTION IV.

But suppose, now, there should come to this island fifty men, each bringing ten thousand dollars in coin: making five hundred thousand dollars in all. And suppose they should say to the sixty thousand wealth producers:—"There is no need of all these five millions of paper money: all that is necessary to make our five hundred thousand dollars in coin just as good, as money, as the whole five millions of paper, is that it (the coin) should be reckoned at ten times what it is really worth; or, what is the same thing, that all property should be sold at one-tenth of what it is really worth. One dollar will then buy just as much as ten do now; and all this unnecessary counting of money, and all this reckoning of the value of property at high figures, will be avoided. We propose to become your merchants, and to buy of every producer everything he has to sell; paying him in coin; the coin to be reckoned at ten times its actual value; and then we will retail the commodities to the consumers, taking the coin in exchange, and reckoning it at the same value as when we parted with it."

Suppose, now, that these sixty thousand wealth producers should be silly enough to agree to this proposition of the fifty holders of coin; should pass a law abolishing their paper money; and should then sell all their products—sixty millions' worth in a year—to the fifty merchants; accepting the coin in payment at ten times its actual value; which is the same as selling their property at one-tenth of its actual value.

For the sake of brevity in this illustration, we will suppose that these sixty millions' worth of commodities are all bought up by the merchants at one and the same time; although in actual life they will be bought up only as fast as they are produced.

We will suppose, then, that these fifty merchants have now obtained control of the entire annual products of the industry of the sixty thousand wealth producers, except what each wealth producer has reserved of his own product for his own consumption. *And they have obtained control of them, paying only one-tenth of their real value for them*. These products consist not only of all the luxuries, but also of all (or very nearly all) the necessaries of life, on which these sixty thousand wealth producers, and the forty thousand children—so small as to be non-producers—are to depend for their subsistence for the year to come.

These producers, who have now become consumers and purchasers, go to the merchants to buy such commodities as they need for their subsistence; each one carrying in his hand the coin he has received for his own particular product, and each one expecting his coin will be received by the merchants at ten times its actual value, according to the promise which the merchants made at the time when they paid it for the commodities they now hold.

But the merchants now ask twenty, fifty, or a hundred per cent.—or, if they choose, two, three, or five hundred per cent.—more for the commodities than they paid for them. The would-be-purchasers and consumers remonstrate, and say to the merchants:—"When we sold our commodities to you for coin, taking the coin at ten times its natural value, you promised us to sell the commodities again, in exchange for the coin, taking it at ten times its actual value, as we took it from you."

"Ah! yes," reply the merchants, "we are perfectly ready and willing to accept the coin at ten times its actual value, as we agreed; but the prices of commodities have very much risen since we purchased them; indeed they are still rising; there seems to be none in the market except what we have. If we were to sell, we know not where we could replenish our stock. Nor do we even know what we could do with the coin, if we had it. There is nothing in the market that we could buy with it; and we really could do nothing with it. We do not care to sell our commodities, even at present prices."

"But," say the others, "we and our families are starving. We have been relying upon you for the necessaries of life, and have no other resource."

"Ah, well," say the merchants, "if you are really starving, we must sell you a little something; and we will take your coin, as we promised we would, at ten times its actual value. But we shall be obliged to charge you very high for the commodities, for they have already risen very much, and are still rising, owing to the fact that there are no others in the market."

So the merchants sell a small amount of commodities—*say ten. per cent. of all they have on hand;* enough to save the purchasers from immediate starvation; and take from them in exchange *the whole amount of coin which they (the merchants) originally paid for their whole stock: of commodities.*

The merchants have now got back all the coin they originally had. And they have also ninety per cent. of the commodities which they originally purchased with the coin. In other words they have really got into their possession ninety per cent. of the whole stock of commodities produced on the island, without paying any equivalent for them. And these commodities include all the necessaries of life, on which the twenty thousand families, or one hundred thousand persons, depend for their subsistence. They have accomplished all this in two ways, viz.: first, by persuading the foolish producers to sell them, taking in payment coin, at ten times its actual value; and then, secondly, by declaring a great rise in the price of the commodities after they had purchased them.

SECTION V.

In a short time the hundred thousand people have consumed the small stock of commodities which they purchased of the merchants with the coin; that is, *the ten per cent.* of all the commodities that had been held by the merchants. They are now again on the point of starvation. They go to the merchants again, state their necessities, and desire to make further purchases.

"But," say the merchants, "have you any money to buy with?"

"We have no money," say the starving people; "but each family has ten thousand dollars' worth of other property. This property consists of lands, houses, mills, machinery, etc., etc., which we cannot eat, but which will enable us hereafter to produce wealth enough to pay for the commodities we now need."

"But we sell nothing on credit," say the merchants. "We do only a cash business."

"Well, then," say the people, "to save our lives, we will give you all our property; our houses, lands, shops, mills, machinery, everything, in exchange for food."

And the bargain is struck; and these once rich, but foolish, people are now beggars; because they were such simpletons as to sell all their annual products, including all their necessaries of life, to the fifty swindlers, and accept in payment coin at ten times its real value. These fifty swindlers now own all the property on the island; and they will give their victims the alternative of perishing outright, or working for them as servants, at such prices as they (the employers) see fit to offer; which prices will be the lowest that will keep the laborers in more working condition. The laborers will be suffered to accumulate nothing.

Now it may be that, in actual life, this absolute and complete robbery of a whole people may) not be accomplished in so short a time as has here been supposed. It will, nevertheless, be finally accomplished; and that too very rapidly; and by the process that has now been explained.

SECTION VI.

It is the constant assertion of the impostors who demand restrictions upon money, that such restrictions operate equally and equitably upon all persons, and all kinds of property; that if, by restrictions upon money, one man is coerced into selling his property for a tenth, a hundredth, or a thousandth part of what it is worth, the same restrictions will bring down the prices of all other property in the same proportion; and he will consequently be able to buy all other property at a tenth, hundredth, or thousandth part of its true value; and will thus be compensated for his own losses by being enabled to practise upon others the same extortion or robbery that has been practised upon himself.

Admit, for the sake of the argument, that all this is true, does it afford any justification for the robbery? If a government license A to rob B, is that crime atoned for, and justified by licensing B to indemnify himself by robbing C? And is the crime of licensing D to rob C, atoned for, and justified, by licensing C to rob D? And is this universal robbery justified by licensing universal robbery?

Suppose the government were to license a certain number of revolvers, and authorise each holder of one of them to go upon the highway, and rob any man he could, upon the condition of his giving his revolver to the person robbed, in exchange for the property taken from him. In this case, A, having one of the privileged revolvers, would go upon the highway, and rob B; giving him the revolver in exchange for the property taken from him. B is now, by virtue of being in possession of the revolver, licensed to go upon the highway and indemnify himself for his own loss, by robbing C; giving the revolver in exchange for the property taken from him. C, being now in possession of the revolver, is licensed to indemnify himself for his loss, by robbing D. And so the thing goes on indefinitely; each succeeding holder of the revolver employing it to take from some innocent person an amount of money equal to that of which he himself has just been robbed by a licensed public robber.

This is the kind of justification, *and the only justification*, which these financial impostors have ever proposed, or suggested, for the crime which they would license each holder of money to commit upon his fellow-men.

If the justification would be a good one, in the case of the revolver, it is equally a good one in the case of the money. But if the justification would be a false one, in the case of the revolver, it is equally a false one in the case of the money.

And yet this, I repeat, is the only justification that was ever offered for licensing the robbery.

SECTION VII.

Even if it were true that the reduction in prices, caused by a restriction upon money—(after the restriction had been carried into full effect) — operated equally and equitably upon all persons and all kinds of property, that fact would not at all justify the restriction; since it would not at all justify, or even mitigate, the robbery which *the first holders of the privileged money* would be authorized to commit, and would commit, upon everybody of whom they should buy property at the reduced prices.

To illustrate this point, let us suppose that the raw ivory now in this country,—standing at its true and natural value, as a commodity for use or consumption—is worth one million of dollars. And suppose the government should say to the present owners of this ivory:—

> "Bring it to our mint, and our officers there shall cut it up into three-inch cubes, two-inch cubes, one-inch cubes, half-inch cubes, and quarter-inch cubes, and put upon each cube a government mark, *that shall designate it as money; and we (the government) will then give it back to you*; AND ALSO PROHIBIT ALL OTHER MONEY; and thus license you to extort from all other men their property and labor on such terms as your monopoly of all the money in the country will enable you to do."

What would be the result? Why, according to the theory of these financial impostors themselves, the holders of this one million worth of ivory would be able to extort, in exchange for it, all the other property in the country—say thirty thousand millions worth—or thirty thousand times as much as the ivory was really worth.

But, admitting for the sake of the argument, that they might not be able to extort, in exchange for it, the *entire* property of the country, they would certainly, in one way or another, extort so much of it as would make them practically masters of the country. They would enact such laws as they pleased—laws similar in spirit, and having similar purposes in view, with the law in regard to the ivory money, by which they had obtained their wealth and power. They would either abolish the ivory money, and establish another in its place, better suited to accomplish their purposes; or else they would get the ivory money back into their own hands, by the processes that have already been explained. *At any rate, they would secure to themselves the monopoly of whatever money they suffered to be used. They would certainly suffer no money to be used, except such as they could monopolize*. And having a monopoly of money, and a substantial monopoly of all the other property of the country, they would enact such laws as would secure to themselves and their posterity the control of all the wealth then existing, or thereafter to be created. They would, in short, reduce everybody else, in the country, to poverty, dependence, and servitude; and establish such institutions as would forever keep them there; unless by some great political convulsion, like the French revolution, their power should be overthrown, and their property divided among those whom they had despoiled.

There is nothing extravagant or imaginary in this picture. Its original is found in all the great governments of the world. The form of the thing may have been somewhat different from what has here been described; but the principle in all cases has been the same. A few have combined to rob the many; using money (so far as they had it) and military power, to accomplish their purpose. And money and military power have always gone together. Caesar said that money and soldiers mutually supported each other; that with money he could hire soldiers, and with soldiers extort money. And he and others like him could hire money, in immense sums, in Rome, for their plundering expeditions; when money could not be hired at all, unless by a very few persons, for honest and useful purposes. And thus the Roman Empire was established and maintained. And in the same way all the other great governments of the world have been established and maintained. The chief actors, the ruling classes, have always been mere bands of robbers. When they had become fully organized, and sufficiently powerful, and made sufficient conquests, they have called themselves governments, and then proceeded forever after, in a systematic way, to consolidate and fortify their power, and plunder and enslave everybody, at home and abroad, whom they could subdue. Thus mankind at large have forever been in the hands of such robbers as these.

Take, for example, the case of England. For a thousand years and more, the government of England has been a mere band of robbers; *and is so to-day*. Both the Anglo-Saxons and Normans came into England simply as robbers. They seized the country, or the greater part of it, by military power; reducing the natives, or the larger portion of them, some of them to absolute slavery, others to a state of poverty and dependence that was but one step removed from absolute slavery. Land being, in that barbarous age, the main source—almost the only source—of wealth, it was parcelled out among the robbers; giving to the military leaders—that is to the king, the dukes, earls, marquises, etc.—the larger share. By combining together, these military leaders, and their families, made themselves, in time, the rulers of the country; even to the exclusion of those—and the descendants of those—the common soldiers, who had followed them into the country as robbers. That is, the great robbers—the king and nobility—so called—acting in concert, finally succeeded in robbing even those by whose help their own robberies had originally been accomplished.

This original band of *great* robbers—king and nobility—has been kept strong by the admission of such new members as they have found it for their interests to admit to membership. Constituting themselves the government, they have enacted such laws—such as primogeniture and entail—as secured their lands to their oldest sons, in perpetual succession; and have made these oldest sons the inheritors also of their political power.

In this way, for hundreds of years, a few robbers held control of the greater part of the property, and all the political power, of the nation; making the mass of the people their dependents, serfs, and slaves.

But in process of time—that is, in the seventeenth century—wealth having accumulated somewhat in other hands than those of the nobility, to wit, in the hands of some of the farmers, and some of the residents in the cities—these latter classes, greater in numbers than the nobility, although individually inferior to them in wealth, combined to achieve for themselves, and, after a struggle of seventy or eighty years, succeeded in achieving for themselves an undisputed right to participate with the king and nobility in the government of the nation. This achievement was called a revolution—a revolution in favor of liberty. And it is so called to this day. Nevertheless, from that day to this the government has been as much a band of robbers as it was before. The only difference has been that the number of robbers who compose the government has been increased. But they are still few, as compared with the whole people. And the government is still as much a mere band of robbers as it was three or five hundred years ago.

The object of the robbers—that is, of the government—three and five hundred years ago, was the monopoly of the land; that being, at that time, the chief wealth of the nation. That object was, in great part, accomplished long ago; although the process of concentrating the land in fewer and fewer hands, still goes on. But new sources of wealth—that is, in manufactures—having sprung up within the last two hundred years, the present object of the robbers—that is, of the government—is to monopolize all the wealth that is to be derived from these manufactures. In the pursuit of this object, the monopolists of the land, although a distinct body from the monopolists of manufactures, act in concert with them. This they do because neither party is strong enough, without the help or the other, to keep the rest of the nation in subjection, and in a condition to be plundered. But acting in concert, and mutually supporting each other, both classes are enabled to accomplish their purposes. The monopolists of land are enabled to plunder and enslave the farm laborers; while the monopolists of manufactures are enabled to plunder and enslave the manufacturing laborers. And all the home legislation of the government is now directed to these two ends.

Money being the great instrumentality in manufacturing, the policy of these robbers has been to prohibit all money, except such as they themselves needed, and could monopolize. By prohibitions, or limitations, upon banking, they have made it impossible for the mass of the people to obtain capital with which to carry on any kind of business for themselves; and have thus reduced them to the alternative of starvation, or of selling their labor to these monopolists of money at just such prices as the interests of these latter dictated. And these interests have dictated that the laborers should have no such prices for their labor as would enable them to make any accumulations, but only such as would enable them to live from day to day in the capacity of laborers. They have considered the laborers simply as parts of their manufacturing machinery; and, like their other machinery, to be kept simply in running order. The rights or interests of their laborers, as human beings, are not taken at all into account. In this way the enormous wealth, created by the machinery of England, is all kept in the hands of a few; and these few, acting in concert with the monopolists of land, constitute the government of England at this time, and have no purpose in view but to perpetuate their power in their own families, and to plunder, to the verge of starvation, everybody at home and abroad whom they think it will be safe and profitable to plunder.

And the present monopoly of money in the United States has the same objects in view as the similar monopoly in England.

SECTION VIII.

Another reason why restrictions upon money do not operate equally and equitably upon all persons, and all kinds of property, is this, viz.: that restrictions upon money operate also as restrictions upon *credit*. Their general operation upon credit is to restrict it to the few hands that control the money, and either to abolish it outright, or to make it scanty, unavailable, unreliable, and even dangerous, for all other persons.

Where banking is restricted, the general, the almost universal, rule in business life is, that the men who have control of the money, have a corresponding credit also; while those who have no direct control of money, have no credit. For example, ten men, directors in the same bank, can all safely go into business that requires credit. Their control of money gives them an immense credit; because, for money to meet their engagements, they have to depend upon nobody but themselves; or, what is substantially the same thing, upon each other. To depend upon themselves, or upon each other, is substantially the same thing, because they are all in the same boat. If Director A votes to discount the notes of Director B, he understands that Director B will reciprocate the act, and vote to discount his, A's, notes. But if Director A votes not to discount the notes of Director B, he knows that Director B will vote not to discount his, A's, notes. Thus the mutual dependence of these men on each other, makes their interests in a great measure identical, and thus secures a mutual reliance upon, and fidelity to, each other.

In fact, when banking is restricted, banks are very largely gotten up, not by men who have either money or credit to lend, but by those who wish to borrow, as a means of carrying on their other business. They are therefore gotten up by men who understand each other's business, and are willing to cooperate in sustaining each other's credit. They induce everybody else they can to furnish capital; but they have a mutual understanding, or otherwise take special care, to secure their own election as directors. They thus get control of all, or nearly all, the loanable money in the community. And it is this control of the money of the bank that gives them their credit outside of the bank; that is, in the purchase of property.

When a bank has been once organized, and these directors have once commenced to discount each other's notes, they are necessitated to stand by each other in every emergency, to the exclusion, if need be, of all other persons; because any exigency—as in the case of a panic—is likely to come upon all the directors alike. The solvency of the bank itself is also involved in the solvency of the directors, because they are by far the largest borrowers. In this way these directors protect and preserve their own credit, while the credit of everybody else is let go to ruin.

When a few such companies of men get into their hands a monopoly of all money, that monopoly naturally and necessarily carries with it a substantial monopoly of all credit; at least of all steady and reliable credit. Other men may get occasional accommodations; but no such permanent and stable credit as their business requires, or such as it is at all safe to rely upon.

But when banking is free, and men become bankers in order *to lend money and not to borrow*, each bank selects its customers with a view to their solvency, and the interest their business will enable them to pay. It then furnishes each with all the capital his business requires; and furnishes it steadily and constantly. It does this simply for the sake of the interest he pays on the loans it makes him. The bankers have the same motive to lend their money, that other men have to sell their goods: that is, the motive of profit. The bank becomes in reality a sort of partner in the borrower's business, and continues the partnership so long as the business of the borrower proves satisfactory. In this case, the bank and the borrower mutually rely upon each other, mutually support each other, and mutually contribute to each other's prosperity. And the business, both of the bank and the borrower, becomes safe, stable, and profitable.

SECTION IX.

For the reasons now given, restrictions upon money operate necessarily as restrictions upon the credit of all persons except those who monopolize the money. Restrictions upon credit are of themselves as unjust and injurious as are restrictions upon money; and they operate as unequally and unjustly upon different persons, as do restrictions upon money. They operate to impair, or utterly destroy, the credit of everybody who desires credit, and who, but for the monopoly in money, would be able to obtain it.

Even though it were true, therefore, that restrictions upon money operated equally and equitably upon the prices of all material *property*, they do not operate equally and equitably upon all *persons*; because they serve to give to a few a credit that does not rightfully belong to them, and to impair, or more generally destroy, the credit of everybody else.

SECTION X.

A man's credit—that is, the confidence which other men feel in his capacity to fulfil his engagements—whether it be based upon his material wealth, which can be taken by legal process, and applied to the payment of his debts, or upon his integrity and disposition to pay his debts, or upon his capacity to create the wealth with which to pay his debts—whether it be founded upon any one, or any two, or all three of these bases—*is his personal estate—an absolute legal property*—as really so as are his houses, or lands, or cattle, or horses, or gold, or silver. When founded upon integrity and the capacity to create wealth, it is a most meritorious kind of property, in the highest degree beneficial to the man himself, and to society at large.

With scarcely an exception, every human being, who wishes to make his industry most effective, and most beneficial to himself and society, has more or less need to use his credit. A large portion of mankind are so situated—and that too without any fault of their own—as to be wholly unable to create wealth at all directly for themselves—that is, by any business of their own—unless they can use their credit. To forbid such persons using their credit, is as direct a blow at their rights, their industry, their welfare, and their means of subsistence, as would be a law forbidding men to use their houses, lands, machinery, or any other property whatever.

A man, whose capital consists only of his integrity, and his capacity to create wealth, but who is deprived by law of his right to use his credit, is placed wholly at the mercy of others for his means of subsistence. He is prohibited from all labor, except such as they may prescribe; and is compelled to labor for only such a portion of the proceeds of his labor as it may be for *their* interest to allow him. He is in the condition of a farmer forbidden to use his own farm, or of a mechanic forbidden to use his own tools or machinery. He is in no condition to make any independent contract, or carry on any business for himself. All his rights, as an independent human being, to provide for his own welfare, by the exercise of his own powers, under the direction of his own judgment, and his own choice, are destroyed by the simple destruction of his right to use his credit.

Nearly everybody who wants credit at all, desires it in the shape of money; that being in the form best adapted to his needs, and safest and best for himself, and for everybody with whom he is to deal. And there is no difference at all, in principle, between a law that forbids men to borrow and lend money, and a law that should forbid them to hire and lend houses, or lands, or horses, or carriages, or oxen, or carts, or ploughs, or any other property whatever, which one man may be willing to lend, and another may wish to borrow.

The amount of money that can be loaned is limited only by the material property that can be made into money, by being represented by paper. This amount is practically illimitable, relatively to the needs of the individuals who wish to borrow. So that any man's power to borrow is limited only by the satisfactory security, and the satisfactory profit, he can offer to the lender.

For a government to prohibit all this credit, is to prohibit all the industry that is dependent upon it. For a government to impose limitations upon this credit, is to impose corresponding limitations upon the industry that is dependent upon it. And, I repeat, any prohibitions or limitations imposed by law upon the use of all this credit, are as great a crime and tyranny as would be similar prohibitions or limitations upon the use of any other property whatever.

The history of the world proves that, without the use of credit, there can be no real civilization—that is, no considerable money, or division of labor, employment of machinery, or amount of production, or exchange of commodities, or general distribution of wealth; but that, just in proportion to the freedom of credit, will be the amount of money, the division of labor, the employment of machinery, the amount of production, the exchange of commodities, and the general distribution of wealth.

SECTION XI.

Experience also proves that where credit is most free, it will take the most safe and beneficial forms; and that restrictions, or limitations, only coerce men into the adoption of the most dangerous and least beneficial forms. For example, where credit is free, experience proves that it will very largely, and almost wholly, take the forms of bank credits; that is, the credit which the public give to the bankers, by taking their notes, and the credit which the bankers give to their customers, by discounting the notes of the latter.

These credits—in so far as they are free—and in proportion as they have been free—have been proved by experience[3] to be not only thoroughly safe and stable in themselves—safe and stable beyond all example of safety or stability in other departments of business—but also to communicate their own safety and stability very largely to all other business. And the reasons for all this are obvious; as follows:—

Where banking is free, the property that is capable of being used as banking capital, is so great in comparison with the credit and currency needed, and the competition among bankers in furnishing this credit and currency, is so sharp, that there is no danger that any one company will ever get out so many of its notes as to endanger its solvency. The public, therefore, feel no doubts as to the solvency of the bankers' notes, nor any fears that there will ever be any such thing as a contraction or scarcity of money, or even any important rise in the rates of interest. Business men, therefore, can make safe and reliable calculations for the future, and proceed with perfect confidence to act upon them.

The bankers have no need to keep any considerable amount of coin on hand, because they know that nobody will call for it. They know that their notes will always be equal to coin in the market; that the holders of them will prefer them to coin; that, on an average, at a particular date after

3 As in the case of Scotland from 1765 to 1845.

their issue, the notes will all come back in payment of notes discounted; that this is substantially all the redemption their notes require; and that their banking capital—that is, their houses, lands, or other property that is represented by the notes, and holden for their redemption—will never be disturbed.

All this they know, both from reason and experience; and they conduct their business accordingly. All they receive as interest, above running expenses, is clear profit; and this profit is sufficient to bring into the business enough bankers to fully supply the market at all times; at least so far as the nature of the system can supply it.[4]

So, too, where banking is free, every man who is worthy of credit—at least such is the tendency of things—can get credit at bank; and thus be enabled to make all his purchases for cash. He has no need to buy anything on credit. Consequently the system of cash payments becomes well nigh universal. Men owe nobody but their bankers. Buying everything for cash, and selling everything for cash, business men can always show their standing—that is, their property on hand—to their bankers. The bankers, therefore, are disturbed by no risks of bad debts; and bad debts are things so nearly unknown among them, as to be of no appreciable importance.[5]

Such are the safety and stability of credit and currency under freedom in banking; and such, consequently, the safety and stability of all business depending upon credit and currency.

SECTION XII.

Let us now look at the insecurity and instability of all credit and currency, and of all business depending upon them, where freedom in banking is prohibited. The United States, for the last seventy years, have furnished abundant illustrations on this point. The limitations upon banking have been such as to shut out nearly everybody, except the bankers themselves, from all bank credits. Those of them (except the bankers

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4 The author does not think that the system of banking by the issue of promissory notes, payable in coin on demand, is capable of supplying the market as fully as it should be supplied. And he has, as he thinks, a much better system to propose.

5 Such was the case in Scotland for nearly a hundred years up to 1845.

themselves) who attempted to use their credit at all, were necessitated to use it by buying property on credit. And even the bankers themselves--who were engaged also in other business than banking—were necessitated to make their purchases on credit; and use their bank credit only as subsidiary to their general business credit.

The consequence was that nearly all purchases and sales, by whomsoever made, were made on credit; *without any money being issued* (as in the case of bank credits) *with which to meet the indebtedness*. The merchant, for example, made immense purchases on credit, on the one hand, and then made immense sales on credit, on the other. And the same commodities were sold, on credit, three, four, five, or more times over, in going from the producer to the consumer. Thus, the ox was sold by the grazier to the drover, on credit; then by the drover to the butcher, on credit; then the hide of the ox was sold by the butcher to the dealer in hides, on credit; then the same hide was sold by the dealer in hides, to the tanner, on credit; then, when tanned, the leather was sold, by the tanner to the dealer in leather, on credit; then by the dealer in leather to the shoemaker, on credit; then by the shoemaker to the jobber in shoes, on credit; then by the jobber in shoes to the retailer, on credit; then by the retailer to the consumer, on credit.

Here this ox-hide was sold nine times over, on credit; creating nine times as much indebtedness as there was any occasion for; *and no money was issued in either case, with which to meet the indebtedness*. The consequence was that the amount of indebtedness became so enormous, in comparison with the money in circulation with which to meet it, and each man's indebtedness became so complicated with every other man's indebtedness, that nobody's credit was to be relied on; and the credit of nearly everybody collapsed, simply because the whole body of indebtedness had become too great to be met by the small amount of money in circulation. A few bankers, who had direct control of all the money of the community, might contrive to save themselves; but everybody else (who was in debt)—unless a few who could make great sacrifices of property to save their credit—were ruined.

But if there had been perfect freedom in banking, all this would have been avoided. Substantially all ordinary business credit would have been obtained at bank; and all dealings between man and man would have been cash. *All credits obtained at bank would have been obtained by the issue of an amount of money equal to the indebtedness; money with which the indebtedness could be paid*. The amount of banker's notes put into circulation, as money, would have corresponded precisely, or very nearly so, to the amount due to the banks; would have been legal tender in payment of the notes due to the banks; and would have come back to the bank in payment of the notes due to the banks. That is, the notes issued *by* the banks, and the notes due *to* the banks, would have just balanced each other; and would have been, to all practical purposes, legal tenders in payment of each other; and would have been mutually cancelled by being offset in payment of each other. And no disturbance to any man's credit, and no interruption to any man's business, would ever have occurred. And such calamities as that which has come upon us within the last four years, and all other similar previous ones, would never have been known.

SECTION XIII.

The reader can now see that bank credits—that is, the credit which the public give to the bankers by accepting their notes as money, and the credit which the bankers give to their customers by discounting the notes of the latter—are not only the most abundant, safe, and beneficial credits there are, or can be, but that they are really and substantially the *only* abundant, safe, or beneficial credits there can be.

In truth, practically speaking, it is no extravagance to say *that there can be no other credits than bank credits*. How can there be any other? Certainly no other has ever been invented. Gold and silver coin—even in countries where gold and silver are most abundant—are so scarce as to be of no practical account to the people at large, as a means of credit. And there is no other property, suitable for loans, except the general real and personal property, the houses and lands, horses and cattle, shops, machinery, etc., etc. But the farmers cannot afford to lend their farms, because they want to cultivate them themselves. The owners of houses can seldom afford to lend them, because they want to live in them themselves. The owners of shops, tools, and machinery cannot afford to lend them, because they want to occupy and employ them themselves. But all these men can become bankers,—using their farms, houses, and shops, as banking capital. That is, they can lend their notes for circulation as money, by discounting the notes of borrowers; because they know that the notes they issue will all come back in payment of the notes they discount; and that their farms, houses, and shops—which give them their credit as bankers; which are really represented by their notes; and which, in case of necessity, are held to pay their notes—will nevertheless never—unless from the fault of the bankers themselves—be called for or disturbed.

Bank credits, therefore, being in the highest degree abundant, safe, and beneficial; and being, practically speaking, the only credits there can be; and being, literally and absolutely, the only abundant, safe, and beneficial credits there can be, any prohibitions or limitations upon them are virtually prohibitions and limitations upon all credits; and consequently prohibitions and limitations upon all the industries and traffic that depend upon them; that is, upon nearly all the industries and traffic that men are capable of.

Such prohibitions and limitations are practically prohibitions and limitations upon the credit, and the credit rights, of all those persons who wish to become bankers, and have the property on which to base their credit as bankers; and also upon the credit, and the credit rights, of all those persons who wish to borrow money of the bankers, and who, but for the prohibitions and limitations upon banking, would be able to borrow it.

But to the classes already named—whose rights are involved—that is, the class who wish to become bankers, and the class who wish to borrow of the bankers—are to be added that class who wish to give credit to the bankers, by accepting their notes in payment of commodities they have to sell. *The latter class comprises nearly the whole community*.

For these reasons, prohibitions or limitations upon banking are practically prohibitions or limitations upon the credit rights of substantially the whole community. These credit rights, I repeat, are real, absolute, *bona fide property rights*, as sacred in their nature as men's rights of property in houses, or lands, or as any other property rights whatever. And the abolition or invasion of these credit rights, by a government, is as much a tyranny and crime as would be the abolition or invasion of men's rights of property in their houses, or lands, or cattle, or horses, or grain, or any other property whatever.

And why are all these rights struck down? Rights without which men are capable of nothing beyond a merely savage, barbarous, or slavish existence? For no reason whatever, except to put the property rights of the whole community—their rights to labor, to create wealth, to exchange commodities, and to provide for their subsistence and welfare—at the mercy of a few sharks, and villains, and tyrants, and robbers, who have got control of governments, and wish to suppress all labor, production, and traffic, except such as they themselves can control, and make subservient to their purpose of living, and acquiring wealth, by robbing and enslaving everybody else.

A people, subjected to such tyranny and robbery as this, are elevated but a single step above the condition of chattel slaves. And if, when they understand this tyranny, and the frauds and falsehoods by which it is maintained, they do not liberate themselves from it—at every cost, if need be, to their oppressors—it will be because they have not the spirit, or the courage, that fits them to be men.

SECTION XIV.

That a vast increase in credit and currency—an increase that we cannot measure now—is indispensable to bring industry and wealth to their highest point, will be made more evident by the following considerations, viz.:—

(1) A man's *enjoyable* wealth is measured by the number of different things he possesses, rather than by the quantity of any one thing. Thus a man may have a thousand times as much wheat as he can eat, and yet, if he have no other wealth, he will be a poor man. But if he can exchange his surplus wheat for a thousand other things which he desires, his enjoyable wealth will be multiplied a thousand fold. He will then be rich.

For the same reason a nation is rich or poor according to the greater or less number of different commodities which its people possess. Hence the industry of a nation should be devoted, not wholly to the production of any one commodity, nor to the production of any small number of commodities, but to the production of the greatest variety of desirable commodities, which its people can invent and produce.

But to produce this greatest possible variety of commodities, credit and money are indispensable—such an amount of credit and money as will enable man to go into the manufacture or production of new commodities as fast as they are invented.

A very large share, in fact nearly all, the manufacturing capital, both in this country and in England, is, in large masses, and employed by large companies, that have been long established, and are engaged in the production of a limited variety of commodities. The consequences are over-production of those particular commodities—(not over-production relatively to the needs of mankind, but relatively to their present ability to purchase). The results are low prices and slow sales; frequently such low prices as to suspend production.

The only remedy for this state of things is to introduce a greater variety into our manufactures. And more abundant credit and money are the only means of introducing this greater variety. Old companies, composed of many individuals, employing large capitals, their machinery all adapted to their peculiar kinds of manufactures, and having established commercial connections, cannot easily divert their industry into new channels. In fact, it is practically impossible, and they do not attempt it. So, when they have no market for their goods, they suspend production until the market revives, rather than attempt any thing new. As a nearly universal rule, therefore, it is only young men commencing business, and employing only small capitals at first, who can make experiments easily, and without much risk, and thus introduce new varieties of manufacture. Old men, with large capitals, and established business, rarely think of such things. But every young man, on first setting out in manufacturing business, naturally desires to engage in the production of some commodity that will not expose him to the competition of older establishments. And if he succeed in so doing, it is a most favorable circumstance both for himself and for those who would otherwise be his competitors. Both are relieved from a competition that would have been injurious, and perhaps dangerous, to them. And each acquires a customer, where otherwise he would have found a competitor.

In this way variety in manufacture is greatly increased. And the greater this variety, the loss over-production there will be of any particular commodity, the quicker will be the sales, and the higher the prices of all commodities.

If the industry of a people be but devoted to a sufficient variety of commodities, we need have no doubt, either that there will be a sufficient quantity of each, or that the commodities produced will be of the highest quality. These matters will take care of themselves; since where there is no over-production of any commodity, the active demand for it, and the high prices it will bear, will not only stimulate the industry of those engaged in its production, but will incite them to the acquisition of all the science, skill, machinery, etc., which will enable them to produce the commodity in the greatest abundance, and of the highest quality.

Hence, wherever we see the greatest diversity of industry, there we see the highest skill and science, and the most perfect machinery, employed in every department, and consequently the greatest aggregate production.

Wherever there is little diversity in industry, there is little energy, skill, science, or machinery; and the aggregate amount, neither of labor performed nor of wealth produced, bears any reasonable comparison with that where industry is diversified.

But so great, and so constantly increasing, is this combined power of science, skill, and machinery, in the production of wealth, that unless new commodities were being constantly invented, production would out-run demand, and industry would stagnate. But as Nature has set no limit to human ingenuity, in the invention of new commodities, no limit can be set to the increase of wealth, if only the necessary facilities of credit and money shall exist for producing those new commodities as they shall be invented.

Those who oppose the freest credit, and the most abundant currency, through fear of competition in their own industry, make a great mistake. Such credit and currency, by diversifying industry and production, tend not only to relieve all branches from competition and over-production, but also create new and better markets for every commodity than before existed. The greater the diversity of industry, the fewer will be the producers, the more numerous the purchasers, and the higher the prices, of each particular commodity. Every man, who commences the manufacture of a new commodity, relieves the producers of some other commodity of a competitor, and as a general rule, becomes a better customer for all other commodities than he otherwise would have been.

SECTION XV.

But let us illustrate these ideas a little more in detail. Suppose, then, an island inhabited by ten thousand men, who have no communication with the rest of the world. Suppose them all engaged in the production of wheat. Their implements are sticks and stones; yet with these, by heavy toil, each man produces all he wants for his own consumption: say ten bushels per annum. And suppose the have no other industry, no other food, no other wealth. Each will have wheat enough to eat; But having no other wealth, they will all be poor. They will be the merest savages, so far as property is concerned.

But suppose, now, that these men, by the introduction of science, machinery, and all the mechanic tools and arts, become highly civilized; that each one adopts a separate occupation, and produces a different commodity, from all the others; that each one has all the machinery and capital that are needed to enable him to produce his particular commodity in the greatest quantity, and of the highest quality; that each one produces a commodity that is desired by all the others; that his annual product is equal in value to the annual product of each one of all the others; and that the product of each is so exchanged with all the others, that each one consumes as much of every other man's product as of his own.

These men have now, each and all, ten thousand commodities, where before they had but one. They have ten thousand times as much wealth as they had before – are ten thousand times as rich as they were before – when all produced wheat, and nothing else. And their labor is not half as hard as before; because their machinery does the work; and they simply tend the machinery.

Moreover, a general equality of wealth has been brought about simply by this diversity of industry. That is, each man has a separate industry of his own; an industry whose products are of equal value with the products of each and every other man's industry. Each man sells a ten thousandth part of the products of his industry to each and every one of the other nine thousand nine hundred and ninety-nine men; and he obtains in return, for his own consumption, a ten thousandth part of the products of each and every other man's industry. Instead of being a competitor of any or all the others, each man has actually contributed to the wealth of all the others, by furnishing them with a new commodity for their consumption, and also by becoming a purchaser of his proportionate share of all their surplus productions. Each new industry has given to the men who pursued it the entire control of his own labor, the entire fruits of his own labor, and an equality of wealth with all the others. And each and every of the whole ten thousand men have achieved the highest condition of wealth of which they were capable. And this has all been brought about by the diversity of industry. And, be it specially remarked, this diversity of industry has been brought about by means of the credit and money that has enabled each man to get the capital necessary to establish himself in a separate industry from all the others. Without this credit and money, all this diversity of industry, all this multiplication of commodities, all this increase of wealth, and all this equality of wealth, would have been impossible.

But for this credit and money, these ten thousand men would have remained savages, or little better than savages, for thousands of years together, so far as property is concerned. This we see in Asia, where some seven hundred millions of people – among the oldest, perhaps oldest, of all the peoples on the globe – having a fine climate and fertile soil, have remained in the most miserable condition to this day; with almost literally no money, no credit, no diversity of industry, no machinery, and no wealth. What wealth there is is in very few hands; and the labor of all others goes to the support of these few; and gives even to these few very little that we should call wealth. Although they produce very little clothing, very few houses except bamboo huts, or hardly anything except food, they are probably the most miserably fed people on the globe. Their food is miserable, to an extreme degree, even in times of what they call plenty. But if there comes a drought on any section of the continent, the people perish, not only by thousands, but by tens, and sometimes hundreds, of thousands; because they have no surplus from the last year's crop; no railroads, or adequate means of bringing food from a distance; and no money or other property with which to pay for it, if it could be brought. They introduce no new inventions from abroad, no steam engines, no spinning or weaving machines, no railroads, no telegraphs, no printing presses, no improved agricultural implements, no agricultural science, because they have no money that they can apply to these purposes. The few rich do not introduce these things, because they are satisfied with what they have. Whatever they want in the way of labor, they can get out of the wretched people, for five or ten cents a day; and even this pittance they will pay largely in kind, instead of money. Their gold and silver, of which they have great quantities, the accumulations of thousands of years, is very little used for money; but almost wholly for plate, jewelry, for the gilding of temples and palaces, and for other ornamental purposes. The common current money of the people, so far as they have any, is, in many parts, a small coin, made of some coarse metal, and worth no more than a fourth, fifth, or perhaps a tenth, of one of our cents. In other parts it is a shell, of which it takes from fifty to a hundred to be worth one of our cents.

Thus these Asiatics, who, according to the common course of things, ought to be the richest, or among the richest, peoples in the world, are really among the poorest and most miserable; solely for the want of the credit and money that would enable them to establish new industries, employ machinery, and thus create the wealth they need.

SECTION XVI.

Now there is nothing extravagant in supposing all this to be substantially possible. That is, there is nothing extravagant in supposing that ten thousand different men may produce ten thousand different commodities; and each commodity in such quantity as to satisfy the wants of each one of the whole ten thousand men.

Such is the power of man in inventing new commodities, and such the power of machinery in producing them, that we as yet know nothing of any limit, to the variety or amount of commodities that men can produce.

Certain it is that there are, even now, great numbers of machines that are capable of performing, and that are actually performing, ten thousand times—some of them a hundred thousand times—as much labor as a man can perform with his hands alone; or aided only by such sticks and stones as Nature provides for him to work with.

Take, for example, the spinning machine. The first threads or strings that were ever made, were twisted with the fingers. But how much thread could a woman twist with her fingers, compared with what she can produce by the aid of the spinning machine? I once made an estimate, from the best data I had—imperfect, no doubt, yet approximating the truth—that the spinning machine now enables a woman to produce one hundred and sixty thousand (160,000) times as much thread as he could twist with her fingers. And how much stronger, and better, and more beautiful is that that is made by the machine, than that that was twisted by the fingers.

And what is true of spinning is equally or approximately true of weaving. The first weaving was done by drawing the warp from one tree to another, and then drawing the woof across these threads, over one and under another, by the fingers. How much weaving could be done in this way, compared with what can now be done by machinery? And what was the strength, beauty, or value of the cloth thus woven, compared with the strength, beauty, or value of the cloth now woven by machinery?

And what is true of spinning and weaving, is also true, or approximately true, of sewing. The first sewing was probably done by making the hole with a thorn taken from the thorn-bush; and by then putting the thread through the hole by the fingers. What was the speed, strength, beauty, or value of such sewing, compared with the speed, strength, beauty, or value of that done by a modern sewing machine?

The power of machinery, as compared with that of man, in the manufacture of the metals, is perhaps as great as in the manufacture of fibrous substances, like silk, cotton, wool, and flax. Take, for example, the manufacture of the finest metallic articles, such as pins, needles, springs, and wires. What could a man do, with his hands alone, in the manufacture of these commodities, compared with what is done by machinery? Nothing, absolutely nothing. Or what could a man do, with his hands alone, in the manufacture of the heaviest metallic articles, such as heavy plates, and bars, and rails of iron, compared with what is done by the rollers and trip-hammers of the present day? Nothing, absolutely nothing.

Or what could a man do, with his hands alone, in the manufacture of the article of paper, compared with what is now done by machinery? Nothing, absolutely nothing. And yet, what would the world do without paper? Where would be that knowledge which is now so easily, and in such abundance, spread abroad, and given to mankind at large, if it were not for paper? Little of it would exist, and that little would be confined to a few.

So also of printing. What number of persons, writing with pen or pencil, would be required to transcribe the same amount of matter with that that is struck off by a Hoe printing press?

So also in the transmission of intelligence. What could all the couriers in the world, on foot or on horseback, do in the transmission of intelligence, compared with the telegraph?

In the transportation of men, or freight, what power of man or animals can compare with that of the locomotive? Look at the Asiatics. Two, four, six, eight, or more men are required to carry one man, by means of poles borne on their shoulders. But a single locomotive will carry thousands at once, and with a speed ten or twenty times greater than that of the carriers of men in Asia.

In navigation, too, it is the same. How does the hollow log, or even the bark canoe, of the savage, compare, for purposes of navigation, with the modern wind vessel, or steamship? How even does the row-boat, or the sail-boat, of the barbarian, which must keep near shore, and move only in the daytime, compare with the steamship that stops not for darkness, and crosses the Atlantic in seven or eight days?

What power have the bones and muscles of a man, for any heavy labor, compared with that of the steam engine?

In agriculture it is much the same as in all other departments of industry: that is to say, man's power is comparatively nothing, mechanical power everything. The Indian woman who was here three hundred years ago, would dig a few holes in the ground, with a stick or a stone, and drop in a few kernels of corn, in the hope to raise a few ears to eat with the fish or the game that her husband would bring home. But how does such agriculture as that compare with that of a farmer in Illinois to-day, who, with his heavy teams, will tear up tens, hundreds, sometimes thousands of acres of prairie; plant them by machinery; cultivate them by machinery; reap them by machinery; and thresh or shell their crops by machinery?

But if we would still more fully realize the difference between the science and machinery of the civilized man, and the simple, unaided manual power of the savage, let us ask ourselves what men could do, with their hands alone, towards building the Mount Cenis Tunnel? or laying the Atlantic Cable? or building the Suspension Bridge at Niagara? or the Tubular Bridge across the Menai Straits? or the railroad bridges across the chasms of the Sierra Nevada Mountains?

But it is unnecessary to accumulate evidence on this point. The facts are palpable that man, with his hands alone, can hardly do anything; but be can invent and run machinery whose power of producing wealth is practically illimitable. The real wealth of the world to-day consists not in the material commodities actually accumulated, but in the inventions by which they were produced, and by which they can be replaced, as fast as they perish or are consumed.

Enough has now been said to show that man's merely physical power of producing wealth, as compared with the power of machinery, is not so much even as one to ten thousand; perhaps not so much even as one to twenty, fifty, or a hundred thousand.

Then, too, we know that the power of man to invent new commodities, to be produced by machinery, is practically unlimited. Even now, in the United States alone, ten or fifteen thousand patents are granted annually for new commodities. Many of these are valuable. Some other parts of the world are also inventing commodities that are valuable to us, as well as to the rest of mankind. Large portions of mankind, however, as yet invent nothing new; not from lack of mental capacity, but from lack of money and inducement. Money and credit will sometime become prevalent among those now miserable peoples. Then they will invent and manufacture; and what will ultimately be the variety and amount of commodities, and what the aggregate wealth of the world, no man now can conjecture.

It is safe to say now, that if men can but have the money with which to manufacture all the desirable commodities already invented, and the new commodities as fast as they shall be invented, the number of such commodities will soon become so great, and the wealth arising from their production so equitably distributed, that such things as individual poverty, dependence, and servitude, will be unknown.

SECTION XVII.

It will now be taken for granted that the last three preceding sections have sufficiently established these several propositions, viz.:—

(1) That the wealth of individuals and nations depends upon the number of different things they possess, rather than upon the quantity of any one thing; and that there is no limit to the number of different things we can possess, except the as yet unknown limit to men's power of inventing new commodities, and their as yet equally unknown power of producing them, when aided by adequate science, capital, and machinery.

(2) That if the industry of a people be but directed to the production of a sufficient *variety* of commodities, we need have no fear that there will not be a sufficient quantity of each; since the prices which the different commodities, new and old, will bear in the market, compared with the labor it costs to produce them, will insure the production of all commodities in such proportions, relatively to each other, as are most desired; and will also, if credit and currency be unrestricted, insure the employment of all the capital that is needed, and also the employment of the highest science and skill, and the best machinery, in the production of each commodity; and thus insure the greatest possible amount of each that is consistent with the greatest variety.

(3) That the enormous power of science and machinery, as compared with that of ignorant manual labor, in the production of wealth, teaches us that mere manual labor is life and time wasted; that every man, woman, and child whose labor is to be employed at all in the production of wealth, should be aided by all the science, skill, machinery, and capital, that are necessary to make their industry most effective.

(4) That to equip every human being with all the science, skill, machinery, and capital, that are necessary to make their industry most effective, great amounts of both credit and money are necessary; amounts that can be determined only by those who have credit and money to lend, and those who wish to borrow; and who have the natural right to decide for themselves, in each separate case, whether their capital and labor are likely to be successfully directed.

(5) That all persons, who are engaged in the production of any one commodity, have a direct personal interest that all other persons shall have all the machinery and capital that can be necessary to enable them to produce as great a variety and amount of other commodities as possible; inasmuch as the former class thereby secure the greatest market for their own productions, and also the greatest variety and amount of commodities in exchange for them; whereas all restrictions upon credit and currency have the inevitable effect of restricting industry to the production of a correspondingly few commodities; and, consequently, of producing sharp competitions in the production of those commodities, and low prices for them when produced. Hence a man, who advocates restrictions on credit and currency, in order to prevent competition in his own business, is really advocating the destruction or depreciation of his own markets: the markets on which he depends for the sale of his own productions. As often as he succeeds in killing off one competitor, he will be likely to succeed in killing off a hundred or a thousand customers. The game is an utterly suicidal one. Fools and knaves play at it a great deal; but it is generally the death of them; as has been abundantly demonstrated in the last four years. Men who have advocated contractions or limitations of the currency, in order to bring the monopoly of money and business into as few hands as possible (into their own among the number), have thereby destroyed the industry of their own customers and consumers, and thus annihilated their power to purchase. In this way the contractionists have destroyed their own markets. They seem to have forgotten that every man's power to purchase depends upon his power to produce something himself with which to pay; and that the more money a man has with which to produce his own

particular commodity, the more he will be able to buy of the commodities produced by others.

(6) That the greatest possible diversity of production tends directly to the greatest possible equality of wealth; since the production of each separate commodity gives a separate support to a separate class of producers; and since, also, where perfect freedom of industry prevails—with ample capital everywhere—the different industries will all find their proper levels, in point of profit, relatively to each other.

From the six propositions now stated, we may infer a seventh, viz.:—

That the amount of money capital needed to make every man's industry most effective; to bring into existence the greatest possible variety and amount of commodities, is probably greater than can be furnished by any system of banking by the issue of promissory notes, made payable on demand; and that, consequently, a new system may be found necessary; one that can furnish larger loans, and loans for a longer time, than can be furnished by banks issuing ordinary promissory notes, payable on demand. If such a system should be found necessary, it can be found.

SECTION XVIII.

The effect of a diversity of industry upon the prices of commodities, and, consequently, upon the amount of credit and currency required for producing and exchanging these commodities, is a matter of the highest importance. It can, however, at this time, be treated only briefly, and in a very general way.

To illustrate the principle—or rather the law of prices—let us take the case of the island, heretofore supposed, inhabited by ten thousand men—cut off from all communication with the rest of the world—and all engaged in the production of wheat, and nothing else. Each produces, we will suppose, ten bushels—enough for his own consumption. Let us suppose they have each an equal number of gold, silver, and copper coins, that have the same value as our gold, silver, and copper coins have now. What will be the price of wheat, relative to the coins, among these ten thousand men? Why, it is clear that it will have no price at all. Each man, producing ten bushels, enough for his own consumption, will have no occasion to buy at any price. Consequently wheat will have no price; not even one cent a bushel.

But suppose, now, that one of these ten thousand men—whom we will call Mr. A—leaves wheat-growing, in order to produce some other commodity—say, shoes. He now has occasion to buy ten bushels of wheat, as his only means of subsistence. What will he pay for those ten bushels? Probably not more than one cent a bushel. There are nine thousand nine hundred and ninety-nine wheat growers, and only one purchaser. And he wants only ten bushels. In these circumstances, the purchaser will doubtless be able to buy his ten bushels for one cent a bushel.

But suppose, now, that a second man of the ten thousand-whom we will call Mr. B—leaves wheat-growing, and devotes himself to the production of some new commodity—say, hats. He also has occasion to buy ten bushels of wheat for his own subsistence. What, now, will be the price of wheat among these ten thousand men? Probably two cents a bushel. There being two purchasers, instead of one, and the amount of wheat to be purchased being doubled, the price will doubtless double; that is, will rise from one cent to two cents a bushel.

And suppose, now, that one after another of these ten thousand men leaves wheat-growing, and each devotes himself to a different pursuit from all the others, until only one—whom we will call Mr. Z—remains to grow wheat. This one, we will suppose, has become possessed of such science, implements, and machinery, as to enable him to produce a hundred thousand bushels—enough for the whole ten thousand men—where originally each man produced only ten bushels.

We will suppose, further, that each one of the nine thousand nine hundred and ninety-nine men, who have left wheat growing, has devoted himself to the production of a different commodity from all the others; a commodity that is wanted, in equal amounts, by each one of the whole ten thousand men. And each man, we will suppose, has acquired such science, skill, machinery, and capital, for the production of his particular commodity, that his annual product is equal in value to the wheat-grower's annual crop of one hundred thousand bushels of wheat.

These ten thousand men have now ten thousand different commodities; each commodity having a different producer from all the others; and each producer's annual product having the same value, in the market, with the annual product of each one of all the others. And it is only by exchanging their commodities with each other, through the medium of money, that each and all find their markets for their respective productions.

These men, be it remembered, have now the same amount of wheat that they had at first, and each one consumes the same amount of wheat that he did originally, when all produced wheat, and nothing else. But the wheat is now all produced by one man, instead of being produced by the whole ten thousand men. And each one of the whole nine thousand nine hundred and ninety-nine men, who have left wheat-growing, now produce a commodity, the annual amount of which is equal in value to the hundred thousand bushels of wheat produced by the one remaining wheat-grower.

What, now, will be the price of wheat, relatively to the coins—*whose value, we will suppose, has all the while remained stationary*?

The probability is that, as one man after another has left wheat-growing, and devoted himself to the production of some other commodity, that had an equal value with wheat; and has thus become a purchaser, instead of a producer, of wheat; and has also produced a commodity that has enabled him to buy and pay for wheat —the probability is that the price of wheat has constantly risen at the rate, very likely, of one cent a bushel for every man who has left wheat growing, and become a purchaser, instead of a producer, of wheat; and that, by the time the whole nine thousand nine hundred and ninety-nine men shall have left wheat-growing, and become producers of nine thousand nine hundred and ninety-nine different commodities, the price of wheat will have risen, one cent at a time, until it will now be worth nine thousand nine hundred and ninety-nine cents per bushel; or, to speak in round numbers, one hundred dollars per bushel.

That is to say, the wheat-grower's crop of one hundred thousand bushels is now worth, in the market, ten thousand times (or nine thousand nine hundred and ninety-nine times) more, *per bushel*, when it is all produced by one man, and there are ten thousand purchasers and consumers (or nine thousand nine hundred and ninety-nine purchasers and consumers), than it was when it was produced, ten bushels each, by ten thousand men; or, to be exact, when it was produced by nine thousand nine hundred and ninety-nine men, and when the first ten bushels first found a market at one cent a bushel.

Under this supposition, the wheat-grower's crop of 100,000 bushels, at $100 a bushel, is worth ten millions of dollars ($10,000,000).

And as we have supposed that every other man's annual product is of equal value with the one wheat-grower's annual product, the aggregate value of the whole annual products of the whole ten thousand men will be one hundred thousand millions of dollars ($100,000,000,000).

These astounding figures result necessarily from the fact that these ten thousand men have now ten thousand times as many commodities, and ten thousand times as much wealth, as when all were producing wheat, and nothing else; and from the still further fact (or supposition) that each commodity will have nine thousand nine hundred and ninety-nine times as much market value, relatively to any fixed standard of value, when it has nine thousand nine hundred and ninety-nine purchasers and consumers, and only one producer, as it would have when it had nine thousand nine hundred and ninety-nine producers and only one purchaser, and he a purchaser of only a ten-thousandth part of the whole annual product.

These figures give us some idea of the effect produced on prices by the diversity of industry; and, consequently, of the amount of credit and currency required for producing and exchanging the greatest possible variety and amount of commodities of which men are capable, when they are aided by all the science, invention, machinery, credit, and money that are necessary for the production and exchange of the greatest possible variety and amount of commodities.

The foregoing calculation also explains why it is that the article of food has scarcely any appreciable market value, in those countries—Asia, for example—where nearly all the productive labor of society is devoted to the production of the single article of food; and where there is neither the science, invention, machinery, credit, nor money, that is necessary to enable the miserable people to engage in the production of more than a very few other commodities.

In no part of the world has the diversity and amount of production ever been carried to anything like the point we have supposed in the case of the island, where we have assumed that only one man in ten thousand remained a producer of food, and that all the other nine thousand nine hundred and ninety-nine men were employed in the production of nine thousand nine hundred and ninety-nine other commodities; the aggregate amount of each commodity having the same amount of value, in the market, with the aggregate amount of the wheat-grower's crop of wheat.

But although the diversity of industry has never been carried out to such an extent, and under such circumstances, as would fully and precisely demonstrate the law, we have nevertheless had abundant evidence to establish the principle.

Thirty-five or forty years ago, when the English corn laws obstructed, to a certain degree, the introduction of foreign breadstuffs into Great Britain, although probably more than half the producing population of Great Britain and Ireland were still engaged in the production of food, and although the food produced was of various kinds and large amounts beside wheat, we saw, in the rise of the price of wheat, some indication of the height to which the price would have risen if that had been the only food, and if the diversity and amount of production had been carried to the point we have supposed in the case of the island, cut off from the rest of the world, and inhabited by ten thousand men; and where only one man of the ten thousand was left to produce food.

We also see in Asia a distinct indication of the low price which food will bear in the market, in countries where nearly all productive labor is devoted to the production of food. The amount of food produced is miserably small. Yet it has scarcely any price in the market, because the people produce so little of any thing else, with which to pay for it.

We also see the reason for the low prices—almost no prices—which food formerly bore in Europe, say five hundred, a thousand, and two thousand years ago, and for the low prices which it bears to-day in Eastern Europe, where there are few manufactures, and little productive labor except that devoted to the production of food. We have also seen, in our own country, how the prices of breadstuffs rise, just in proportion as the supply of money enables people to leave agriculture, and go into manufacturing; and thus become purchasers of food, and also producers of something with which to pay for it. We have seen all this, notwithstanding the large portion of our people that have always remained employed in agriculture, and notwithstanding all the agricultural science we have acquired, and all the improved agricultural implements and machinery we have invented, and the practically unlimited amount of cheap and fertile soil that is capable of being devoted to that purpose. We have also seen how the prices of breadstuffs fall, whenever a scarcity of money continues long enough to suspend manufacturing, and drive the manufacturing population to the land as their only means of procuring a subsistence.

All these things indicate to what a height the prices of food would rise, if only one man in ten thousand of our population were engaged in producing it, and if each one of all the other nine thousand nine hundred and ninety-nine persons were engaged in producing something of equal value with the food produced by the ten thousandth person.

It is, however, no part of my purpose here to say that such progress will ever be made in agricultural science or machinery as will enable one man to produce all the food needed by ten thousand men; since we cannot know beforehand what inventions may be made in any particular department of industry. But what I do assert is, that in a great variety of industries—how great we do not now know—one man, aided by science, machinery, and capital, can produce, not merely ten thousand, but twenty, fifty, or a hundred thousand times as much wealth as a man can produce by mere manual labor; and that it is therefore not only possible, but highly probable, that we shall sometime see a variety and amount of production that shall be, on the whole, not only equal, but far superior, to that supposed to have been reached on the island, by its ten thousand inhabitants.

What I further assert is, that if that variety and amount of production shall ever be reached, the law of prices, substantially like that that has now been explained, will apply to the commodities produced; and that the production and exchange of these commodities can be accomplished only by such an amount of credit and money as has now been indicated.

SECTION XIX.

The law of prices—that is, the effect which variety and amount of production have upon the prices of commodities—is of such transcendent importance, as demonstrating the necessity for an indefinite increase of money, that it would be inexcusable to leave it before making it perfectly clear. And as I fear that the last four preceding sections may not have fully succeeded in so doing, I make a further attempt to present the subject in a somewhat different manner. In doing so, I shall be compelled to repeat some of the ideas already expressed.

Suppose, then, the island before mentioned, cut off from all commerce with the rest of the world, and inhabited by ten thousand men; each and all of whom are engaged in the production of wheat, and nothing else; and each of whom produces annually ten bushels, enough for his own consumption. And suppose they have money of equal value with our present dollars and cents. What will be the price of wheat, relatively to the money? Plainly it will have no price at all. Each producing all he wants for his own consumption, no one will have occasion to buy at any price, not even at one cent a bushel.

But suppose, now, that one man, Mr. A, leaves wheat-growing, and becomes a manufacturer of shoes. He now needs to buy ten bushels of wheat, as his only means of subsistence. What will he have to pay for these ten bushels? Probably not more than one cent a bushel. There being nine thousand nine hundred and ninety-nine wheat-growers, and only one purchaser, and he a purchaser of only ten bushels, he will undoubtedly be able to buy his ten bushels for one cent a bushel.

What is now important to be noticed is, that this sale of only ten bushels, at one cent a bushel, *fixes the market value of the whole stock of wheat*—that is, of the whole one hundred thousand bushels, that are produced by the whole nine thousand nine hundred and ninety-nine wheat-growers. This is so because the wheat they themselves consume is now assumed to have the same value, per bushel, as the ten bushels that were sold to Mr.

A. Although, therefore, only ten cents' worth of wheat is actually sold, that sale will be sufficient to fix the market value, not merely of the ten bushels, but of all that is consumed by the wheat-growers themselves. Consequently the whole stock of wheat—one hundred thousand bushels—if it were to be assessed for taxation, for instance—will be said to have a value of one hundred thousand cents; or one thousand dollars ($1,000).

But suppose, now, that Mr. B leaves wheat-growing, and becomes a maker of hats; and has need to buy ten bushels of wheat, as his only means of subsistence. What will he have to pay for them? Probably two cents a bushel. The demand for wheat having doubled, but the quantity not having increased, the price will doubtless double. And both Mr. A and Mr. B will have to pay two cents a bushel.

The sales now amount to only twenty bushels; and. these are sold at two cents a bushel. Yet the price paid for these twenty bushels will fix the market value not merely of these twenty bushels, but of the whole hundred thousand bushels; of the ninety-nine thousand nine hundred and eighty bushels, consumed by the producers themselves, as well as of the twenty bushels sold to Mr. A and Mr. B.

The market value of the whole stock of wheat—one hundred thousand bushels—will therefore be said to be two cents per bushel—that is, two hundred thousand cents in all; or two thousand dollars ($2,000).

As Mr. C, Mr. D, Mr. E, and others leave wheat-growing, and become purchasers of wheat, instead of producers, the price of wheat will rise, one cent at a time, until, when nine thousand nine hundred and ninety-nine shall have left wheat-growing, and become purchasers, instead of producers, of wheat, the price will have risen to nine thousand nine hundred and ninety-nine cents a bushel—that is, to ninety-nine dollars and ninety-nine cents ($99.99) a bushel. For the sake of round numbers, say one hundred dollars a bushel.

And the whole stock of wheat—one hundred thousand bushels—will be worth one hundred thousand times one hundred dollars; that is, ten millions of dollars ($10,000,000).

We have now seen that the first sale of ten bushels of wheat, at one cent a bushel, fixed the price of the whole hundred thousand bushels at one cent a bushel; making the market value of the whole stock one hundred thousand cents, or one thousand dollars ($1,000).

The second sale of twenty bushels, at two cents a bushel, fixed the market value of the whole hundred thousand bushels at two cents a bushel; making the market value of the whole stock two hundred thousand cents, or two thousand dollars ($2,000).

The third sale, of thirty bushels, at three cents a bushel, fixed the market value of the whole hundred thousand bushels at three hundred thousand cents, or three thousand dollars ($3,000). The fourth sale, of forty bushels, at four cents a bushel, fixed the market value of the whole hundred thousand bushels at four hundred thousand cents, or four thousand dollars ($4,000).

On the same principle, the price will go on rising, a cent at a time, as often as one man leaves wheat-growing, and becomes a purchaser, instead of a producer, of wheat, until, when nine thousand nine hundred and ninety—nine shall have left wheat-growing, and become purchasers, instead of producers of wheat, the price of the whole stock will have risen to nine thousand nine hundred and ninety-nine cents—that is, $99,99—a bushel. For the sake of round numbers, say, one hundred dollars ($100) a bushel.

The whole stock of one hundred thousand bushels will therefore be worth one hundred thousand times one hundred dollars; that is, ten million dollars ($10,000,000).

If, now, each one of all these nine thousand nine hundred and ninety-nine men, who have left wheat-growing, shall have become a producer of a separate commodity from that produced by any one of the others; and a commodity that has the same value in the market with the wheat-grower's crop of wheat—that is, ten millions of dollars—the aggregate value of the whole ten thousand different commodities will be ten thousand times ten million of dollars; that is, one hundred millions of dollars ($100,000,000,000).

These ten thousand men have now ten thousand times as much wealth as when they were all producing wheat, and nothing else. By the use of science, machinery, and money, each man has been enabled to create ten thousand times as much wealth as he did when all produced wheat. Wheat is really ten thousand times as cheap—if estimated by the amount of human labor required to produce it—as it was when all produced wheat. Yet if estimated by money, its value has risen to ten thousand times its former value—that is, from one cent a bushel—the price paid for the first ten bushels that were sold—to one hundred dollars a bushel. And the amount of money required by these ten thousand men has risen from ten cents—the amount of the first sales of wheat—to one hundred thousand millions of dollars ($100,000,000,000).

If these calculations are in any degree reliable, they give us some idea of the effect produced upon the prices of commodities by the variety and amount of production; and also of the amounts of credit and money that are needed to bring about the greatest possible variety and amount of production.

They also give us some idea of the interest that all men, who are engaged in producing any one commodity —as shoes, for example—have that all other men should have all the science, machinery, and money that can be necessary to enable them to produce the greatest variety and amount of commodities to be given in exchange for shoes.

These calculations also show what utter fatuity and suicide it is for any man, who produces any commodity for sale, to advocate those restrictions upon credit and money, which tend only to put it out of the power of all other men to purchase, and pay the highest price for, the commodities he has to cell.

SECTION XX.

From all that has now been said—and especially from all that has been said in the last five preceding sections—the following inferences may be drawn, viz.:—

(1) That mankind are capable of creating almost boundless wealth, if they only have the means to work with, to wit, the money and machinery that are necessary to enable them to engage in the production of all new and desirable commodities, as fast as they shall be invented.

(2) That the greater the variety and amount of commodities produced, the nearer will be the approach to a general equality of wealth.

(3) That the rise in prices, resulting from the greatest variety and amount of production, makes necessary such an amount of money as mankind have heretofore had no real conception of; an amount, in comparison with which the sums now in use, either in our own, or in any other country, are the merest fractions, hardly worthy to be mentioned.

(4) That this necessary amount of money can be supplied only by paper, that shall represent property that is in actual use as property, and that can be legally held and made available for the redemption of the paper.

(5) That inasmuch as the great body of mankind are now without property that can be used as banking capital, they are under the necessity to borrow the money that is necessary to enable them to control their own labor, and engage in the greatest variety of industries.

(6) That inasmuch as the greater the *variety* of production, the greater will be the profits of each individual producer, and the higher will be the rate of interest he can afford to pay for his hired capital; and the greater, consequently, will be the inducement which the holders of property will have to use their property as banking capital, and lend their money to the producers of wealth.

(7) That where the greatest variety and amount of production prevail, the amount of wealth created by each individual producer will be so great that all producers can afford to pay very high rates of interest for their necessary capital, if it cannot otherwise be obtained. And when they shall have obtained it, they cannot afford to be otherwise than faithful and industrious in the use of it, and honest in repaying it. They could not afford to be either indolent, negligent, or dishonest, because they would there by lose their credit; the credit on which alone they relied for their capital, and on which their whole power to do business for themselves would depend. This credit would be to them an estate; an estate so valuable that they could no more afford to lose it than men can afford to lose any other estates. For these reasons all persons having the ordinary capacities of mind and body, and skilled in any particular industry, and having known characters for integrity, would be able to borrow the capital necessary to enable them

to control their own industry, and put the whole of its proceeds into their own pockets, except what they should pay as interest.

The credits that should thus be given, in small sums, to a large number of actual producers of wealth, would be far safer and better for the lenders of money than those that are now given, in large amounts, to a small number of employers. For example, it would be far safer and better for the bankers to lend a hundred thousand dollars, in sums of a thousand dollars each, to a hundred different men, actual producers of wealth, than to lend the whole hundred thousand to a single employer. Each of the hundred laborers could afford to pay a much higher rate of interest for a thousand dollars, than the one employer could afford to pay for the whole hundred thousand. Each of the hundred laborers would also be much more likely to repay his one thousand dollars, than the one employer would to repay his hundred thousand. So that, in point both of profit and safety, it would be far better for the bankers to lend money, in small amounts, to a large number of laborers, than in large amounts to a small number of employers.

That the hundred loans, of one thousand dollars each, to the hundred laborers, would be much safer than the one loan, of a hundred thousand dollars, to the one employer, will more fully appear from the following considerations:—

The hundred laborers would be free of all debts except the single one which each would incur for his hired capital. They would then buy everything for cash, and sell everything for cash. This would make all business safe. The single laborer, with only a thousand dollars capital in hand, and depending upon his own labor alone for success, would be dazzled by no such visions of sudden wealth, and would have no such temptation to run risks, or indulge in extravagant living, as has the one borrower of a hundred thousand, who depends upon the labor of others for his income. The laborer would also work under the constant stimulus of knowing that a single year's success would give him such a return, over the cost of living, as would enable him afterwards to borrow his capital at a low rate of interest, even if he had been compelled to pay a high rate for it at first. He would also work under the constant stimulus of knowing that the whole proceeds of his labor, except what he should pay as interest, would go into his own pocket, and not into another's, and that in a very few years he would be independent.

If it should be said that manufacturing industry can be carried on more economically in large establishments, under the guidance of a single mind, than in numerous small establishments, each under a different control from all the others, the answer is, first, that an indefinite number of small but useful commodities are being constantly invented, which large establishments will not attempt to manufacture—at least until a large demand for them shall have been created—but which can be manufactured advantageously by single individuals, single families, or small partnerships; secondly, that where large establishments are really necessary (if there are such cases) an abundance of loanable capital facilitates the formation of such associations of actual laborers as are needed for the work; thirdly, that there will always be a vast number of small industries, which it would be folly to attempt to carry on by large establishments, and which must forever remain in the hands of single individuals, single families, or small partnerships; and fourth, if we admit that there will always be large establishments, in which the labor will be done by wage laborers, these laborers will be able to obtain much higher wages in consequence of the great diversity of industry, the great demand for their labor, the ease with which they can hire capital for industries of their own, and from their consequent freedom from any necessity to sell their labor to others.

(8) Still another inference to be drawn from all that has now been said, is that the holders of all property that is suitable for banking capital, and especially all holders of real estate, have a great inducement to use it as banking capital, and to lend their money to the actual producers of wealth. Take farmers, for example. By using their farms as banking capital, and lending money to mechanics, they not only get an income as money lenders, but they create, at their own doors, the best possible markets for their agricultural products; and also get in return the greatest possible variety and amount of manufactured commodities.

SECTION XXI.

We can now see something of the absurdity of the pretence that restrictions upon money operate equally upon all persons, by operating equally upon the prices of all commodities. Instead of doing so, they make any great diversity of industry impossible. Where there is little money, there can be little credit; generally no credit at all for the great body of mankind. And where there is no credit for the great body of mankind, there is no one to engage in the production of new commodities; and few or none will be invented. The few who have capital will employ it in the production of a very few commodities; mostly such as they desire for their own consumption. In the production of these few commodities, they will give such employment as they choose to those who, being unable to get capital, are compelled to sell their labor for whatever the capitalists choose to pay. This pay will be small, from two causes, viz., first, where there is little diversity of production, the commodities produced will bear scarcely any price; and the employer can therefore afford to give only a merely nominal price to his hired laborers; and, second, because where there is little diversity of industry, and no credit, there will be always a great class of destitute persons who will be necessitated to sell their labor from day to day, for any mere pittance that will enable them simply to preserve their lives.

The system, therefore, of no credit, and no money, or even the system of little credit, and little money, necessarily condemns the great mass of mankind to perpetual poverty. Producing nothing directly for themselves, they will never have anything to sell except their labor, and that they will be compelled to sell for the smallest pittance that will sustain life. But with abundant credit, and abundant money, these otherwise helpless, destitute people will be enabled to engage in the production of an immense variety of commodities; and, with the aid of science and machinery, will produce immense quantities of each. They will increase the aggregate wealth of the world to a hundred, a thousand, ten thousand, perhaps even a hundred thousand times what it would otherwise be; and this wealth will be distributed among the producers, with some near approach to equity and equality.

SECTION XXII.

But it is not necessary to go to any supposed case, or to any extreme case, to show the utter falsehood of the pretence that a diminution of the currency affects the prices of all commodities alike; and that, consequently, there is no injustice done to any one by such diminution. The history of the currency in our own country, for the last fifty years, and more especially for the last four years, puts an extinguisher upon all pretences of that kind.

At no time within the last fifty years have we had much more than a mere fraction of the credit or currency that was needed, to set in motion the greatest amount of machinery, or to enable our people to engage in the greatest variety of industries, or to produce the greatest amount of wealth. Yet we have at times had enough to raise industry considerably above its lowest level, and to give us, for a while, something which, in our ignorance of what we might have had, we called prosperity.

For example, in 1872 we had perhaps a state of as great industrial activity as we have ever had. This activity was maintained, in part, by the amount of currency we had—say, eight hundred millions of dollars, or, making allowance for its depreciation, say seven hundred millions of dollars—and for the rest by the aid of private credit given between man and man, in the purchase and sale of merchandise. Owing to the scarcity of currency, and to the consequent impossibility of cash payments, this private indebtedness between man and man became enormous; so great, in fact, that the small amount of currency in existence became utterly inadequate and unreliable as a means of payment. The consequence was the utter collapse of substantially the whole fabric of credit. Each man's solvency or insolvency had become complicated with, and dependent upon, the solvency or insolvency of so many other men, that, in 1873, the credit of immense numbers of men, whose credit had been good six months before, failed all at once. In the panic that followed, the money lenders withdrew their money from circulation; not knowing whom to trust; or not choosing to trust anybody. *This withdrawal of the currency from circulation was, for the time, as real a contraction of the currency, as though the money thus withdrawn had been struck out of existence.*

The question now is, Did this contraction of the currency, and the consequent fall in prices, operate equally upon all prices and all commodities? The answer is, No: unqualifiedly no.

In the first place the employers of manufacturing labor nearly all suspended operations, turning their laborers out of employment. What, then, was the effect of the contraction of the currency upon the great army of manufacturing laborers, whose only wealth was their daily labor? This labor was as much a commodity in the market as was corn, or cotton, or wool, or iron. Did their labor fall in price only in an equal proportion with all other wealth? Not at all. Instead of its falling proportionately with all other wealth, its entire value was suddenly annihilated, while all other wealth retained a greater or less portion of its previous value. Thus these producers of wealth at once lost their all—the proceeds of their daily labor—while others lost at most but a part of their wealth.

Will it be any compensation to these laborers, who have met with an entire loss of one, two, three, or four years' labor, to say to them, "If your labor should ever be in demand again, it can be only at low prices, but everything else will then be low, and what you will then lose in the price of your labor, you will gain in the low price of everything you will have to buy"? No, that will be no answer at all; since it will do nothing towards bringing back the value of their labor that has been lost during the years of idleness.

If, then, only these laborers had been wronged, by the contraction of the currency, it would be absurd to say that contractions of the currency operated equally and equitably upon all persons, and upon the prices of all commodities.

But these laborers are not the only persons wronged. The great body—or at least a very great body—of their employers were also wronged. These employers had been doing business largely on credit; and depended on the speedy sale of their commodities for the means of meeting their engagements. But the contraction of the currency and the general collapse of credit made it impossible for them to sell their commodities, unless at such low prices as to cause their bankruptcy. A man who owed fifty thousand dollars, and who had goods to the amount of one hundred thousand (reckoned at previous prices), and who consequently considered himself worth fifty thousand over and above his debts, all at once found that his goods had fallen fifty per cent. in price; that it would therefore take his whole stock of goods to pay his debts; and that, instead of being worth fifty thousand dollars, he was no longer worth a cent.

Did the fall in prices operate upon everybody else in the same way, and to the same extent, as upon this man? No. And will it be any compensation to this man, who has thus been ruined—who has neither capital nor credit left with which to start business again—to say to him, "If business should ever revive, the prices of everything will be low, and it will not require so much capital or credit to do business as it did before"? If such should be the fact, it will be of no advantage to him, for he will have neither much nor little capital or credit with which to take advantage of the low prices.

Next comes the class of merchants who were doing business in part on credit. If a merchant of this class had a stock of goods worth, at former prices, a hundred thousand dollars, on which he owed fifty thousand, the fall in prices sweeps away his whole stock.

Is it any compensation to this man to say to him, "The prices of all commodities will be lower hereafter; and it will not require so much capital or credit to do business as it has heretofore done"? No. His capital and credit are both gone, and high and low prices are no longer of any consequence to him.

Next come the holders of real estate, on which there are mortgages. This real estate, we will suppose, is in property usually rentable; such as houses, stores, shops, and factories. One of these buildings, we will suppose, was built with a special view to be rented. It cost a hundred thousand dollars. The builder put into it fifty thousand dollars of his own money; and mortgaged it for fifty thousand more. In prosperous times it rents for enough to pay the interest on the entire cost. But owing to the lack of currency, the excessive indebtedness of business men, and the consequent panic, and contraction of the currency, all manufacturing business stops, and commerce stops. The business of the occupant of the building fails. He cannot pay his rent. The proprietor depended upon his rent to enable him to pay the interest on his mortgage, and perhaps also for his own means of living. But losing his rent, he is unable to pay his interest, and has nothing to live on. The interest accumulates; taxes and insurance must be paid. Interest, taxes, and insurance are eating the building up. And as it is with this one building, so it is with half of the buildings in the cities. All real estate falls fifty per cent. The owner of this particular building is compelled to let it go to pay the mortgage. The mortgagee gets it at half its value. The mortgagor has lost the fifty thousand dollars of his own money, that he put into it. This property was his all. He is a ruined man. Will it be any compensation to him to be told that at some future time business will start again; that all prices will then be lower; and that the mortgagee, who took his building at half its value, will then be able to get an income from it?

Still another class of persons were lenders of money. They were widows, orphans, old men retired from business, laboring men and women who had made some small accumulations. They had loaned their money to manufacturers and merchants. These manufacturers and merchants became bankrupt; and their creditors lost the whole, or a large part of their dues. Will it be any compensation to these persons, who have lost their money, to tell them of the lower prices that are to prevail hereafter?

Another class of persons invested their money as stockholders in new enterprises; in the building of new factories and railroads. The sums individually contributed were small; but making a large aggregate. All at once, from the causes before mentioned, business stops; their factories and railroads cannot be completed. Their investments are a total, or at best a partial, loss. Will the low prices that are promised them hereafter be any compensation for their losses?

Still another class of persons—old men, widows, orphans—have their property invested in the stocks of manufacturing companies of various kinds. They depend upon the earnings of these stocks for their subsistence. But business stops; their incomes are cut off; and they are deprived of their means of living. They are perhaps compelled even to sell their stocks at one-half of their real value. Of what use to them are the low prices that are to come, if at all, at some future time?

The cases now stated show how utterly false is the pretence that the fall in prices operates equally upon all, and therefore injures no one.

Even the low prices, which, it is promised, are to come hereafter, will, if they should come, do nothing towards making good their losses. The low prices will attach as much to everything these ruined men shall ever have to sell—whether it be their labor or their other property—as to everything they will have to buy. Of what benefit, then, can low prices be to them? They will not compensate them for a single cent of all their losses.

But above and beyond all this, comes the objection, that there are never to be any low prices, except upon the condition that one class of men—those who have already robbed all the classes now mentioned—are to continue, by their monopoly of money, to rob them forever after, by getting their labor and property for less than they are worth. The low prices that are promised, instead of operating as a compensation for past robberies, are in reality only the means by which the ruined classes are to be forever robbed hereafter.

SECTION XXIII.

But suppose the currency to be *permanently* contracted to the lowest amount to which the monopolists themselves could agree or wish to contract it; say, in this country, to five hundred millions of dollars ($500,000,000). And suppose that every-body who could be ruined by the contraction, was ruined; and that everything was then to start upon a new basis, and a new scale of prices. It would be utterly false to say that the low prices would *thereafter* operate equally and equitably upon everything and everybody.

In the first place this sum ($500,000,000) would be only twelve and a half dollars each, for the whole people—calling the population forty millions (40,000,000).

In the second place this money ($500,000,000) would all be in a few hands—say in fifty thousand. These fifty thousand money holders would average ten thousand dollars each; some of them having much more, and others much less, than this amount.

These fifty thousand money holders would be only an eight-hundredth part of the whole population. Therefore, only one person in eight hundred would have any money. If we wish to know what this eight hundredth man would do with his money—surrounded, as he would be, by seven hundred and ninety-nine persons who had no money—and few or none of whom would have any other property—our own knowledge of human nature, as well as the history of mankind, will give us the answer.

He will give only such employment as he pleases, and give it only when he pleases, to the seven hundred and ninety-nine persons; and will give it only at such wages as he chooses to pay. If they can preserve their lives, on the wages he pays them, well; if any of them should perish—as many of them would—it will be a matter of indifference to him.

If any of these moneyless men should chance to have any kind of property—other than their labor—to sell, they can sell it only to him who has the money; since he alone will have anything with which to pay. He buys it, therefore, at his own price. If he should ever have anything to sell, he will sell it only at his own price, because he will not be compelled to sell, and will have no competitors in selling. He will therefore fix his own price on everything he buys, and on everything he sells, because he will have no competitors either in buying or selling.

Does any one suppose that, in this state of things, the low prices will operate equally and equitably upon everybody and everything? Or that whatever any one may lose, in the low price of his labor, or of any other property, he will be sure to gain in the low price of everything he buys? And that therefore no one will suffer any wrong from the low prices? No; these moneyless men will have to sell their labor and everything else at the lowest prices, and buy everything at the highest prices, which the one money holder may choose to fix on everything he buys and everything he sells.

SECTION XXIV.

But suppose that, instead of reducing the currency to five hundred millions, it be raised to one thousand millions, *and that it be permanently fixed at that amount.*

And suppose that this sum, instead of being distributed among fifty thousand persons in sums averaging twenty thousand dollars each, is distributed among one hundred thousand persons, in sums averaging ten thousand dollars each.

And suppose the whole population to be fifty millions, instead of forty millions.

One person in five hundred—instead of only one in eight hundred—will now be a money holder.

What will this five hundredth man—or rather, what will these one hundred thousand men, now do with their money?

We have already seen, both in this and other countries, what they will do with it.

They will control all commerce and all manufactures. They will, in the first place, buy at the wholesale all breadstuffs. And they will buy them at their own prices, because they alone will have the money with which to buy them—as the farmers wish to sell them—at the wholesale. Having thus got possession of all there are in the market, they will sell them at retail to consumers. And they will command their own prices for them, because they will have possession of all there are to be sold.

They will also buy at the wholesale all the raw materials that are to be manufactured; the cotton, the wool, the hides, the iron, and so forth. They will buy these at their own prices, because they will have no competitors in buying them. They will then buy at their own prices all the labor that is necessary to manufacture all these raw materials into commodities for consumption. They will buy all this labor at their own prices, because they will have no competitors in buying it, and also because the laborers themselves will have no alternative but to sell it at such prices as are offered, or starve.

These money holders will then sell all these manufactured commodities at their own prices, because they will have no competitors in selling them. Nobody but themselves will have any to sell.

Thus these money holders will have all power in their own hands, both in buying and selling. They will have no competition except among themselves. And they will of course buy everything at the lowest prices at which they can agree among themselves to buy them; and will then sell everything at the highest prices at which they can agree among themselves to sell them. They will rob everybody of whom they buy; and they will rob everybody to whom they sell. There will be no equity, equality, freedom, or justice in any of their transactions.

And this robbery will go on, and keep the mass of the people in hopeless poverty, so long as the volume of currency remains fixed at the one thousand millions. It will do so because the holders of the money, knowing the power it gives them over everybody else, will never suffer it to go out of their hands, except where they know that it must certainly come back to them. Thus the merchant will never pay out his money, except for those things which, he knows, somebody must or will buy of him, and bring back his money in payment. If, for instance, he buys up all the breadstuffs, it will be because he knows the people must then bring back his money, or starve. The manufacturer will part with his money only to buy such materials and such labor as will enable him to produce some commodity, which, he knows, poor people must, or rich people will, buy of him; and in payment of which they must bring back the money he parts with.

In this way the holders of money will forever keep in their own hands the power to rob everybody else. This we see in England. By the restrictions upon banking, the great laboring class are deprived of all possibility of getting capital to do any business for themselves. They are therefore compelled to sell their labor to the few money holders, at such prices as the latter see fit to give. They are also necessitated to buy of the same class the few necessaries that keep them alive, and pay for them whatever prices the holders choose to demand. They can get nothing beforehand. Their Saturday night's wages are the largest sums they ever handle; and these are so small as to sustain them only from one Saturday night until the next. All the products of their labor, above these pittances, go into the pockets of the holders of money, who thus rob them systematically and constantly, within an inch of their lives.

Financial Imposters

No. IV.

Pretexts for the Fraud

SECTION I.

In the preceding pages[1] I have endeavored to set forth, as clearly as possible, and in great detail, the causes of all the financial troubles that have been experienced in this country and in England, more especially within the last hundred years; or since the principles of a *solvent* paper currency can be said to have been so fully tested and demonstrated that there could be no valid excuse offered for any restrictions upon it.

I think abundant proof has been given that the true, and only real, motive, that any class of persons have ever had for imposing restrictions upon such a currency, has been the one that has been so fully set forth, viz.: that, by restricting the amount of money, the holders of the licensed money would be able to extort, in exchange for it, more of other men's labor and property than the money was really and truly worth.

But inasmuch as some persons, while evidently or avowedly advocating restrictions from the motive already mentioned, have attempted to give other reasons—or at least corroborative reasons—for the restrictions; and inasmuch as some persons may possibly have been deceived or puzzled by them, I have thought proper to notice them; although I consider them so shallow as to be in reality more pretexts, intrinsically unworthy of notice.

1 Including the treatise on *"What is a Dollar?"*

One of these reasons is this, viz: It is said that, however many promissory notes, or other pieces of paper, there may be flying about, from hand to hand, and promising to pay money; and however solvent these notes may be, they at best represent only so much real wealth as actually exists; that there is, therefore, no more real wealth in existence than there would be if the notes were not issued to represent it; that, for example, if a man has a thousand bushels of grain, and issued a thousand notes, each promising to deliver a bushel of grain on demand, these notes do not at all increase the amount of grain; that the man has, in reality, only a thousand bushels of grain; and that the notes add nothing to the quantity there was before the notes were issued.

One answer to this argument is this: Admitting that if notes were issued, representing all the material wealth of the world, there would be no more actual wealth than if there were no notes representing it, still these notes serve the all-important purpose of getting this wealth—or so much of it as is necessary—into the hands of those who most need it, and who will also make the best use of it; whereas, but for these notes, the wealth would remain in the hands of those who have little use, or no use, for it; that much of it would very likely perish unused; while those who do need it, and would make good use of it, would suffer, or perish, for the want of it.

To illustrate this principle, suppose that all the money in the world were at once to fall into the hands of one man, Mr. A.B. There would be just as much wealth as though it were divided equally among the thousand millions, or more, of people on the globe. But what could he do with it? He could neither eat all the food, live in all the houses, nor cultivate all the lands. The food would rot, the houses go to decay, the lands remain uncultivated; while the thousand millions of people would stand idle and starving. A few, to save their lives, would become slaves; the rest would perish. But if all this wealth can be distributed, in small amounts, to all who need and can utilize it, they will not only preserve their lives, and be made comfortable and happy, but will be enabled to work, and create new wealth, not only equal in amount, but much greater in amount, than that which they consume; and thus, not only perpetuate the race, but make it prosperous and happy.

This illustration shows that the real value of all wealth consists not simply in its amount, but in its distribution among those who need it, and who can use it to create more wealth for the preservation and benefit of mankind.

To say, therefore, that notes, representing the wealth we have to-day, would, of themselves, add nothing to the amount of that wealth, is no argument against the notes, if they will but contribute to the distribution of that wealth among those who need it for their subsistence, and who would add to it by their labor; but who, without it, would suffer or perish.

But another answer to the argument that notes, representing the existing wealth of the world, do not directly, and of themselves, add to the amount of that wealth, is this, viz., that notes, representing actual wealth, and circulating as money, constitute a new and additional *use* of that wealth; and thus increase its *value*, even though they do not increase its material bulk, or quantity.

The value of each and every kind of wealth depends upon the number and importance of the different uses that can be made of that wealth. If, for example, a particular article of wealth be susceptible of but one use, that use will give it one value; if of two uses, the second use will give it still another value; if of three uses, the third use will give it still another value; and so on. Thus the sun has one value for its use in giving us light; still another value, for its use in giving us heat; another value for its uses in causing the growth of plants, and thus supplying us with food. The atmosphere has one value for its use in supplying our lungs with one of the necessaries of life. It has another value as a power for propelling mills and ships. The rivers have one value as furnishing us water to drink. They have another value for their uses in irrigating our fields; still another as a power for moving the wheels of our mills; still another value as supplying us with fish as an article of food; and yet another value as a means of transportation or navigation. Each of these different uses, which the rivers serve, adds to their value; though they all add nothing to their bulk or quantity.

On the same principle, the fact that our material wealth--our houses and lands, for example—can be represented by notes, or other contracts, on paper, and thus made to furnish all the credit and currency that industry and commerce need, adds a new value to these houses and lands by making them serve new uses, of the highest importance, in addition to what they did before; although the notes add nothing to the mere bulk or substance of the houses or lands themselves.

SECTION II.

One of the most shameless pretences that any set of men over resorted to, to hide their own crimes, or to throw the responsibility of them upon others, is the one which the money monopolists resort to, to hide their responsibility for the financial panics that frequently occur and the long periods of industrial depression or stagnation that follow them; such panics, for example, as that of 1873, and such industrial depressions and stagnations as have followed it.

They profess to be at a loss to account for them. Sometimes they attribute them, conjecturally, to one cause, sometimes to another; but they are always very certain that they do *not* proceed from any lack of money. This cause, which is so palpably the true and only one, is the very one which they are perfectly sure is *not* the true one.

Thus they say that the panic of 1873 could not have proceeded from a want of money, because there was then as much money in circulation as there was, say, five years before, in 1868. This pretext rests upon the assumption that, as wealth and population increase, *no increase of money is necessary!* Whereas our national wealth has usually doubled in about ten years. This would require that the money be doubled in the same time; and, consequently, that it be increased some thirty or forty per cent. in the first half of the ten years. Yet because there was as much currency in 1873 as five years before, in 1868, these men say the panic of 1873 could not have proceeded from any want of money.

But this is not all. It is probably entirely within bounds to say that, in 1804, there were twelve hundred millions of dollars in circulation. This included greenbacks, bank notes, fractional currency, government certificates, government bonds of small denominations, etc., etc.[2] And this circulation was confined wholly to the Northern States; which contained, at that time, not more than twenty-five millions of people. This would give *forty-eight* dollars *per capita* to the population of those States. This amount of money was sufficient to make business very active *in those States*; that is, among twenty-five millions of peoples.[3] And it enabled nearly all of this business to be done either for cash, or on credits not exceeding thirty days.

So long as such a state of things should exist, no panic in credit could occur; since panics in credit arise, not from cash payments, nor from thirty day debts that are promptly paid when due, but solely from great accumulations of indebtedness, and the inability of men to pay their debts when due.

But immediately after the close of the war, this mass of money—in consequence of the improved credit of the government, and the provision for converting the currency into six per cent. bonds—rose at once to double its former value. This doubling of its value made money still more abundant than it had before been. The immediate consequence of it was extra-ordinary industrial activity *in the States before mentioned;* business being still done for cash, or on short credit; and of course done safely.

But at this point—that is, in 1865—several causes tending to a final scarcity of money began to operate. One of these causes was the funding operation, by which the actual amount of circulation was gradually reduced, until, in 1868, there was, I think, not more than eight hundred

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2 Prof. Sumner says: "Mr. Spaulding reckons up the paper issues which acted more or less as currency, on January 30, 1864. at $1,125,877,034. 812,000,000 bore no interest." Sumner's *History of American Currency*, p. 208.

As the war expenses of 1864 were much greater than those of any previous year, I think the issue of the various kinds of paper that served as currency, including the notes of the additional banks that were created in that year, must, in the course of the year, have raised the amount to at least $1,200,000,000. I had myself supposed the amount to be considerably greater, and have now little doubt that it was so.

3 But we should consider that of these twenty-five millions, one million or more of the producing class—representing, as producers, five millions of the population—were in the army. If we leave these five millions out of the account, we shall then have left but twenty millions of people, to employ the $1,200,000,000 of currency. This would give sixty dollars *per capita* to the population.

millions in circulation; that is, not more than two-thirds as much as there had been in 1865, only three years before.

But this reduction of the circulation to two-thirds its former amount was not all. A new population of about nine millions—that of the Southern States—had to be supplied out of these eight hundred millions. In the course of three years, that is, from 1865 to 1868, this population must have absorbed a very important percentage—perhaps fifteen or twenty per cent.—of the whole circulation.

Then a million or more producers—representing five millions of the population—were, in 1865, discharged from the army, and returned to productive labor.

In addition to this, the new States and Territories west of the Mississippi increased very rapidly in population. Great mining and railroad enterprises were also undertaken within them. This population, and these enterprises, called also for large amounts of money. The whole country was also rapidly increasing in population and wealth, during these three years, calling, of course, for a corresponding increase, instead of a contraction, of the currency.

Thus we see that all these causes working together, to wit, the contraction of the amount of currency from twelve hundred millions to eight hundred millions; the supplying a new population of nine millions in the Southern States; the return of the soldiers from the army; the supplying the population of the new States and Territories of the West; and the general increase of population and wealth—all occurring in the course of those years—necessarily tended to produce a great scarcity of money.

If, in 1864 or 1865, the twenty-five millions (or more properly the twenty millions) of people in the Northern States needed $1,200,000,000 of currency, the thirty-seven millions of people in the whole country needed, in 1868, $2,000,000,000 instead of only $800,000,000.

Nevertheless business went on prosperously, as we call it, until 1873. But how did it go on? Why, the great contraction, and consequent scarcity, of the currency, put an end to the practice of cash payments, and short credits, and forced men into the practice of buying and selling, not only on credit, but on much longer credits than had prevailed from 1865 to 1868.

This practice went on for five years, until, in 1873, the mass of private indebtedness had become so enormous that the eight hundred millions of money was wholly inadequate to sustain it; and the whole fabric of credit broke down.

And so soon as this great fabric of credit broke down—*or so soon thereafter as possible*—the holders of the eight hundred millions withdrew large portions—*probably more than half of it*—from circulation, and hoarded it;[4] thus reducing the actual circulation, in 1875, 1876, and 1877, *probably to four hundred millions of dollars!*

And even these four hundred millions did not move quickly, as they had previously done, owing to the fear, which every man felt, that if he parted with a dollar that he had, he might not get another to meet his necessities.

Thus the twelve hundred millions, which, in 1861 and 1865, had given such activity to the industry of twenty and twenty-five millions of people,[5] had, from 1873 to 1877, dwindled down to four hundred millions for forty-five millions of people; the present population of the whole country.

The following is probably no more than a fair statement of the comparative supply of currency, *per capita*, in 1865, and from 1873 to 1877. In 1865, twenty-five million of (Northern) people had $1,200,000,000 of currency; or forty-eight dollars, on an average, for each one of the population. From 1873 to 1877, forty-five millions of people had, *in actual circulation, not more than four hundred millions, or less than nine dollars, on an average, for each one of the whole people!*

Here, then, in twelve years certainly—from 1865 to 1877--if not in the nine years from 1865 to 1873—was a reduction of circulation from $48 to less than $9 *per capita*, of the population; a reduction of more than four-fifths!

And yet the impostors and tyrants who have brought all this ruin upon the country, say that it could not have proceeded from any contraction of

4 For the reason, as they said, that they did not know whom to trust.

5 That is, the people of the Northern States, who, up to 1865, had employed the whole of the currency.

the currency! Because, say they, there was as much currency in circulation in 1873 as in 1868!

Because, in spite of the contraction that had taken place up to 1868, the industrial classes attempted to go on as long as they could, and in the only way that was left to them—that is, by buying and selling on credit, and on long credits—instead of by cash payments and short credits—and thus, *in five years*, brought on such an accumulation of indebtedness as caused the panic of 1873, these men say that the panic could not have been caused by the contraction!

But let us recapitulate somewhat. In 1865, as we have seen, the Northern States had not more than 25,000,000 of people. And these same Northern States had, at that time, as we have supposed, $1,200,000,000 of currency, or $48, *per capita*, of the population. All was prosperity and safety, because that amount of currency enabled all business to be done for cash, or on short credits.

In 1877, the whole country has at least 45,000,000 of people. If they had the same amount of currency *per capita* that the Northern States had in 1865, they would now have $2,100,000,000. And if the amount of currency *per capita* that we had in the Northern States in 1865, had been kept good throughout the country during the last twelve years, does any one suppose there could have been any panic in 1873? or any such depression, or stagnation, as we have had from 1873 to 1877? No: everybody, who knows anything of the causes of such panics and stagnations, knows that nothing of the kind could have happened.

But this is not all. In 1885 the Northern States had probably not more than $20,000,000,000 of property.[6] This sum, divided by $1,200,000,000—the amount of currency then in those States—shows that they had one dollar of currency to every sixteen and a half dollars of property.

Now property in this country has always increased in a much greater ratio than population. It has usually doubled in about ten years.[7] It very nearly doubled from 1860 to 1870, notwithstanding the destruction of

6 That sum is about $4,000,000,000 more than the whole country had in 1860.

7 Whereas, population has usually doubled only in from 25 to 30 years.

men, property, and industry during four years of war. And if property could increase at this rate, in spite of the war, what should be the increase during the twelve years of peace since the war? Why, instead of being merely doubled in that time, it clearly ought to have been tripled, or very nearly so. And we ought to-day to have had a national wealth of at least sixty thousand millions ($60,000,000,000). And we certainly should have had it, if the ratio of currency to property, which prevailed in the Northern States in 1865—that is, one dollar of currency to sixteen and a half of property—had been kept good throughout the whole country during those twelve years.

But, at this rate, how much currency ought we now to have? Why, if we suppose our whole national wealth should have been $60,000,000,000, we ought to have had a currency of three thousand six hundred millions ($3,600,000,000). And yet we probably have, in actual circulation, not more than $400,000,000; *or only one-ninth of what we should have*!

As a consequence of this contraction, the whole property of the country—which, by the census of 1870, was estimated at about $30,000,000,000, and which, immediately before the panic of 1873, was probably worth $40,000,000,000—instead of being worth to-day, as it ought to be, $60,000,000,000, is probably not worth half that sum. According to this estimate, then, the whole country has lost $30,000,000 within the last twelve years, simply from the contraction of the currency that has taken place since 1865. And yet our financial impostors tell us that the panic of 1873, and the stagnation that has followed it, did not proceed from any lack of money! Some of them even say to-day that we have still too much money!

About the Author

Lysander Spooner (1808–1887) was an abolitionist, legal theorist, and libertarian political philosopher. He authored over three dozen books, pamphlets, and essays. His notable works include *The Unconstitutionality of Slavery* and *No Treason: The Constitution of No Authority*.

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