

HG 613
.B 86

1863.

PHILOSOPHY OF MONEY.

BY A. BRISBANE.

A NEW CURRENCY

AND A NEW CREDIT SYSTEM.



It is a universally received opinion that Gold and Silver are the true and natural Currency of mankind, predestined to be used as such; and that any departure from them is a departure from Nature and her laws. They even who advocate a paper currency, consider it merely as an extension of the metallic, as based upon it, and its representative; they also thus acknowledge the legitimacy and supremacy of gold and silver. It is time that this belief in the infallibility of the so-called precious metals, this worship of gold, which is one of the superstitions of Political Economy, should come to an end.

The Specie is an imperfect and in many respects a false Currency; it engenders great abuses and evils in the industrial system. A new Currency remains to be discovered and established,—a currency which rests on a scientific basis, and performs in a direct, economical and legitimate manner its most important function, namely, that of *effecting the Exchange of Products*. Gold and silver were resorted to as a currency at an early period in history, when man was not capable of discovering and establishing a true *representative sign* of the products, labor and services which he wished to exchange. They have been continued in use since, in part from habit and the want of inventive genius; in part from the impossibility of establishing a true currency in societies convulsed by wars and revolutions. The stability that now exists in the political and industrial systems of many nations would permit the establishment of a true currency: England might have established it a century since.

We could prove *a priori*, by adducing a law that governs the progress of the human race, that a new Currency, differing from the metallic, remains to be discovered; but as such a proof would have little weight, we will merely indicate it, and for the purpose of showing that there are theoretical as well as practical reasons for believing in a monetary reform. The *a priori* proof is this:

24

HG 613
.A86

Man, endowed with Reason, with the power of thought and combination, must invent or discover for himself the means and instrumentalities which he employs in his industrial labors and operations. The animal, for example, is on the contrary supplied by Nature with whatever it requires for its wants; it is covered with a clothing of fur, hair, etc., which she furnishes it; it digs its hole with its claws, which are its natural tools, and constructs its cell from instinct without the aid of thought or science. It makes, however, no progress, no improvement; it is not endowed with the power of creating; it is not an independent or self-sufficing intelligence. Man, on the other hand, is an intellectual Creator; and his elevation, dignity and progress are dependent on this power which is given him. It causes him privation and suffering in the beginning of his social career on the earth, before he has discovered the means he requires to satisfy his varied wants, but it is the source of the high degree of elevation which he ultimately attains. In the early phases of his career, in his social infancy, before he is able to invent and create for himself, Nature supplies him to a certain extent—something as she does the animal—with the means which he requires in his daily life and labors, and which are necessary to his progress and development. She gives him the horse and the camel as a means of travel, and with a slight effort of reason, he opens roads on the surface of the ground; these are his primitive means of transportation. At a later period, when he has acquired experience and perfected the mechanic arts and the sciences, he creates the *scientific means* of travel,—the locomotive and railway. Thus we have in the beginning the instrumentality furnished by Nature, the horse; and at a later period, the instrumentality created by reason, the locomotive. This rule applies to all the instrumentalities which man employs; Nature furnishes or instinct suggests to him rude and simple instruments which answer for a time. Instinct suggests, for example, the canoe; science, or the accumulated thought and experience of ages, creates the steamship; the former suggests the bow and arrow; the latter discovers the rifle and the bomb; the former suggests the dial; the latter invents the watch; the one, the sickle and flail; the other, the reaping and threshing machines; the one, the needle; the other, the sewing machine.

This law, which appears to be a general one, applies to gold and silver as a currency. Man finds these metals ready to his hands; Nature furnishes them to him, and as he finds them adapted to the pur-

pose of a currency, he uses them as such. They answer the purpose in many respects, but they contain also great defects. They are not suited to a state of Society in which Industry is prosecuted on a vast scale; no more than the horse is suited to the immense demands of travel which now exist.

As society progresses more slowly in political and social improvements than in those of a material nature, like the mechanic arts, man still uses the metallic currency furnished him by Nature; he has not discovered the *true or scientific currency*, as he has the true horse, the true sickle, the true needle. A slight deviation from the old metallic currency is to be found in the modern system of paper money, but it does not constitute a true Currency; it possesses the defects of the metallic, with some of them increased in degree.

They who can follow Laws and have confidence in them, may be convinced by the fact alone that Nature having supplied man with the metallic currency, it can not be the true and final one: he must create one for himself; if he does not, he falls to the rank of a creature of instinct, using means supplied to him by Nature without thought or invention on his part.

As this train of reasoning will probably be but slightly satisfactory to most persons, the proof of the falseness of the specie currency must be supported by clear and practical demonstrations. We will prove then practically its falseness; first, by pointing out the abuses which it engenders; and second, by explaining the conditions which a true Currency should fulfill.

Before entering upon the subject, we will examine briefly what Money is, the function it performs, and the various substances of which it may be made.

Money is a sign, used by general consent, to represent the products, labor and services which men wish to exchange with each other. Briefly defined, it is the *representative sign* of products, and the medium for effecting their exchange. As products can not be exchanged without great inconvenience for each other, — a load of hay for example for a coat, a bale of cotton for a watch, — some sign, which represents them all, and which the entire community recognizes and accepts, is absolutely necessary.

Any article or substance may be used for and may serve the purpose of Money, which is accepted by a people as such, and is sanctioned by law; it is thus a thing of artificial and conventional creation.

As proof of this, we see that a great variety of articles and substances have in different countries and at different times served the purpose of money. Among savage tribes, arrows, shells and furs are used; in Tartary, pressed cakes of tea, as Adam Smith remarks, and in Abyssinia salt are the medium of exchange. In ancient Greece, before gold and silver were employed, the ox was probably the standard by which the value of other products were estimated, and was the money of the time; the first gold coin bore the impress of an ox's head and was called an ox, thus taking the name of the old standard. Achilles' shield cost, says Homer, a hundred oxen. In ancient Rome copper bars were the currency; and in Carthage, leather. At the present day, paper is widely used, and in this country since the breaking out of the civil war, it has entirely taken the place of gold and silver. It is a more convenient currency than the metallic, as it is lighter and more easily transported; could means be found to regulate properly its issues and render it secure, it would be preferable to gold and silver. Thus we see that any material may serve the purpose of money, provided it is universally accepted by a community and sanctioned by law.

Money is a measure of Value; it is the standard or measure by which the relative value of all products are determined; it thus enables men to compare their products with each other and determine the basis on which to exchange them. Money in itself has no real value; it performs a secondary function, that of facilitating the exchange of products which labor creates, but if there were no products to be exchanged, money would be wholly useless; products on the contrary would retain an intrinsic value, even were there no money to exchange them. Place a man on a desert island with tons of gold and silver, and his fancied treasures would be useless to him; it is only on condition that the island is inhabited and industry prosecuted, that his money obtains a value; he then can exchange it for the products he requires. Money consequently is not real wealth, but merely the sign of it; real wealth consists in the products of labor. Gold and silver have, *as metals*, it is true, an intrinsic value, as they can be employed for many useful purposes, for plate, jewelry, etc., but when coined into money they lose that value, and have no more than the small pieces of paper on which bank notes are printed. The popular notion that money is real wealth, because it can be exchanged for it and obtain it in exchange, is a superficial error; the only real

wealth, as we said, consists in the products of human labor, physical and intellectual, which ministers to man's wants and comforts, to his progress and elevation. The exchange of products, which money facilitates, is a secondary and collateral function, dependent on the creation of products ; some sign or representative must be used, and any may be employed which is universally accepted ; it is thus *common consent*, sanctioned or ratified by law, which creates money. As this common consent costs nothing and has no value, that which it creates can have no value.

The following are the points which we have briefly indicated, and which are to be borne in mind in examining the possibility of creating a new currency.

1. Money is a sign, and nothing more, which is used to represent the products, labor and services that men desire to exchange with each other.

2. Its function is to facilitate the exchange of products by furnishing a sign that represents them all, and is a measure of value by which the exchange can be regulated.

3. It may be made of any material that is convenient to handle, easily divisible, etc.

4. It is not real wealth, but the representative of it.

We find in the history of every people a period prior to that in which gold and silver were used, and in which some other material was employed as the currency. As the human race progressed, and different countries began to exchange with each other, a more universal medium of exchange became necessary. Gold and silver were by instinct adopted, as they were the best material for the purpose that Nature offered man. These metals are not perishable, not subject to rust and decay, are divisible into small parts, and are agreeable to handle ; but above all, they are scarce, so that the quantity can not be suddenly or arbitrarily increased, inflated or contracted. It is these qualities, not any mysterious attribute inherent in the two metals that fit them for money ; it was convenience, not predestination, as the worship of gold implies, that led men to employ them.

Gold and silver, then, are the currency furnished the human race by Nature, to be employed provisionally by it until it establishes a stable industrial state, discovers the laws that should govern money, and is in a condition to create a true currency. They possess, as money, certain properties, which prevent numerous abuses and disor-

ders in an imperfect industrial system, like that which has existed in the past, and still exists to a certain extent in the present. Their most important property, that of scarcity, which regulates the amount of currency in circulation, secures order, regularity and stability in the circulating medium, and in industry, as far as the influence of the currency extends; this is a most important point to be attained. They are also imperishable, so that if their scarcity prevents sudden inflations, their non-perishable character prevents sudden destruction, and consequent contractions of currency. Thus artificial expansions and contractions, and the derangements and disorders to which they give rise, are prevented. No king, no ruler, however powerful or selfish he may be, can inflate the specie currency; Nature maintains order in this department of human affairs in spite of man. Had human power been able in the past to control the currency, how continually would it have been inflated beyond all natural limits, and with these inflations, the relations of property, values and prices deranged, and the industrial operations of nations thrown into confusion. Nature, in supplying man with a currency, preserves an order and stability which he can not; she puts, while he is acquiring the experience necessary to enable him to discover a true currency for himself, and to regulate with wisdom his industrial system, a veto on his ignorance and selfishness. Man, however, should not be the slave of Nature; he should not look to her to direct and govern him; he should not be compelled to be wise and just. He should look to himself; he should create by his own reason all the instrumentalities he employs.

With these preliminary remarks, we will enter upon the examination of the subject from a practical point of view. We will analyze the defects of the Specie currency and the evils and abuses to which it gives rise, and in a manner that will be easily understood, and, we trust, convincing.

The *fundamental* defect of the Specie Currency, that from which nearly all others spring, is this:

It is a currency that can be MONOPOLIZED AND CONTROLLED BY A FEW INDIVIDUALS, and be made in their hands an instrument by which to govern the industrial system, a means of speculation, usury and spoliation. Like all monopolies, it falls under the control of a small minority, who with its aid rule labor and its interests to suit their own purposes.

DEFECTS OF THE SPECIE CURRENCY.

1. It is an expensive Currency, as it costs a vast amount of labor to mine, work and mint the metals of which it is composed. This expense is useless, as it could be saved by employing a material like paper, that costs comparatively nothing.

2. It withdraws from the arts two valuable metals, which could be employed most usefully in other ways.

3. It is an arbitrary and fictitious Currency, for, instead of representing the products of industry and other exchangeable values, which it is the function of a true Currency to do, it represents the value only of the two metals of which it is composed.

4. It circulates independent of the products and values which it should represent; it has an existence independent of them, which a true currency should not have, and can be employed in a manner oppressive to industry.

5. It is a *Monopolizable Currency*; that is, it can be concentrated in the hands of, and controlled by a few capitalists, bankers, merchants and financial operators who, controlling it without any restriction, employ it in speculation, monopoly, stock gambling, usury and innumerable schemes of fraud and spoliation. *This monopoly and control of the currency by individuals and corporations* is a violation of a fundamental law of the true Currency, which is that it should be under the control of the *collective Interest*, and be regulated entirely according to the requirements of productive Industry. This fifth characteristic gives rise to most of those which follow. (It will be borne in mind that what we say of the specie currency applies to our present paper money, which is but an extension of it.)

6. It gives to Capital the control of Labor and its interests; it enables it to fix to a great extent the rate of wages, to give or withhold employment, and to determine the rates of rent of lands and houses.

7. It gives to Banks and Bankers the control of Credit and the issues of Currency, which enables them to spoliage the industry of countries by usury, to give or withhold the facilities necessary to effect the exchange of products, to expand or contract the circulating medium, and, in so doing, to stimulate and depress alternately trade and industry, producing constantly revulsions and disasters.

8. It gives to the Commercial Classes the control of the Exchange of products, which enables them to fix fictitious and arbitrary prices, to charge large profits, to monopolize and adulterate products as they

pass through their hands, and to practice innumerable frauds in the industrial world.

9. It is the source of Interest and Usury. They who have the monopoly and control of the Currency can, in loaning it, CHARGE FOR ITS USE: this charge is called Interest and Usury—the former when the rate is fixed by law; the latter when it exceeds that rate; but interest and usury are *in principle* the same thing: namely, *the price paid for the use of money*. The tendency of the monopolists of the currency being constantly to charge high prices for the use of money, governments interfere and fix the rate which is then called *Legal Interest*. If governments would create and control the currency, and charge for the use of it just enough to cover the cost of issue and management, the principle of interest could be abolished, and that of cost of management established in its place.

10. It flows into the large cities, where it is employed in commercial and financial speculations, and in gambling in stocks and the public funds. It is thus withdrawn from industry, and especially from agriculture, that most important interest of society, which vegetates miserably for the want of it.

11. It prevents to a certain extent a free and untrammelled exchange of products, and for the reason that before products can be exchanged with each other, they must first be converted into money; as they who control the currency may refuse to buy, or may impose onerous conditions, it follows that the exchange of products, that is, purchases and sales, are more or less trammelled, often even prevented. Under a true Currency the owner of products would at all times be able to obtain the monetary representative of them, and with it buy others, that is, exchange them.

12. It gives to the Banker the power of refusing Credit, and to the Merchant the power of refusing to buy. If for any reason—from fear of political commotions, short crops, revulsions, war, etc.—they choose to exercise their power, they can arrest all business operations, paralyze Industry, produce wide-spread disasters, and convulse industrially a whole country.

13. It enables Capital to live without labor; and by means of Interest, commercial Profits and Rent, to accumulate in its hands the wealth of society. It is the despotic power in the industrial system, as was the sword in the old military system; they who wield it are the masters of Industry.

14. It inverts the true order of things in human society, for it creates those influences which render Idleness honorable and Labor dishonorable, by enabling a privileged few who accumulate the wealth which Industry produces, to live in idle ease, avoiding and despising labor, while the laboring classes live and toil in poverty and ignorance.

15. It is indirectly the Source of the Rental system. As money draws interest when loaned, it should, when invested in houses, draw rent. As a general rule, rents in different countries are proportioned to the rates of interest. Under the rental system, labor pays perpetually for the use of capital (which is simply accumulated labor) without ever obtaining the ownership of it.*

Such are the leading defects of the specie Currency and the paper based upon it. We will now point out the leading characteristics which a true currency should possess, and the conditions it should fulfill.

CHARACTERISTICS OF A TRUE CURRENCY.

1. It should be made of some cheap material, one that costs comparatively nothing. As money is merely the representative of wealth, it is not necessary that it should possess intrinsic value in itself, as do gold and silver. Our paper currency illustrates the possibility of using a material for money that costs a mere trifle; it thus fulfills one condition of a true currency, but it is not to be inferred from this that it is *the true* currency. Men go to the ends of the earth to obtain at great expense two metals to be employed as money, when any material under their hands would answer the purpose equally as well.

2. It should be created and issued under the supervision of governments, and managed in the interests of productive Industry, which, as the sole source of wealth, should be the first object of protection

* A house that has required, for example, a thousand days' labor to build, or has cost fifteen hundred dollars, — allowing the day's labor to be worth one dollar and fifty cents, — is rented, we will suppose, at one hundred and fifty dollars a year; the rentee thus gives one hundred days' labor each year for the use of the house, and continues this for years, until he has paid in labor the original amount of labor which was required to build the house; he owns, however, at the end of the time no part of it, while the owner of the house owns his thousand days' labor, with which he can build another and rent it in the same manner. The rental system is evidently false in principle. If interest were abolished, the rental system would follow it, and be replaced by a system of *Payments in installments*.

and encouragement. Governments reserve to themselves the exclusive exercise of one right connected with money, that of coining it; why not reserve the exercise of all others, and thus prevent the control of the currency and its consequent abuse, by individuals and corporations.

3. It should represent *exactly* what money ought to represent,—namely, the products of industry, which require to be exchanged. The Specie currency represent only itself, that is, the value which coinage and the properties of the metals of which it is composed give it, not the products that seek exchange and circulation.

4. It should be loaned without Interest—at the bare cost of management. As governments would have no motive to speculate in the Currency and make of it an instrument of extortion and spoliation as have individuals, they would loan it at a mere nominal rate. Thus the Principle of Interest,—that is, the arbitrary and speculative price now paid for the use of money,—would be abolished, and be replaced by the only just one—*the cost of creation and management*.

5. It should be loaned on such Security as will furnish a true basis of Credit,—that is, security that will guarantee both the safety of the currency, and regulate the amount to be put in circulation. This security will consist in the products of industry, annually produced and exchanged. The basis of credit is at present personal security or the endorsed notes of supposed responsible individuals: this system gives rise, first, to excessive and irregular issues of currency; and, second, places credit almost wholly at the disposal of the speculating and commercial classes, shutting it out from the great body of producers.

6. It should be redeemable in *Products, not in Specie*; it should purchase all products, all kinds of property, be a legal tender and receivable for taxes and other government dues; it would thus serve every purpose and function of money. Gold and silver would be set aside as a currency, classed with other products, and be valuable only in the useful arts.

7. It should secure credit at all times to the producers and owners of products, and furnish the means necessary to effect their exchange and the other legitimate business operations of society; it would thus maintain a regular and uninterrupted movement in the industrial system.

8. It should expand with production—that is, with the increase in the amount of products to be exchanged; and it should contract

with Consumption—that is, with the withdrawal of products from circulation for the purpose of being consumed. The true Standard by which the amount of currency in circulation should be regulated, is the amount of exchanges to be effected.

9. It should lead in an indirect manner to the investment in useful and productive enterprises of all surplus capital. As the abolishing of interest on money would abolish interest on notes, mortgages, etc., capital would not be hoarded and employed for purposes of interest and usury; it could only be rendered productive by being invested in useful industrial enterprises. This change of policy would increase greatly the wealth of a country.

10. It would abolish interest on all notes of hand, bills of exchange, drafts, and, in fact, all payments in the future; if the currency did not draw interest, they would not. What an immense burthen would be lifted from the industry and business of a country, if such a reform could be effected, if a system of *Cheap Credit* were inaugurated. It would save to the industry of the United States alone some hundreds of millions annually.

11. It would abolish the Rental system and replace it by payments in installments. Houses draw rent because money draws interest; if the money invested in the houses was retained and loaned, it would produce a certain amount of income; it must do the same if invested in a house. Now, with the aid of a true Currency, a credit system could be established by means of which payments for large amounts of property could be made in installments; this would facilitate the purchase and sale of houses, farms, etc. Under such a system, every family would in time become the owner of a house, for each pays in the course of years rent enough to buy a homestead.

The two tables we have given, in which the characteristics of the two Currencies are contrasted, will convince, we think, reflecting minds that there are substantial grounds for believing that the Specie currency is a false one, and that a true Currency remains to be discovered.

We will now explain briefly the manner in which the Currency we propose could be created. It could be created in two ways, by Governments, or by an Association of producers, interested in the establishment of equity and economy in the industrial system. If the initiation is taken by the former, it might be by the Government of one of the States of the Union, or with great advantage by that of a country like Italy or Spain, whose industry stands in need of encouragement.

Let us suppose it undertaken by one of the States of the Union ; the method of proceeding would be as follows :

The State Government would establish a central Bank at the capital or its commercial metropolis, which would be provided with all the means necessary to prepare the new Currency, and with an organization for registering and issuing it. It would organize Banks in the different business centers of the State, which would receive the currency from the central Bank and loan it to the public.

The new Currency should be made of a cheap and convenient material. As paper fulfills these conditions and the people are accustomed to it, the currency would be made to resemble our present paper money. It would be furnished the local Banks in amounts proportioned to the business wants of their localities, and would be loaned in a manner which we shall presently describe.

In connection with each local Bank, a large Warehouse or Depot, properly constructed and arranged for the reception and storage of the staple products of the country, would be erected. The producers and owners of products would store them in these Warehouses, receiving certificates of deposit, stating the quantity and the quality. With these certificates as collateral security, they could obtain loans from the Bank. About three-quarters of the value of the products deposited would be the amount loaned. The Banks would act as agents or factors for the sale of the products. Samples from all the local warehouses would be kept at the general depot, located at the commercial center of the State. Sales could be made at the latter from these samples, as at the former points. Owners would direct when such sales should take place. These Warehouses would soon replace the numerous little store-houses of individuals ; they would become the great centers of the commercial operations of the country, the medium through which the exchange of the bulk of products would be effected. The present irresponsible and arbitrary commercial system, which permits individuals to control the exchange of products, to speculate upon and spoliolate productive industry, would come to an end—at least as regards the staple products of the country. A fine illustration would thus be furnished of what could be done, if the entire commercial system were conducted on principles of equity and economy.

The management of the Banks would be simple and economical : a cashier, teller and book-keeper would be all that would be required in most cases. The Banks would charge on loans just enough, as we

stated, to cover the cost of management, which would not exceed one per cent. per annum.

Loans would not be made on promissory notes, however well endorsed ; they furnish, first, no true standard for the amount of Currency to be put in circulation ; and, second, they give rise to bad debts, favoritism, speculation, financial mismanagement, and to inflations and contractions, which lead in turn to commercial disasters.

Loans would be made only on the security of products—and on staple products, the sale and consumption of which are considered certain.* They would be made, first, on products stored in the warehouses ; second, on bills of lading of products in transit ; third, on products which are ordered and are in process of creation, the acceptance and payment of which are guaranteed. Loans made on any other conditions would not be perfectly safe : the Currency would not have a sound and secure basis on which to rest ; above all, *no standard would exist, we repeat, by which to regulate the amount of issues ; the true standard being the amount of exchanges of products to be effected.*

Such, at the commencement, should be the regulating principle to be followed ; at a later period, when order and method were introduced into the industrial system, the basis of credit could be extended and modified. Labor—which is the primary source of production and of value—would be made the basis and standard. But as it would first be necessary to *determine and fix the Value of Labor*, and as this has not been done, the tangible embodiment, the product of labor, must be taken in its place.

When the products of a borrower are sold, the proceeds of the sale would go into the Bank. The amount of the loan, together with the charge for the use of the currency, would be deducted and retained, and the surplus paid to him ; the operation will then be closed.

As we stated, a general Sample Office for the sale of all the products of the State would be established at the commercial center ; and States distant from the seaboard might have one at some large seaport, like New York, Boston or New Orleans. The system could even be

* It is use or consumption that gives *value* to a product ; it is valueless, it is as if it had not been created, if it does not find a purchaser and consumer. A shoemaker, for example, may make a pair of boots, but if no one buys and uses them, it is as if they had not been made ; value then is determined by consumption. The new Currency must be based on security that is perfectly safe, that is, on products the demand for which is certain.

extended to foreign countries, and sample offices organized in their great marts. For example, it would be very easy for a cotton State to have such offices in Liverpool and Havre, ship to them and sell direct to foreign manufacturers, thus saving the expense of intermediate transshipments, storages and cartages, and the profits paid to home and foreign shippers, brokers and speculators. Could Italy, which is now entering upon a new political career, and is in a position to innovate, organize Credit and foreign Commerce on this plan, — establishing, for example, a large sample office and commercial depot at New York, — what an immense advantage it would be for its own Industry, and, we may add, for the American buyer at the same time. The commerce of Italy with this country is now carried on by dribblets, and in a miserable manner by a few individuals, whose only aim is to spoli-ate both producer and consumer.

Such, briefly stated, is the plan we propose. As simple as it may appear, it contains the principles of an entirely new Currency and a new Credit system, — one that differs radically in its nature and in the results it would produce from the present currency. To exhibit this more clearly, let us examine the basis of the three currencies — the Specie, the present Paper, and the new Currency which we propose.

The Specie currency is:—1. Furnished man by Nature without thought or invention on his part. 2. Its adaptation to the purposes of money is determined by the scarcity of the metals of which it is composed; if they were as common as iron, they could not be used; governments would, at every great war, inflate the currency beyond all bounds and destroy it. 3. The amount in circulation is fluctuating and uncertain, as it can be withdrawn and hoarded. 4. It is invariably monopolized and controlled by a few wealthy individuals and corporations, who employ it in the great majority of cases, either directly or indirectly, to spoli-ate Industry, instead of aiding and encouraging it.

Our present paper Currency is:—1. Created by a few individuals, incorporated as Banks, who use it for their individual benefit. 2. It is made to serve the purpose of money, because it is supposed to be the representative of specie and redeemable in it. 3. The amount thrown into circulation depends on the judgment of bank directors; this amount can be at any time greatly expanded, or contracted. The fourth feature is like that of the specie currency.

The true Currency should:—1. Be created by human reason, guided

by a knowledge of the laws that govern money, — not furnished by Nature, nor created by individuals ignorant of those laws, and impelled solely by motives of self-interest. 2. It should be made to serve the purpose of money by being rendered the exact representative of the products of industry and other values which require to be exchanged. 3. It should always be kept in exact equilibrium with the amount of genuine legitimate business transactions required by the industry of the country; its issues should be determined by the amount of exchanges to be made. 4. It should be under the control of government or of some power that would regulate it strictly according to the laws that govern money.

These few comparisons are sufficient to show the essential difference that exists between the three Currencies.

Let us now see how the plan we have proposed fulfills the conditions laid down in the second table.

1. It will create a Currency that costs little or nothing.
2. A Currency that will represent exactly the products of industry, as for every dollar issued, there is a product behind it of equal value.
3. It will abolish all control of the Currency by individuals, and the great abuses to which such control now gives rise.
4. It will abolish interest.
5. Abolish the rental system by abolishing interest.
6. It will secure credit at all times to production, and refuse it to speculation.
7. It will furnish a Currency that will always be adequate to and in equilibrium with the business operations of the country, expanding with production and contracting with consumption.
8. It will secure perfect regularity in the issues of the Currency, and prevent those artificial inflations and contractions, which are now the cause of so many disasters.
9. It will take the control of Credit out of the hands of individuals and corporations, and free the industrial and business worlds from the powers that now rule them.
10. It will furnish an exact standard for the issues of Currency, at present regulated by the decisions of Bank officers.

We pointed out one mode by which the new Currency could be created; we will indicate the second mode to which we referred.

A body of men engaged in production and transportation; that is, in the legitimate operations of Industry, and opposed from interest to the incoherence that now exists in the industrial world — arising from commercial speculation and monopoly, and the arbitrary control of the currency — could combine and establish a Bank and issue a Currency

on the plan proposed. The Association would establish, in connection with the Bank, depots at one or more points for the reception of products, and would systematize a proper and safe plan for loaning on the security of products. The Bank would issue its currency as Certificates of deposit of products, and in the shape of our bank bills. Proper guards would be established for preventing any issues of certificates without the security of products. If the men at the head of the enterprise inspired confidence, and the stockholders were personally liable, or gave security for all issues, the certificates would soon obtain confidence, and circulate as money. Loans would be made to the members of the Association at the cost of management. If the first experiment succeeded, the system would spread rapidly and soon become general; it could then be brought under the supervision of government, and be sanctioned by law.

There are other modes in which a true Currency might be created; we leave the investigation of them to thinking minds. We do not pretend to lay down a definite and positive plan to be followed rigorously; we have merely suggested two modes in order to demonstrate the possibility of creating a true Currency, and to explain clearly the PRINCIPLE on which it should be based. We are interested only in the Principle, not in the Mode of its realization. A few philanthropic men, animated by a sincere love of justice, and hating the commercial and financial debauchery that now reigns, might take the enterprise in hand; or the United States Government might do it, using its present Custom House organizations as far as they go as centers of operation, and charging, as a means of revenue, three per cent. until the present war is over. It would not be as radical and bold a stroke as the Emancipation act.

Before concluding, we would particularly draw the attention of the reader to two points connected with the present Currency.

The first is its expensiveness: *it is so costly that it devours itself by interest and usury once in every seven or eight years*; or in other words, it costs the people such a price for the use of it, that they pay its entire value in those periods of time. Let us explain this. The banks of the United States receive at least on an average eight per cent. per annum on their loans. If legal interest is but six or seven per cent., they obtain at a low estimate one or two per cent. more by premiums on drafts and by various other means. Now money loaned at eight per cent., and reloaned every two or three months, doubles it-

self in about eight years, so that those who borrow, pay for the use of it a sum equal to its entire value in that time. In the Western States, where higher rates than in the Eastern rule, money doubles itself no doubt in seven, often in five and six years. To estimate the enormous tax paid by the business of the country for the use of a currency, let us adduce a single example. The loans of the banks of the three cities, New York, Philadelphia and Boston, have, during the course of the present year (1863), amounted to nearly three hundred millions of dollars. If we suppose their loans made at seven per cent., and reloaned every three or four months, the business men of those cities must pay in ten years three hundred millions of dollars for the use of the money and credit they require in their operations. What a vast and useless expenditure for that which need cost comparatively nothing.

If, in addition to all the bank loans in the United States,* we could ascertain the total amount of all promissory notes given outside of the banks, of drafts, bills of exchange, bonds and mortgages, and accounts of every description drawing interest, we would be astounded at the gigantic sums absorbed annually in the payment of interest. As money draws interest, notes, drafts and other forms of indebtedness draw interest, so that the vast expenditure thus rendered necessary has its origin in a false Currency.

To give some idea of the fabulous sums paid by a country for credit and the use of its currency, we will take a definite amount; we will see what is paid, for example, for the use of one thousand dollars at different rates of interest; we can then appreciate more clearly the extent of what it must pay for thousands of millions. The mind is often lost when it deals with vast amounts. We will suppose the interest running for a long term of years, in order to exhibit more strongly the accumulations by interest and compound interest.

One thousand dollars, loaned and reloaned every six months, accumulates in sixty years the following sums:

At 1 per cent. it accumulates, - - - -	\$1,824
At 7 per cent., - - - -	71,898
At 8 per cent., - - - -	134,107
At 12 per cent., - - - -	1,677,481
At 24 per cent., - - - -	4,592,819,317

* The number of Banks in the United States in 1860 was 1562; the amount of their loans \$700,000,000.

Two per cent. a month or twenty-four per cent. a year, is, in newly settled countries and in "hard times," a very common rate of interest; it is also paid often by persons who have not facilities for borrowing. Now one thousand dollars, could it be loaned systematically for sixty years, would pay the debt of England. The bare possibility of such a fact places in strong relief the absurdity and, we will add, the iniquity of the principle of interest. Banks, Savings Banks and some other institutions loan and reloan for indefinite periods, so that the accumulations by compound interest really do take place.

Is it not surprising that the Political Economists, who have made such minute investigations of the industrial system, have not discovered the radical imperfection of our present Currency, and the falseness of Interest. Is it not evident that a Currency, which costs *its entire value every seven or eight years for the use of it, is a frightfully expensive one*, and that interest, by which this expense is incurred, is false and fictitious in principle? Why should dead bits of metal or paper accumulate more without labor than the living and intelligent industry of human beings?*

The second point to which we would draw attention, is the power which the control of the currency and of credit gives to the commercial and banking classes. It enables the former to *refuse credit*; and

* It will be said: All these accumulations by interest go to some persons in society; and as they who receive them spend them again, they are not lost. This is true, but how are they spent? The three-quarters, we answer, in useless luxuries, in extravagance, in frivolities, which reproduce nothing and are wasted. A small number of rich are the recipients of the wealth accumulated by interest. How do they live, and how much of their wealth is expended in a really useful and reproductive manner? A hundred thousand dollars invested in a house, built from a desire of display, a portion only of which is occupied, is in part a useless expenditure; a thousand dollars spent for a shawl, a hundred for a handkerchief, which are but little used, are like so much capital buried in the earth; a thousand spent on a dinner, at which the guests drink to excess and are rendered unfit for business, is also lost; a thousand a month spent on a kept-mistress is again lost. It is the accumulations of Interest, combined with the profits of commerce, which maintain the useless luxuries, the extravagance, the frivolities and vices of our large cities; they reproduce nothing, leave nothing behind; whereas the same wealth, devoted to agricultural improvements, to erecting manufactories, to scientific purposes, etc., would not be wasted, but remain and produce year after year an increase of riches and intelligence. We must distinguish between *unproductive* and *productive* expenditures; the one is a loss, the other a gain. A man who digs a hole one day, and fills it up the next, produces nothing; the money paid him is lost; if he digs holes, and plants trees in them, he produces; the money paid him not only remains, but reproduces itself. Now whatever portion of the accumulations by interest is spent uselessly and unproductively is lost: the portion, we estimate at a half at least, and perhaps, three-quarters.

the latter to refuse to make purchases. By exercising this power they can stop exchanges of products, arrest business operations and paralyze industry, producing in consequence artificial revulsions of a disastrous character. It is true that they do not exercise their power intentionally and from sinister motives, but it is not the less true that, from various causes, they often do exercise it, and as often produce greater or less disorders in the industrial system. The revulsions which within the last thirty years have taken place, and swept hundreds of thousands into ruin, have all had their origin in the ignorant and arbitrary control by individuals of the currency and of exchanges.

The plan we have sketched out will appear, on a cursory inspection, very simple; many persons will assert that it does not differ essentially from the present system—the only difference being that the present Currency is loaned by the Banks at 7 per cent., while the new Currency will be loaned by the State at 1 per cent. Let us correct this error, and show that the two Currencies differ radically in principle; that applied on a large scale—to the industry of Nations—they must necessarily, after a certain lapse of time, produce results of a diametrically opposite character, and of the greatest magnitude. Two examples will be sufficient to explain this:

1. The present Currency is loaned for the most part on *personal security*, that is, on endorsed notes. This places credit wholly at the disposal of a small minority of men in society—of merchants, speculators, monopolists, usurers and financial schemers—whose only aim and effort are to make the largest profits possible out of Industry, and to spoliage it by every means that human ingenuity can invent. It gives to a small body of non-producers the entire control of the producing interests of society.

Under the new Currency, loans would be made only on the *security of products*; a note endorsed by a Rothschild or an Astor would not obtain a dollar of credit. Credit being thus secured to production, the producing classes could obtain the facilities they needed to effect exchanges. The Banks, through the warehouse organization, would act as their agents; they would by this means have the exchange of products, and the control of their interests in their own hands. The whole system of commercial speculation and monopoly, of usury, and spoliation under all forms, would be overthrown; the immense sums they now absorb—two-thirds of the profits of the industry of Nations—would be saved, and retained in the hands of the producers of wealth,

to be applied to productive improvements. The era of commercial speculation, with its instability and revulsions, would be brought to a close, and the wealth and talent, now engaged in commerce and banking, would be devoted to developing Industry on a vast scale.

2. The present Currency, drawing the high rates of interest which it does, accumulates through interest the immense sums we have pointed out. \$1,000 loaned at 8 per cent. — a less rate than our Banks on an average now obtain — accumulates in half a century, or in a long business life, about \$60,000 over the original \$1,000. Ten intelligent mechanics or farmers, laboring assiduously the same length of time, do not, as experience demonstrates, accumulate any such sum. Thus, \$1,000 in the hands of a capitalist, can accumulate a greater amount of wealth than the labor of ten efficient men.*

The new Currency, drawing 1 per cent., would accumulate, in the period above mentioned, about \$700 over the original amount. Now as productive Industry creates all wealth, and in the end pays for everything, the difference, \$59,300, would, if economized by means of a cheap currency, remain in its hands. What a gigantic impetus would be given to industrial improvements and to the general progress of society, if the vast sums now absorbed by interest were devoted to really great and useful enterprises, and the capital created by them distributed equitably and more generally among the producing classes.

These two examples are sufficient to enable the reader to make further comparisons for himself. If he will examine the subject carefully, he will see that the two Currencies, based on exactly opposite principles, must, when they work out their ultimate effects, produce exactly opposite results.

The one concentrates the property of Nations in the hands of a few. The other will disseminate it among the entire people.

The one builds up everywhere an aristocracy of wealth. The other will create a wealthy, and, as a consequence, an educated and intelligent Democracy.

The one gives rise to a limited demand for luxuries for the few, and for the commonest necessaries for the many. The other will give

* It will be objected that the entire currency of a country is not reloaned at compound interest; that the income derived from interest is, for the most part, spent as received. If but a quarter or one-eighth is reloaned, it is sufficient to absorb in time the property of a country, and concentrate it in the hands of a small minority.

rise to an unbounded demand for the necessaries and luxuries of life for all, as all will become consumers.

The one places obstacles in the way of the development of Industry by limited consumption. The other will encourage Industry to the fullest extent by creating a universal demand for its products.

The one is a source of servitude, monotony and dead routine in Industry, and of ignorance and stolidness on the part of the laboring classes. The other will impart the greatest energy and progress to Industry, and call out a new life and a new mental activity among the masses.

The one creates populations of poor hired laborers, working for a few idle rich. The other will create Nations of wealthy producers, and develop intelligence to a high degree by the scientific prosecution of Industry.

Other causes no doubt concur in producing the first named of these results; but our false Currency exercises so powerful an influence — an influence now not at all understood — that we leave them aside to concentrate attention on the main cause.

We will explain again, and very concisely, the manner in which the results we have pointed out are produced by the present Currency. The reader will thus have present before his mind a clear conception of the whole subject.

The present Currency, controlled as it is by a few individuals in society, who can charge *ad libitum* for the use of it, gives rise to interest.

Giving rise to Interest, it, in turn, gives rise to the Rental System.

Being the means by which the Exchange of products is effected, it gives to those who possess or can borrow it, the control of Commerce.

Now, Interest, Rents and commercial Profits are the means by which the wealth of society is concentrated in the hands of a few, and the other baneful results which flow from it, are brought about. Thus a monopolizable Currency, subservient to the interests of a small minority, is the generating cause of an important class of social evils, of a state of monstrous Inequality in society.

Let us show by an example, taken from the history of an energetic and industrious people, how much more rapidly wealth can be accumulated by Interest than by Industry and Intelligence. We will take our illustration from the increase of wealth in the State of Mas-

sachusetts. No State or Nation has probably accumulated wealth more rapidly by Industry than this.

The assessed value of property in Massachusetts was, in 1790, \$44,024,000. Fifty years after, in 1840, it had increased to \$299,880,000 over the original amount. Now, had the original capital of the State been loaned at 6 per cent., and reloaned every six months, it would, in fifty years, have amounted to \$929,548,000, or \$885,525,000 over the original sum.* Thus the Industry of Massachusetts accumulated in half a century two hundred and fifty-five millions, while the capital with which it started would, had it been loaned at 6 per cent., have accumulated in the same time eight hundred and eighty-five millions. At 8 per cent.—and in Massachusetts how much capital must have yielded that rate of interest—it would have accumulated two thousand five hundred millions.

These figures furnish the best criticism that can be offered of the Principle of Interest—of that monstrous Parasite, which lives on Industry, and exhausts it to nourish and support the idleness and luxury, the extravagance and the vices of a Civilization which, with its commercial and financial rapacity, its money-mongering spirit, its practice of injustice, bad faith and fraud, merits—not that adulation which sycophant writers now bestow upon it—but the condemnation of every mind that has a clear conception of social truth and justice.†

Let us now sum up, and present in a few sentences the substance of what we have said in the preceding pages.

* See EDWARD KELLOG'S excellent work, entitled, "Labor and other Capital."

† We will illustrate by a single example the privileges now conceded by legislation to wealthy individuals in permitting them to create a Currency. We will suppose that ten men of wealth establish a Bank with a capital of a million, each investing a hundred thousand. They pledge as security State stocks; on these they receive interest, so that they incur no loss, make no sacrifice. They issue their promissory notes in the form of bank bills, that is, they create and issue paper money to the amount of a million. On these notes *they pay no interest*, while *they charge interest* on the notes of those to whom they lend their own. Thus is established the principle of interest *versus* no interest. In such a system, no equation, consequently no justice exists. The corporation of ten men employ a few clerks to do the business of the Bank, so that they are relieved from any labor, save that of exercising a general supervision, which is a pastime rather than a labor. Let us now examine the result. The ten wealthy men, having loaned and reloaned their notes at, we will suppose, 7 per cent., at the end of eight years double their capital, that is, they receive in the shape of interest or dividends, a million of dollars. They have, without labor, without creating anything, amassed this vast amount of wealth. They invest, we will suppose, their million in real property—in property which has cost *real* labor. If labor is worth on an average a dollar a-day, they can buy with their profits a million of days' labor. What have they given for all this toil? The use of

The experience of the past proves beyond all question that a great variety of materials may serve the purpose of Money, and be used as a circulating medium ; that consequently gold and silver are not indispensably requisite.

It also proves that a State, Nation or Corporation can create and issue a Currency, and regulate its circulation.

Now, with these facts before us, we ask :

1. Would it not be a practicable, and even an easy operation for a State or Nation — provided the governing powers possessed the desire and the knowledge — to create a Currency, manage it economically, place it at the service of the producing interests, charge for the use of it the cost merely of management, and thus furnish at all times to the Nation cheap Credit and the necessary facilities for effecting the exchange of products ?

2. Would it not also be possible for a body of intelligent men, forming a Board of Directors, to discover — if necessary by patient study and investigation — *the true basis of credit*, and also the *true*

their good names, their reputation, a little easy work, which has been a pleasure rather than a serious exertion — in fact NOTHING. But, it will be answered, they give the public Credit ; they lend it the use of their wealth, of their names. They give certain individuals credit, it is true, taking what they believe to be ample security, so that equivalents are exchanged, with the advantage of interest on their side. As to the public, instead of giving it Credit, exactly the contrary is the case ; the public, in taking and circulating their notes, gives them credit, for which they pay nothing, while reaping from it the substantial advantages we have explained. The Rental System is no doubt false in principle — particularly as regards land, which is not created by human labor — as it gives the *use only* of property, while it takes in turn and retains *forever* the money or price it receives for such use ; but it is not as false as interest. A house that is worth \$20,000 has cost probably as many days' labor ; it possess therefore *real value*, — for labor is the only real value, — and the owners in giving the use of it, gives the use of such value. But \$20,000 of paper money can be created with from ten to twenty days' labor, so that the public in paying \$1,400 a year for the use of it, pays this sum for the use of that which costs, so to say, nothing. Two great means by which Social Progress and the improvement of the masses of mankind have been effected are, first, the abolition of Privileges, such as slavery and serfdom, the monopoly of real estate by aristocracies, the annulling of laws that favored particular classes ; second, the discovery of new Facilities and the cheapening of Processes, such as the invention of machinery that increases greatly the product of labor, or of the railroad that supplants the stage coach and the old fashioned wagon, and cheapens travel and transportation. Now, let the privilege of creating Money be taken from individuals and corporations, and invested with the people collectively ; then let a system of Cheap Credit be established, — Credit that costs nothing, so to say, and is always at the service of productive Industry, — and another great and important means of progress and improvement will have been taken — one equal in influence to the steam engine and the railroad combined.

standard by which to regulate the issues of the Currency, so as to render it perfectly safe and to maintain at all times an exact balance between the amount in circulation and the business wants of the community?

Let these two conditions be fulfilled, and a true Currency with a true Credit system can be established, leading to one of the most important practical reforms that the world has seen.

If some fundamental changes, some new principles are not introduced into our Industrial system, the entire property of our country will, in a century more, pass into the hands of a small minority, forming a compact and powerful monied Oligarchy, ruling the Nation by the power of capital. This Oligarchy will organize all branches of Industry, as well as Commerce in joint stock companies, and will operate through them, as they are the safest and easiest method of prosecuting extensive enterprises; it will engage in its service the active minds, the men of talent that are poor, who will thus be enlisted in its cause; it will suborn the press, which will direct and, if necessary, mislead public opinion; it will control legislation by determining the choice of legislators, who will enact laws to suit its policy; the pulpit will become the exponent of its morality, the fundamental dogma of which will be: Respect for Property; the judiciary will, as it always has done, follow the spirit and policy of the dominant power. We shall then see a comparatively small number of immensely wealthy families at the apex of the social pyramid, and at the base a vast multitude of poor proletarian laborers, toiling in poverty, ignorance and entire dependence to create the wealth which supports a monstrous system of idleness and luxury, of extravagance and frivolity, of pride and usurpation. Let such an Oligarchy be once fairly consolidated, and it will require ages of effort to overcome it, as it has required in Europe ages to overcome — and the work is not yet completed — the military Oligarchy established at the beginning of the Middle Ages.

A true Currency, destroying the power of Capital to absorb by usury and monopoly the wealth of the world, and to control Industry, will arrest the tendency which has now so strongly set in toward the establishment of a monied Oligarchy such as described; and in the place will inaugurate a movement towards the creation of an INDUSTRIAL REPUBLIC, based on the intelligence and prosperity of the entire people.