THE FIXED CAPITAL DEFINED.

It will be seen that merely discounting a mortgage does not make available the fixed capital—that is done every day by the loan societies for proprietors who are hard pressed for money. That is only half the import of a mortgage. I have shown that a mortgage is *capital* to the extent it is *security*; hence, equal to bank stock. When that fact is understood, it will be evident that the country possesses any amount of banking capital in its mortgages. Take this illustration: six proprietors with farms worth $10,000 each. At present, the sum of $6,000 might be borrowed on each property, in all $36,000, at say 8 per cent. But obviously they all are borrowers, and, bidding against themselves, keep up the rate of interest. But if, on my principle, two of these proprietors pay off their mortgages, and take bank stock for $12,000; then $24,000, or half the capital of the whole, would be thrown on the market—reducing the rate of interest to borrowers one-half, or four per cent. Again, you will observe that the reduction of interest would not be confined to borrowers on mortgages, but the advantages would be reaped also by persons discounting their paper at the credit banks. The mortgage bank would reduce the rate, but all classes would share the benefit On that principle only, can a cash trade be done by the retail business. There is only one house I know of that does a purely cash business. It can never become general because the present banking law prevents the issue of a sufficiency of currency for the purpose. If I am not correct, what means the existence of over a hundred million dollars of fixed capital? Either the fixed capital is of no account, or the Political Economy of the nineteenth century is of no account! What say you? If I have not given an answer to the question, then let an adequate reply be given. The industrial interests of the country demand an explanation.

CAPITAL AND LABOR.

Were the economy of banking understood, writers, such as Prof. Goldwin Smith could never commit the blunder of affirming that "there can be no contention between capital and labor" at the very moment when the capitalists and laborers were at daggers points. The error lies in imagining that all capital has a bearing on the money market, as all the labor certainly has on the wages market; but that is far from being the case. When a low rate of interest prevails, the capitalist and laborer work together in perfect harmony, for a mutual advantage; but when the average interest is high, the operative is at a disadvantage, as he is chargeable with the interest for capital that employs him. The amount of capital that bears on the money market is limited to the issues of credit banks which keep up the rate of interest, and proportionately limits the quantity of subsistance that wages command. The mission of Political Economy is, by a correct system of banking, to place labor and capital upon an equal footing. When that is done there can be no longer any controversy between them.

Take the example of a capitalist with $10,000, who lends it at 10 per cent., compounded annually. In 17½ years it amounts to $50,000, principal and interest. He may, after having lived that time comfortably, be the possessor of $20,000;