INTEREST AND BOND VALUES.

CHAPTER I.

INTEREST AND DISCOUNT.

1. We are all aware of the fact that men and corporations of undoubted ability to pay may generally be found who are willing to pay more than a dollar at some future date in return for a dollar today. The excess payment made when the borrowed dollar is returned is called _interest_. We are all equally aware of the corresponding fact that banks and similar institutions will give something less than a dollar today for a good promise to pay a dollar at some future date. The "something less" differs from the dollar by what is called _discount_.

Interest is quoted at so much per cent. per annum, is calculated on the sum lent, and is payable at the end of the year or at the ends of such sub-divisions of the year as may be agreed upon.

Discount is quoted at so much per cent. per annum, is calculated on the sum to be paid in the future, but is itself always payable in advance.

These are facts of common knowledge. Our theory of interest is based on these facts and has nothing whatever to do with the speculations of the Economist who searches for the reasons for these facts.

2. Interest calculations must be as old as civilization. There were money lenders in Thebes and Babylon. Nowadays such calculations commonly occur all over the world. It is therefore not surprising that a world wide system of interest