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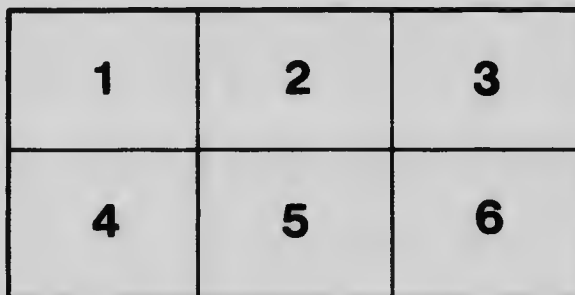
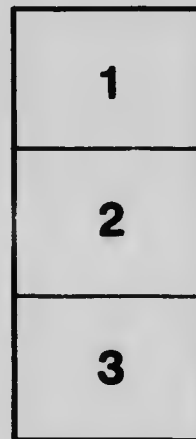
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AS TO THE POSSIBLE

Doings of the Men of Blackboard Town

FOLLOWED BY

A Narrative and a Criticism

OF THE

Doings of Men of Canada of the 19th Century

IN RESPECT OF

Financial Organization, Practice and Legislation

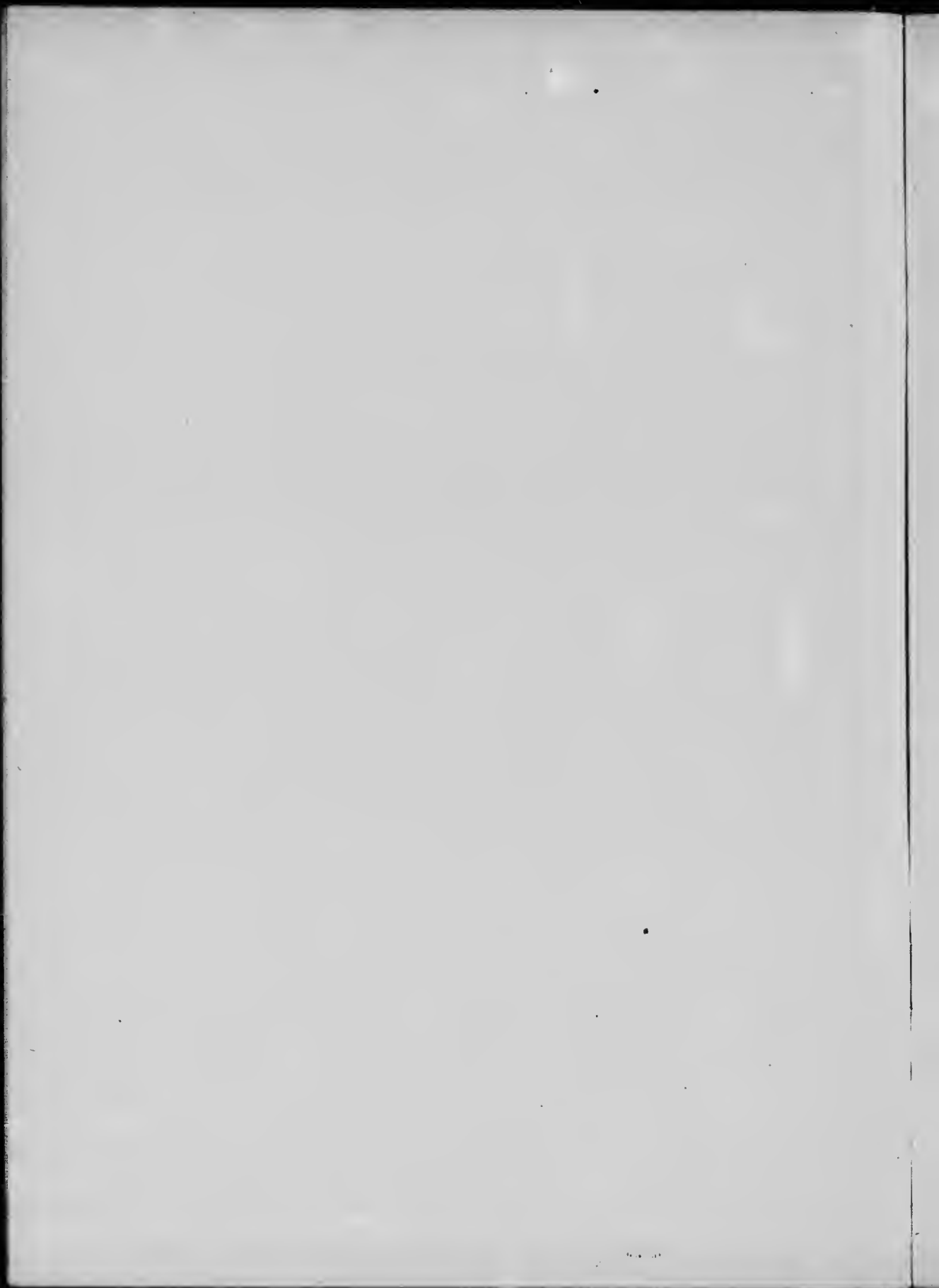
AND BY A FORECAST OF

Some Events of the 20th Century

WRITTEN FOR THE RISING GENERATION
BY

WILLIAM B. HAMILTON

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“If you were ignorant of this, that
Credit is the greatest *Capital* of
 all towards the acquisition of wealth,
 you would be utterly ignorant.”

—DEMOSTHRNES.

INDEX.

PART I.

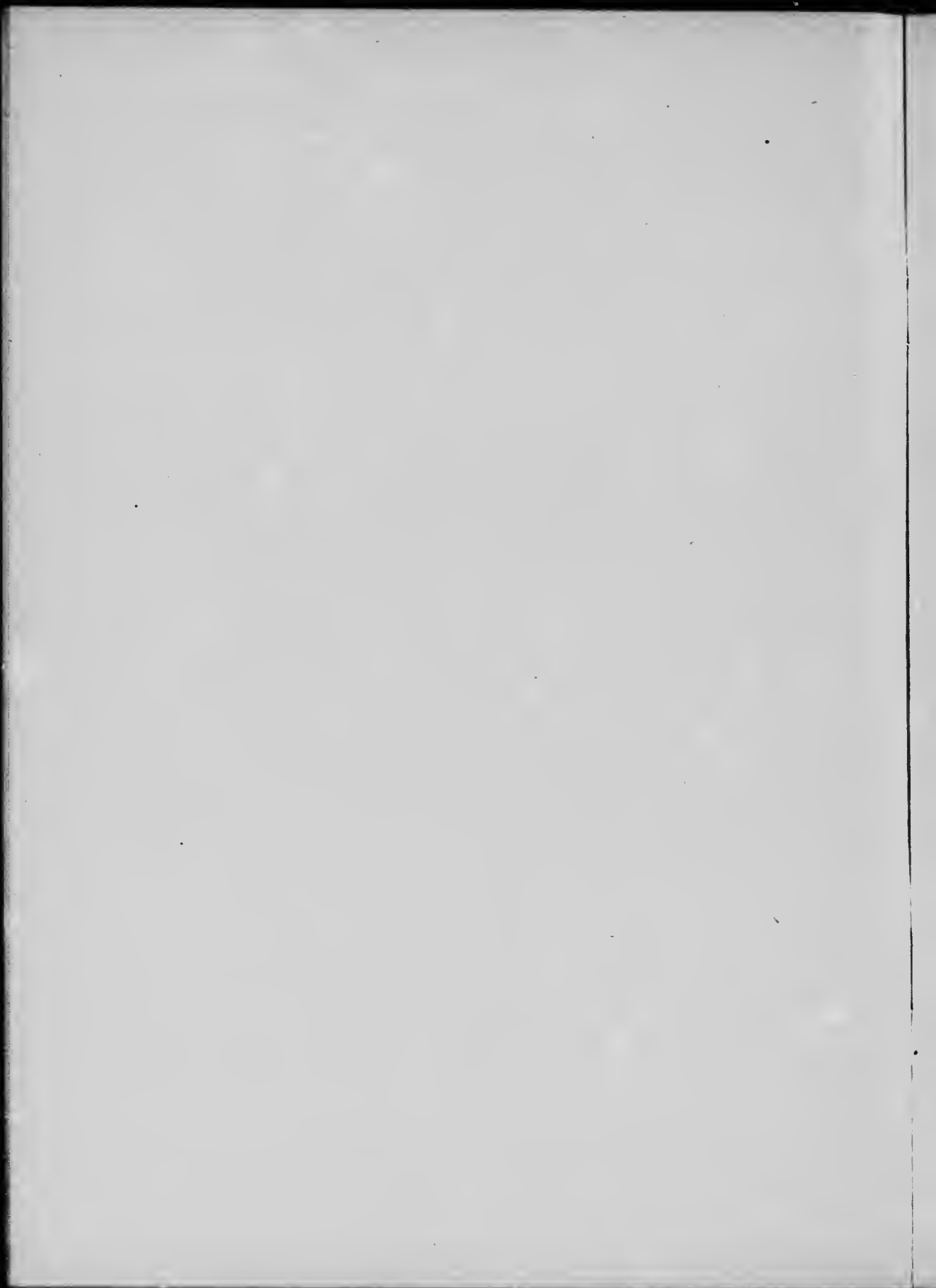
The Beginning	5
First Speculation	6
Second Speculation	7
Third Speculation	7
Fourth Speculation	9
	“The Blackboard Pool-room.”
Fifth Speculation.	11
	“An Accumulating Repository.”

PART II.

A Banking Service Offered	13
Memo <i>Re</i> a Borrowing and Lending Service	15
A Classification of Business Interests	17
Some Legislation Criticized	21

PART III.

A Reform Resolution	24
A Proclamation of Opinions	26
A Digest of a Debate Thereon	28



PART I.

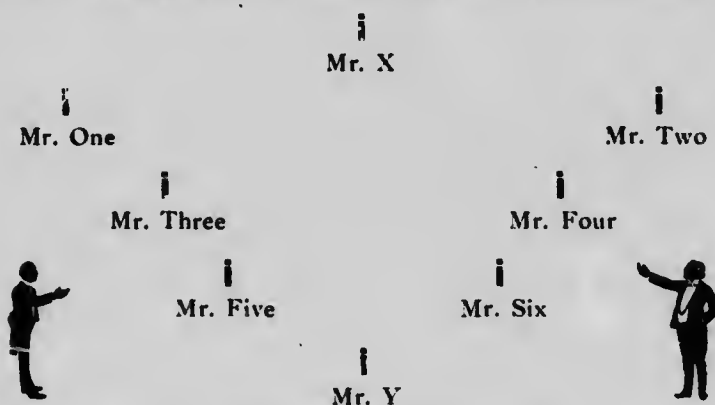
Introspection

The Coin and Blackboard Town, M'd.

THE BEGINNING

BLACKBOARD TOWN located—Settlers introduced—The coin appears, and a steak disappears—WISE MEN think of the coin and its movements.

BLACKBOARD TOWN, be it known, is thought of by certain WISE MEN of the EAST, as a comparatively new settlement, in the FAR WEST. Directing their long distance perceptive organism Westward, the aforesaid WISE MEN focus on the Town in Mind, and contemplate its inhabitants as the following illustration represents them.



Our WISE MEN of the EAST, having powerful imaginative faculties, are enabled to think of the settlers, represented by the foregoing illustration, as having located on the site of BLACKBOARD TOWN, without having among them a single cent, or any metal thing, being the multiple of a cent. Following these thoughts of the monetary condition of the settlers at the time they settled on the site of our imaginary town, our WISE MEN think of the settlers as having had enough common sense among them to help one another to put up a shack for each, and to co-operate in making some improvements for their common enjoyment.

Our WISE MEN here reflect for a moment, and then remember that one day a prospector passing through the district in which BLACKBOARD TOWN is seen to be situated, discovered the Town, and when crossing its north-east angle determined that he would have a steak, if one could be procured at a fair price. Fortunately he had with him a **coin**, that on many occasions in other localities, had been appraised at FIFTY CENTS, and this he tendered to Mr. X for a square meal. Mr. X perceived that the prospector was not aware that such a bit of metal was not then in demand in BLACKBOARD TOWN, and consequently an uncertain value for steak ; but having been a coin collector in his youth, and thinking that some of his fellow-townsmen would regard the FIFTY-CENT PIECE as a curiosity, he took the proffered **coin** ; and the prospector took in a good dinner and went on his way rejoicing.

Mr. X showed the FIFTY-CENT PIECE to Mr. Two, who at once felt an old-time yearning for it, and produced something which he offered to Mr. X as value in exchange for the **coin**. Mr. X thereupon jumped at the thing offered, as doth a woman at a bargain day special, and handed his curio to Mr. Two, receiving in exchange the thing offered by the latter.

Having recalled the details of this little incident in the history of BLACKBOARD TOWN, our WISE MEN become speculative, as to what might occur, take place or come to pass, in a town containing eight men and one FIFTY-CENT PIECE ; and after some discussion establish the following series of philosophical speculations :

FIRST SPECULATION

The **coin** circulates as a curio and as value for things—A continuance of its desirability assumed.

MR. TWO, having the **coin**, might in exchange for something, pass it to Mr. One ;

Mr. One might pass the **coin** to Mr. Three ;

Mr. Three might pass the **coin** to Mr. Five ;

Mr. Five might pass the **coin** to Mr. Six ;

Mr. Six might pass the **coin** to Mr. Four ;

these men, namely, Messrs. One, Three, Five, Six and Four, taking the **coin** because they cared less for what they parted with than they did for the **coin**.

Mr. Four might pass the **coin** to Mr. Two ;

Mr. Two might pass the **coin** to Mr. X ;

the latter gentleman reasoning, that as he had gained something by taking the **coin** before, he would take it on chance again, and was certainly safe in doing so, as he was glad to get rid of that which he passed to Mr. Two as value in exchange for the **coin**.

Continuing their speculations our WISE MEN submit, that the FIFTY-CENT PIECE, having once circulated among the inhabitants of BLACKBOARD TOWN, without any preconceived intention that it should, it might do so again and again, until the inhabitants would become quite accustomed to

taking it for something they did not need, and with the expectation of disposing of it in due time for something they would need. On this assumption our WISE MEN then proceed as follows :

SECOND SPECULATION

The **coin** is hoarded—The **coin** is "borrowed" and "loaned"—An I-O-U is taken as value for the **coin**—The I-O-U is redeemed by the **coin**—Demand causes value and affects prices.

LET it be assumed that Mr. X is in possession of the **coin**, but not needing anything immediately from any one of his fellow townsmen, does not offer to part with it. This fact becomes known to Mr. One, who wants something owned by Mr. Three, which the latter apparently does not need and which he might part with, taking the **coin** in exchange, as he had done many times since the **coin** commenced to circulate. Then Mr. One, seeing that if he could "borrow" the **coin** from Mr. X, he could then pass it to Mr. Three and in due course regain it, as he had done many times before, and then return it, submits his plan to Mr. X, who, seeing the feasibility of it, freely hands Mr. One the **coin** called FIFTY CENTS, and takes an I-O-U therefor.

Having obtained the **coin** from Mr. X, our WISE MEN think of Mr. One as passing the **coin** to Mr. Three, for that which he wanted to obtain. Then they think of Mr. Three passing it to Mr. One at a later date, and finally, of Mr. One, the "borrower," passing the **coin** to Mr. X, the "lender," and receiving from him the I-O-U that had been drawn or written at the time Mr. X "loaned" the **coin** to Mr. One.

Speculating in this way our WISE MEN say that a **coin** might commence to circulate, when otherwise it would not, as the result of some one "borrowing" and then "repaying" it. They also note that the necessity of the "borrower" to recover the **coin** would cause him to seek it, and as soon as the owner, at that time, of the **coin** knew some one wanted it, so soon would he prize it more than if no one wanted it.

Our WISE MEN having imagined the **coin** as circulating among the men of BLACKBOARD TOWN without any two becoming respectively Debtor and Creditor ; and having then imagined the **coin** circulating as the result of two of the townsmen becoming respectively Debtor and Creditor, proceed with their studies in finance.

THIRD SPECULATION

Expectations of the **coin** circulating—Credit transactions—Expectations realized and debts extinguished—Optimistic trading "on credit"—Unsuccessful demands for payment followed by a panic—Wisdom averts a calamity—Debts cancel Debts.

OUR WISE MEN submit that Messrs. One, Two, Three, Four, Five and Six, being enterprising and somewhat optimistic men, might assume that as the **coin** came to them before, so it would come again ; and on that assumption each might obtain something from

another "on credit," and furnish evidence of his liability to his creditor by giving him a slip reading :—

I-O-U THE FIFTY-CENT PIECE

Then the **coin**, the **FIFTY-CENT PIECE**, might circulate once, with the result that **each debtor would pay his debt** and the slate be clear once more.

Our **WISE MEN** next say, that, emboldened by the realization of their expectations of the **coin** circulating, Messrs. One, Two, Three, Four, Five and Six might continue trading "on credit" until each had incurred a **liability** of one hundred and fifty cents, and each had received from his debtors three I-O-U-s for the **coin**. At this point one of the party being naturally a cautious man, and not wanting to increase his **liability** further, and yet wanting to trade, might press his debtor to pay up, so that he, as a debtor, might also pay up, and the debtor appealed to, a, proving of the policy of keeping down liabilities, might appeal to his debtor; and each debtor might say to his creditor: "As soon as I get the **coin**, I'll pay. Verily, I am an honest man."

Now, say the **WISE MEN**, it might so happen that the **coin** would be resting quietly, after its many trips, in the pocket of Mr. X, and he being somewhat of a hermit, might be quite unconscious of the **financial panic** in the town, until his attention would be attracted by a chorus of voices calling "**Coin! Coin!** who's got the **coin?**" Then Mr. X having knowledge of a few principles of finance, might investigate; and having found each of the bunch of excited merchants to be both **creditor** and **debtor** to the amount of the **coin** three times; he would probably say: "Verily, you are chumps. Give unto me the I-O-U-s that you hold." And the so called "chumps" would probably scent superior wisdom, and would forthwith hand in their bits of paper called I-O-U-s. And the Great Philosopher would draw a chalk line down the centre of a board, a black-board, and on one side of the line he would **credit** each of the said chumps with three I.O.U-s for the **coin**; and on the other side of the line he would **debit** each of the said chumps with three I-O-U-s for the **coin**. Thus the G.P. would then speak: "Behold the **debts** are extinguished by the **credits**. I declare all debts off." And immediately a mighty shout might ascend from the multitude; and thenceforth Mr. X might be known throughout the land as the eminent financier, Mr. X.

Our **WISE MEN** having speculated thus far are keen to continue their mental exercises and to contemplate financial organization.

FOURTH SPECULATION

A debt clearing institution proposed by the eminent financier of BLACKBOARD TOWN
—The operations of debt clearing described in a prospectus—Liberalism in
finance—Conservatism duly respected by the promoter.

AS a basis for this fourth speculation, let it be granted that the TOWN OF BLACKBOARD, away off somewhere in MIND, numbers among its townsmen one who is regarded as an " eminent financier," because he knows how to juggle with promises, and to clear indebtedness. "This eminent financier," our WISE MEN say, " might issue a prospectus to his fellow-townsmen to the following effect :"

PROSPECTUS OF THE BLACKBOARD POOL-ROOM

A Debt Clearing Service Offered by Mr. X

Whereas, it appears to be absolutely necessary that the people should engage in Commerce with each other ; and

Whereas, in doing so it has become customary, with or without good reason, to promise the coin, when it is not " in hand " ;

Now, therefore, I purpose opening a pool-room where I will receive from you the I-O-U-s or promises that you receive in trade ; and I will give you credit therefor in my books of account. And in those same books I will charge up to each of you the I-O-U-s which I receive and you respectively give. And those of you who have a " credit " with me may transfer your credit, or so much of it as you wish, to another of my customers by giving me a written order to make the transfer ; the written order to be called a **cheque**.

And those of you who receive a verbal promise from one of my customers, may leave with me for collection and credit, an order on him for the amount of his debt, and I will, after obtaining his acceptance, charge the amount to him even as I would had he given an I-O-U. And the order that you may bring to me we will call a **sight draft**.

And further, be it known, that with some of you who bring me I-O-U-s for the coin, I will swap my I-O-U-s for the coin ; and my I-O-U-s shall be for even and certain amounts, multiples of our FIFTY-CENT PIECE ; and you may call my I-O-U-s " **currency**," because they shall be current among you when the people have learned that they would serve as **counters**, as well, and in some ways better, than the coin.

And I will receive my I-O-U-s as payment for your I-O-U-s, when yours mature and become payable.

And unto as many of you as study my proposition and cavil at it, and raise up gratuitous objections to it because it lacks perfection, I say : " Let him who doth not want to patronize my pool-room and debt clearing institution do that which to him seemeth best that he

should do. Verily, I say unto you that this shall be a free country for you, even as it is for me."

"'Tis liberty alone that gives the flower
Of fleeting life its lustre and perfume,
And we are weeds without it. All constraint
Except what wisdom lays on evil men
Is evil."—*Cowper*.

And unto as many of you as are willing to make use of the facilities I offer, I say, candidly, that the proposition I make is a crude one in some respects, but yet my proposal is that we do that which is done elsewhere, in places where that which I propose to do is called "banking."

'Tis true that the use of the coin, as a basis for our obligations and paper currency, may cause us some trouble at times; but we should remember that, as freemen, we are at liberty to promise what else we choose, and that we can change our basis when the time seems opportune. We are now accustomed to promising the coin and a proposal to do otherwise at this time might so jar the conservatism of some, that any progress whatever would be impossible.

THE DEBT CLEARING INSTITUTION IN OPERATION

Following the publication of a prospectus embodying the foregoing proposals, or others to the same effect, our WISE MEN think of the Eminent Financier's debt clearing institution as in operation, and they note what might take place.

Mr. One might sell something to Mr. Two, and take his promise to pay the coin thirty days after date. Mr. X, the pool-keeper, might take Mr. Two's promissory note, endorsed by Mr. One, and give to Mr. One the Pool's note payable to bearer on demand.

Mr. One might pass the Pool's note to Mr. Three for value, and from Mr. Three it might circulate until in course of time and commerce it reached Mr. Two, and he knowing that his note had been transferred to the Pool by Mr. One, would go there and swap the Pool's note for his own. Thus would the Pool's note have circulated and been redeemed.

Mr. One might again sell to Mr. Two; take his note; get it discounted at the Pool; pass the Pool's note to Mr. Three, by whom it might be paid to Mr. Six, and by him "deposited" at the Pool, the amount of the Pool's note being placed at his credit. Mr. Six might later give Mr. Two a cheque for the amount at his credit, and the amount of the cheque being placed at the credit of Mr. Two, he might then draw a cheque in favor of the Pool, and as payment for his note. Thus would the Pool operate to the advantage of the men of BLACKBOARD TOWN.

FIFTH SPECULATION

The WISE MEN suggest an Accumulating Repository—The utility of "savings and loan" companies indicated.

FINDING their studies in finance, relating to the clearance of debt and the provision of a paper currency, to be a source of intelligence for themselves and others, our WISE MEN determine to outline a career for Mr. Y, a man they imagine as having unusual capabilities for finance.

Let us suppose that Mr. Y, responsive to the suggestion of our WISE MEN, sees that in order to house the growing population of the TOWN OF BLACKBOARD, it is necessary that some of its townsmen co-operate and put up houses, and that he being a man of action as well as a man of ideas, publishes a prospectus something like the following :

PROSPECTUS OF AN ACCUMULATING REPOSITORY

(Mr. Y to the Public.)

Be it known, that since the establishment of the POOL OF BLACKBOARD, by Mr. X, the population and commerce of the TOWN OF BLACKBOARD has increased enormously, and there is a pressing demand for better dwellings than the shack variety with which we have hitherto had to be contented, but which now, in the days of our prosperity, should be removed or torn down, and in their places erected more substantial buildings.

To meet the demand for more suitable dwellings than we now occupy, it will be necessary for the people to co-operate to some extent. After turning the situation over in my mental organ a couple of times, the following scheme for co-operating became known to me.

A GREAT SCHEME

Let an Accumulating Repository be started by one of our number; (I am willing to start it); and let say, as many as ten of the Pool's I-O-U-s for the coin be accumulated in the Repository; these to be received "on deposit" from provident persons who are now inclined to hoard them, and who by so doing are obstructing their circulation. When, say, ten I-O-U-s for the coin have been received "on deposit"; they can be loaned to some one, to be "expended" by him for materials and labor, required in building a house. The Accumulating Repository will, of course, take from the "borrower" a mortgage, repayable in instalments.

By means of this plan for the accumulation of I-O-U-s for the coin, we will practically be co-operating in the erection of dwellings for one another, and will be doing so on business principles.

The proposed co-operative plan should not be regarded entirely as a proposed experiment and by some critics, who have never read More's Utopia, condemned as "Utopian." I may say that my proposition is that we do what is now being done in other parts of the world, by institutions commonly known as "savings and loan" companies.

* * * * *

THE ACCUMULATING REPOSITORY IN OPERATION.

The proposition of Mr. Y is now thought of by our WISE MEN as having met with the hearty approval of the men of BLACKBOARD TOWN, and the Accumulating Repository is mentally seen to be opened and ready for business. Our WISE MEN suggest what takes place.

Mr. Three walks in and deposits
3 I-O-U-s for the coin.

Mr. Five walks in and deposits
5 I-O-U-s for the coin.

Mr. Four walks in and deposits
2 I-O-U-s for the coin.

The Accumulating Repository has now ten I-O-U-s for the coin and its manager looks for a "borrower."

Mr. Six steps in and says he is prepared to borrow Ten I-O-U-s for the coin, and will give a mortgage on his corner lot. He purposes erecting a house as is shown by the plans he submits.

A "loan" of the ten I-O-U-s issued by the Pool is "put through." They are expended by the borrower, Mr. Six, and in due course are received in trade by the merchants, Messrs. One and Two, and by them returned to the Pool as payment of their notes then due and payable.

Our WISE MEN having thus briefly imagined that which might be done by settlers in a town, away from the evil influence of legislation promoted by crafty men, employ their spare time in retrospection regarding the doings of men of Canada of the 19th Century, in respect of financial organization, practice and legislation, and summarize their observations, so that Part II may be squeezed in between Parts I and III.

PART II.

Retrospection

Doings of Men of Canada of the 19th Century.

WISE MEN REVEAL THE PAST IN THEIR OWN WAY.

OUR WISE MEN TEACH BY ALLEGORY

Of the promotion and utility of chartered banks.

AT times and places during the 19th Century, some men of Canada have promoted banking companies and offered unto their fellow-citizens a banking service; their propositions being essentially as that of the following imaginary but somewhat instructive address.

A BANKING SERVICE OFFERED

To all Canadian fair traders having eyes and ears, and who, seeing and hearing, can understand.

Behold the land of our birth; it is fertile and we are an industrious, skillful and progressive people. Our inclinations are to follow different trades and professions; each to his own. Our diversity of occupation makes it necessary that we should engage in Commerce with each other and when doing so, we, following conservatively the custom of our forefathers, circulate the coin, and, whether wisely or unwisely, give unto others promises-to-pay with coins.

Now, know ye, that we, having knowledge of the science and being skilled in the art of accountancy do clearly perceive that by means of a properly organized and well-managed account-keeping institution, the exchange of labor and things among you could be greatly facilitated.

Therefore, we, having perfected and completed arrangements among ourselves for so doing, will (D.V.) open an Accounting Institution; and it shall be unto you **debt clearing institution**; and it shall be commonly called a Banking Institution and the Bank. And we who engage in the banking business may be called Bankers and Bill-brokers.

DISCOUNTING DEPARTMENT

At the Banking House, or Bank, we will swap **our** promises-to-pay the coin for **your** promises-to-pay the coin; and you will find **our** promises to be auxiliary to the coin; an auxiliary that, for many reasons, will be preferable to, and more efficient than the coin.

CURRENT ACCOUNTS

Within the Bank and in our books of account we will transfer our indebtedness from one to another of you, on receipt of written orders which shall be designated "cheques."

COLLECTION DEPARTMENT

We will also serve the public in obtaining acceptance of orders drawn by **creditors** on their **debtors**, and credit amounts to those who are the drawers, and debit or charge amounts to those who are the drawees. The orders used in this practice shall be designated "sight-drafts," and "bills of exchange."

ISSUING DEPARTMENT

And to facilitate commerce among you, we will issue to those of you with whom we swap promises, and to whom we are indebted, **evidence of our promises** and of our indebtedness, in the form of printed slips of paper, the inscription thereon being to the effect that we will pay to bearer on demand a certain quantity of the coin of the realm. Such printed slips of paper **being of uniform design and evidencing promises of equal worth**, will, of course, be interchangeable among you, and perform the same service as the coins.

The coins may be distinguished as the **Metal Currency** and our written promises as the **Paper Currency**, and as **Bank Notes**.

REDEMPTION DEPARTMENT

When the Bank holds matured notes or bills of customers, it will swap them with the customers for notes issued by the Bank, and this transaction shall be known as payment by the customers of their indebtedness to the Bank.

We think you will find our Banking Institution of very great convenience, and a powerful factor in developing the country of which we are all so proud.

We solicit your patronage, etc.

BIGEX BANKING COMPANY.

*Of the promotion and utility of savings and
loan companies.*

Another set of men of Canada have, at times and places, during the 19th century, practically made the proposition presented in the following instructive lines :

MEMORANDUM RE

A BORROWING AND LENDING SERVICE

A number of citizens having currency they had no immediate necessity to spend, have formed an Association or Company; combined their holdings of currency, and invested in mortgages, etc. The said Company is to be known as a "Savings and Loan Company," and it is prepared to receive bank notes "on deposit" from persons who get more of them than they need to spend. The Company will "loan" these bank notes in amounts to suit "borrowers," and take mortgage and other security for repayment.

A1 MORTGAGE SECURITY

Depositors will have the entire assets of the Company as security for the discharge of the Company's liability to them.

PRIVATE AND PUBLIC UTILITY

By availing themselves of the services of this Company, holders of bank notes will not only find themselves inconvenienced, but will also be benefiting the country by keeping the Banking Companies' paper in circulation.

IMPORTANT ADVICE

Citizens should not deposit bank notes in the savings departments of banks of issue, if they would not contribute to the cause of "hard times."

YDE AWAKE SAVINGS AND LOAN COMPANY

WISE MEN DECLAIM OF THE PERVERSION OF THE BANKING PRACTICE

Financial Companies indispensable in commercial organization—Utility of banking practice not always realized—Knowledge necessary for the correction of wrongs—A scientific classification of commercial interests—Three phases of commercial practice—Clearance and nonclearance of debts—Production with and without distribution—Flim-flam banking—Business failures—Banking companies' profits—The public accessory to political wrongs.

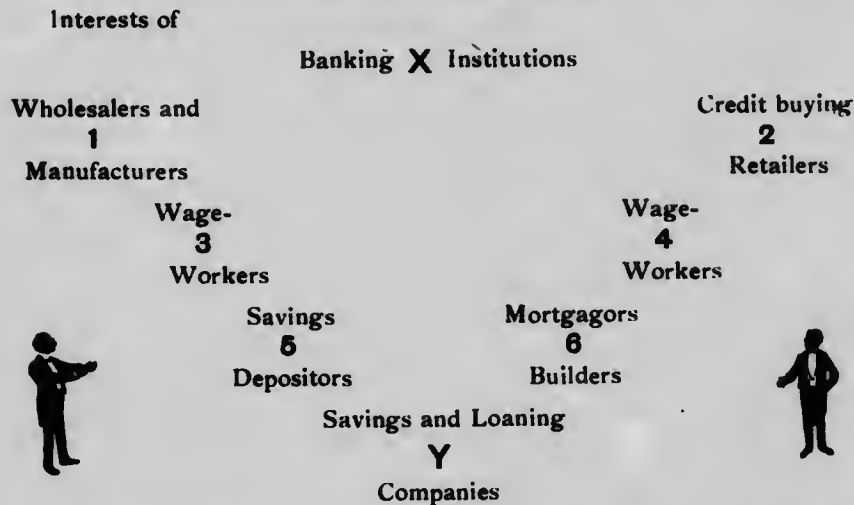
RESULTING from the activity and enterprise of promoters of financial companies to furnish the services outlined herein, by the Bigex Banking Co., and the Yde Awake Savings and Loan Co., a commercial organism was evolved which appeared to the minds of students as a complex organization of men ; as one that had originated in human necessities ; as one that was supported by collective interests ; but as one that was responsible for unfair, unjust and inequitable political conditions. Various classes of critics of the situation, classified the interests of the people under two heads, namely, "Capital," and "Labor," and depicted the interests under that classification as the "warring elements of society." It is not surprising that would-be "reformers," having in view so unscientific a classification of the interests involved in the commercial organism, failed to accomplish a real reform ; but it is surprising that those who were apparently desirous of finding a remedy for political ills should have given little or no attention to the "banking" practice, in view of the fact that the "production" and "distribution" of commodities depended on that practice. That there was often production without distribution was indeed an accepted opinion, but the *nondistribution of commodities* does not appear to have been *attributed* by politicians to a *perversion of the banking practice*.

In those days, as now, a skillful operator of productive machinery could in many cases when the product was imperfect, determine in what respect the machine required adjustment without examining it ; but to be able to do so he had to understand the working principles of the machine and the function of its parts. So, also, the chemist, and the cook, when able to explain the cause of some unsatisfactory state of a product, had knowledge of methods and processes.

Then, as now, before the student of the commercial aspect of political conditions could be in a position to say what act or series of acts in the commercial procedure was the cause of unsatisfactory commercial conditions he had to have a definite conception of the commercial organism, and also a clear comprehension of the simple acts that were respectively performed in Commerce by the members and groups of members of the commercial organization.

Such knowledge was then, as it is now, of the commercial branch of political science, and came to those actively engaged in Commerce without effort or much exercise of their powers of observation. While on

different occasions there may have been diversity of view, in some cases, doubtless, close students and business men thought of the commercial interests of the people as being classifiable as follows :—



When thinking of the state of trade, of the success of some merchants and the failure of many, of the large incomes of some men and the small incomes of others, of discussions relative to the unequal distribution of the results of labor, of the tendency of the ownership of all kinds of property to become vested in comparatively few individuals, those students who had a definite conception of the commercial organism and understood its *modus operandi*, not only saw the effects which followed the operation of that organism, but also comprehended the acts that were responsible for those effects or results. They could perceive different phases of the commercial organism by contemplating different series or groups of acts performed in its operation. Of these phases of commercial practice three are here presented by reciting the acts of each of three series or groups of acts, the three groups being distinguished respectively as first, second and third phase.

FIRST PHASE

OF 19TH CENTURY COMMERCIAL PRACTICE

EFFICIENT BANKING

1. *a.* Manufacturers took promises and promissory notes from retailers (merchants).
- b.* Retailers took merchandise or goods from wholesalers and manufacturers.
2. *a.* Banks took merchants' promises and endorsed promissory notes from manufacturers.
- b.* Manufacturers took banks' promises and banks' promissory notes.

3. *a.* Wage-workers took banks' promises and banks' promissory notes from manufacturers.
b. Manufacturers took services from wage-workers.
4. *a.* Retailers took banks' promises and banks' promissory notes from wage-workers.
b. Wage-workers took merchandise or goods from retailers.
5. *a.* Banks redeemed their promises and took banks' promissory notes from retailers.
b. Retailers redeemed their promises and took their cancelled promissory notes from banks.

The foregoing specified group of acts had merit because the acts effected production and distribution, and discharged liability, or, in other words, cleared indebtedness.

SECOND PHASE

OF 19TH CENTURY COMMERCIAL PRACTICE

EFFICIENT BANKING, WITH LOAN COMPANY IN OPERATION

1. *a.* Manufacturers took promises and promissory notes from retailers (merchants).
b. Retailers took merchandise or goods from wholesalers and manufacturers.
2. *a.* Banks took merchants' promises and endorsed promissory notes from manufacturers.
b. Manufacturers took banks' promises and banks' promissory notes.
3. *a.* Wage-workers took banks' promises and banks' promissory notes from manufacturers.
b. Manufacturers took services from wage-workers.
4. *a.* Savings depositors took banks' promises and banks' promissory notes from wage-workers.
b. Wage-workers took services or something from savings depositors.
5. *a.* Loan companies took banks' promises and banks' promissory notes from savings depositors.
b. Savings depositors took loan companies' promises and credit entries in pass-books.
6. *a.* Mortgagors took banks' promises and banks' promissory notes from loan companies.
b. Loan companies took mortgages from mortgagors.
7. *a.* Wage-workers took banks' promises and banks' promissory notes from mortgagors and builders.
b. Builders took services from wage-workers.

8. *a.* Retailers took banks' promises and banks' promissory notes from wage-workers.
b. Wage-workers took merchandise from retailers.
9. *a.* Banks redeemed their promises and took banks' promissory notes from retailers.
b. Retailers redeemed their promises and took their cancelled promissory notes from banks.

The preceding specified group of acts was meritorious because the acts effected production and distribution and discharged liability, or in other words, *cleared the debts* of the banks and the merchants.

THIRD PHASE

OF 19TH CENTURY COMMERCIAL PRACTICE

PERVERTED AND UNSOUND BANKING PRACTICE

1. *a.* Manufacturers took promises and promissory notes from retailers (merchants).
b. Retailers took merchandise or goods from wholesalers and manufacturers.
2. *a.* Banks took merchants' promises and endorsed promissory notes from manufacturers.
b. Manufacturers took banks' promises and banks' promissory notes.
3. *a.* Wage-workers took banks' promises and banks' promissory notes from manufacturers.
b. Manufacturers took services from wage-workers.
4. *a.* Savings depositors took banks' promises and banks' promissory notes from wage-workers.
b. Wage-workers took services or something from savings depositors.
5. *a.* Banks took banks' promissory notes from savings depositors, **but did not redeem banks' promises.**
b. Savings depositors **retained banks' promises** and took credit entries in pass-books as evidence.

The foregoing group of acts was deserving of the severest condemnation by fair traders, because while they effected production, they did not effect distribution, and caused permanent liability or indebtedness; or in other words, *did not clear indebtedness.*

The men who, together with their wives and children, were injured by the combination of Savings Banks with Banks of Issue, were the mortgagors, promisors, credit-buyers, debtors, and tenants; men who were called manufacturers, merchants, workingmen, storekeepers, farmers, clerks, etc., and had those men been alive to their own interests they

would have strenuously protested against chartered banks of issue paying interest to depositors, their creditors. Had the payment of interest by issuing banks been stopped in 1900, mercantile liabilities amounting to at least two hundred millions of dollars would have been liquidated with the inevitable result that wealth would have been more equitably distributed.

The Canadian banking companies' practice of withdrawing from circulation the promissory notes issued by them, while at the same time continuing their promises and liabilities to their creditors, commonly called depositors, might have been characterized, and designated for the sake of brevity, as **flim-flam banking**.

FLIM-FLAM BANKING A CAUSE OF "HARD TIMES"

SAVING OR HOARDING CREDITS AT BANKS CAUSE BUSINESS FAILURES.

THE banking companies' act of withdrawing or "borrowing" the "paper currency" that had been put into circulation by the promisors of the banks, was probably the primary and most potent cause during the last fifteen years of the 19th century of twenty-five thousand mercantile failures in Canada, and of an undischarged liability at maturity during that time of two hundred and fifteen million dollars.

The banking companies' practice of absorbing from the market, without payment, the "paper currency" which they had supplied to their promisors, effectually prevented the latter from liquidating liabilities assumed, and caused the mercantile indebtedness to banking companies to be at least two hundred million dollars in excess of what it would have been if a flim-flam practice had not been followed.

By **suspending their current debts**, and "flim-flamming" their promisors, the banks increased their income, directly, twelve million dollars per annum; raised the market price of bank shares from par to an average of 200, and gained in account with the public what is technically known as a rest or reserve fund, which in 1900 amounted to thirty-five millions, and was of greater injury and injustice to the banks' debtors than the watered capitalization of enfranchised companies is to the public.

WISE MEN CRITICIZE LEGISLATION

Of legislation, that permitted and made possible a suspension of current debts by the chartered banks, and that was known late in the 19th century as Sections 10, 60 and 80 of an Act respecting Banks and Banking, 53 Victoria, Chap. 81, 1890, and citable under Section 1 thereof as "The Bank Act."

PROMISSORY NOTES, PAYABLE TO BEARER ON DEMAND, PROHIBITED.

BY section 60 of The Bank Act, the authors thereof intended to prevent wood-hewing and water-drawing Canadians from using as "currency," any other than legal tender currency and certain joint-stock companies' pictorial promissory notes, "payable to bearer on demand" (?) Without having any legal right to obtain from chartered corporations the paper currency which they alone were privileged to supply for the satisfaction of a universal daily want, the untutored masses of Canada were an easy prey to the greed and rapacity of unscrupulous bankers. History records the usurpation of the land, and its allotment to a favored few, to a greater extent elsewhere, than in Canada; but in respect of class legislation of a paralyzing character, Canada furnished in section 60, an example of arbitrary legislation, equal, in respect of aggressive and insolent tyranny, to any ever enacted in any country of the world. As well might men of Canada, in whom the trust of the people is now reposed, and who are thought of as vested with authority, forbid all but a few individuals to draw water from the inland lakes, as to forbid all but a few crafty bill-brokers to dip into the great River of Credit, for that indispensable element in commerce called currency.

LOCAL BANKS OF ISSUE PREVENTED.

By section 10 of the Act of 1890, the organization of local banks of issue was placed beyond the power of the founders and leading men of the towns throughout Canada; men reputable and capable enough to be pioneers, town councillors, members of Parliament, officers of insurance societies; anything but managers of a bill-brokerage company capitalized at less than half a million dollars. Of course, if they had complied with the law they could have started a bank of issue when one was greatly needed. Certainly they could have done so; so could the captive have fed if he could have reached the food placed beyond his reach.

CHARTERED BANKS OF ISSUE PERMITTED TO PAY INTEREST AND SUSPEND PAYMENT.

By section 80 of The Bank Act, the chartered banks of Canada were expressly licensed to "flim-flam," to defraud their promisors or customers. A bank of issue is in part, as the words imply, a currency issuing company. A bank of issue swaps its notes for its customers' notes, the customers compensating the bank for the use of its notes for a length of time, at the termination of which they are to be returned. A customer could, if he wished, keep the bank notes until the due date of his own

note, and then swap the bank notes for his own. But men don't let a bank discount their paper for fun. They "borrow" the bank's **credit** for use. They use it by circulating it. They part with it to-day and regain it to-morrow; such is the game and it is so played by the bank's customers. But the banker of the 19th century was slick; he looked upon "the public" as the cardsharp looks on his victim; he had a smile, "childlike and bland." One day he issued his "currency" notes to one set of men "on terms"; the next he was in the market bidding for his "bits of paper," and sneaking them away from another set of men under the pretence that "he must borrow in order to lend." When, however, the wily banker took bank notes "on deposit at interest" he *did not redeem his promises*. He *suspended his liability*; he **continued** his **promises** to the latter set of men, called "savings depositors" in order that the indebtedness to him of the former set, called "customers," would be continued; in order that the demand for **currency** would always be intense. When some poor wretch having a note due, wasted his valuable time trying to collect **currency**, and then dared think there was something out of gear, the smooth bank-official suggested that the man, whose intellect was logically working in that direction, was laboring "under the common delusion that there is not enough money in circulation." This suggestion was oftentimes the banker's talisman. At such times his simple-minded customer got the delusion that he had a delusion that money was scarce. He stopped thinking, yielded to the banker's sophistry, while the latter continued, under section 80, to swindle his customers.

Those Canadians of the 19th century who were responsible for the perversion of the banking practice, and the corruption of politics, appear to have been low, mean, despicable swindlers, and in nature and character and intention of the same type of men as cheat at cards. They included some more deserving of swift punishment than a horse thief. People of the 20th century, who read history and understand banking, will accept these conclusions as being justified by facts.

ITS MAJESTY THE PUBLIC

WISE MEN would understand the Public if they could.

What should be thought of the 19th century Public; the party of the second part in the game of the bankers? Was the dear Public, that many men were willing to sacrifice themselves to serve *per* honorable and lucrative offices, deserving of sympathy during the skinning operations of the bankers? Did the Public want to change the customs, usages, practices, conditions, under which it had grown up, with all its fatness on one side and its leanness on the other? The experience of some men led them to think that the public viewed its unsymmetrical proportions with satisfaction rather than with discontent, and would at all times choose a political "humbug" in preference to an equalizing diet; that, in short, the public preferred evil to good.

The inner consciousness of the Public is difficult to get at, the only avenue thereto being through the minds of individuals, and candor and sincerity are not the most common virtues. But the Public may be as justly judged by its acts as a tree is by its fruits, and judging the Public by its acts, the weight of evidence warrants the conclusion that the Public of the 19th century was as piratical as some bankers were. Without the assistance of the Public the bankers could not have systematically and continuously **suspended** millions of dollars of liabilities to depositors and thereby prevented a **clearance** of millions of dollars payable to them by the mercantile classes. Had the Public desired to discipline the bankers, it could easily have done so in several ways, which at some future time will be made clear to it. Not merely by being accessory to the perversion of the banking business did the Public act against its own welfare ; in numerous other respects that cannot now be even alluded to, the democratic Canadian Public of the 19th century behaved so that it made lots of trouble for itself. Perhaps for most of the evil doings of the erratic Public, resulting in an unhealthy body-politic, its quack advisers should be held responsible, but unfortunately political fakirs and grafters usually fall into oblivion, leaving the patient Public to suffer the pains and penalties it must bear because of its misplaced confidence. When the Public learns to regard with suspicion the adviser who declares for robbery of some men to benefit other men, and holds that robbery is robbery whether the majority is robbed by the minority, or the minority by the majority, many of its complications will disappear ; but in order that it may perceive robbery, when that is the motive behind political writers and speakers, the Public should become intelligent in respect of banking, and as a primary step study the financial organization of BLACKBOARD TOWN.



PART III.

Prospection

Wise Men Look Ahead

The scene changed from Past to Future—Pessimism unproductive—Optimism encouraged—A convention foreseen—Prospective resolution reported—Organization of a Financial Practice Reform League—Opinions embodied in a Proclamation—WISE MEN prophesy and retire for rest.

OUR WISE MEN, growing weary of retrospection and the unscrupulous doings of men of the 19th century, and of the evil political conditions consequent on an inefficient and pernicious mercantile banking service, turn their thoughts to the future, and from the threshold of the 20th century exercise their faculties of foresight, and proceed to foretell some events of the century into which they mentally peer.

Being godly men, as well as men of wisdom, and interested in the promotion of a society for the prevention of cruelty to humanity, they naturally wish for advancement of the arts and sciences, and improvement of political conditions. Because of having so recently been thinking of Canadian financial organization, practice and legislation, and being, therefore, familiar with the subject, the WISE MEN deliberately resolve to search the future in respect of doings having for their object financial practice reform, and in taking their observations to throw off a feeling of depression and abhorrence engendered during their studies of the past, and to open wide the valves of hope, which, 'tis said, "springs eternal in the human breast." They well know that pessimism would so darken the range of their vision, that they would be unable to foresee on the sky-line, even the outlines of a reform movement; an optimistic mood, therefore, to them appears necessary as an invitation to success.

Looking forward into time from the beginning of the 20th century our WISE MEN perceive an assemblage of keen shrewd business men, yet as citizens of Canada, having a high sense of business honor, examining draft documents reading substantially as follows:—

Whereas, the public records and press bear witness that the "economic" or political conditions are in many respects unsatisfactory; and that a higher standard of civilization and an advance in political science is desirable; and,

Whereas, the increase of **Credits** and **Debits** to enormous amounts, is evidence that the financial practice of the country is defective in some important respect ; and,

Whereas, the said increase is in itself a political evil and a prolific cause of poverty, intemperance, insanity and political corruption ; and,

Whereas, there are many good citizens who need greater knowledge of the financial practice, and the utility and proper scope of certain classes of financial corporations.

Resolved, that we, the undersigned, being conscious of the desirability of more fair, just, and equitable conditions of life, and of the **importance of financial practice reform as a first step** in that direction, do hereby constitute ourselves a league for the purpose of advancing civilization and political science, and more especially **financial practice reform**, by determining to the best of our ability, the scope and character of each class of the financial corporations ; and by promoting in all legitimate ways a movement for financial practice reform in accordance with our ideals and the principles determined and enunciated by us.

* * * * *

Our WISE MEN observe that the meeting is called to order by a chairman, who, after reading aloud the foregoing preamble and resolution, invites discussion. It is apparent that there is diversity of opinion, and that some of those present are strongly opposed to the subject matter before the meeting ; so much so, indeed, that they retire, evidently convinced of the futility of a financial practice reform movement. The meeting, however, continues and those remaining are seen to affix their signatures to the chairman's copy of the resolution. After a brief interval of informal discussion, during which the charter members of the League evince considerable enthusiasm, the meeting resumes its formal character and the inevitable election of permanent officers takes place. The newly elected president then announces that the conveners are prepared to submit a set of opinions appertaining to certain classes of companies, if it is the pleasure of the League to receive the same. One member charges that the proceedings appear to be a "cut and dried scheme," and is promptly told by another that "that is just what is wanted." The secretary records that Mr. Dought moves, seconded by Mr. Playfair, that the opinions be read by the President and then discussed *seriatim* by members. The motion being regularly put and carried, the following declaration of rights and wrongs is launched upon the League.

Proclamation

RESPECTING FINANCIAL PRACTICE REFORM

The Financial Practice Reform League, being duly constituted an organization for the advancement of civilization and political science.

To all to whom these presents shall come or may concern,

GREETING :

Know ye, that our loyal, public spirited and enterprising members have voluntarily, and not by authority, accepted as fundamental for the time being the set of opinions hereinafter stated ; and

Know ye, also, that not wishing to be considered too radical or as attempting too comprehensive a reform we have restricted our opinions herein to institutions known respectively as

1. The Chartered Banks.
2. The Savings and Loan Companies.

Wherefore let it be assumed :

1. That Gold Coins are in the possession of some of us, although they have never been and may never be seen by many of us.

2. That the custom of "promising to pay dollars" has been permanently fixed by habit and law, and that the Act making Gold Coins a legal tender in fulfillment of "promises to pay dollars" is an indispensable interpretation of indefinite contracts.

3. That the act of "promising to pay dollars" creates a **Debit** and a **Credit**, and the relationship of **Debtor** and **Creditor**, and develops the need for two services, namely :

1. A Debt Clearing Service.
2. A Debt Continuing Service.

We submit :

1. That the chartered "banking" companies are designed to be companies of "discount and issue," and are chiefly engaged in buying, sometimes for **cash** but more often on **credit**, such instruments of commerce known as *Bills of Exchange* and *Promissory Notes*; and,

2. That it is the purpose of the acceptors and makers of said instruments to effect a clearance of debts.

1. That the "savings and loan" companies are designed to be companies for "saving and lending," and they invest their funds chiefly in mortgages on real estate ; and

2. That such investments are largely of a comparatively permanent or continuing character ; and are better security for the saving public than mercantile paper.

And we declare as our opinion :

1. That the chartered banks are, because of their said operations and privileges, obligated to effect a clearance of debts, or, in other words, to furnish a debt clearing service :

2. That the liabilities of the chartered banks should be exclusively *current liabilities*, and not suspended liabilities until after notice or until a fixed date :

3. That the *Bills Receivable* held by the banks as *assets* are not the class of assets the "saving" public should prefer as security for credits or claims.

1. That the "savings and loan" companies, because of their said investments, are the proper companies for the saving public to patronize, and that the assets of the said companies, being chiefly mortgages on real estate afford "*Depositors*," *Debenture Holders* and other creditors, the most reliable class of security.

2. That a comparison of the respective merits of mercantile paper (the larger asset of the chartered banks) and of mortgages on real estate, as security for the claims of "savings depositors" is much in favor of the mortgage security.

WE THEREFORE PUBLICLY PROTEST against the "chartered banks" continuing their "savings ledgers" and paying interest to their creditors; and respectfully direct the attention of the "saving" public to the rate of interest and greater security offered by other companies.

Witness, our duly elected

**PRESIDENT.
SECRETARY.**

Our WISE MEN say that the reading of the proposed proclamation is followed by what is feared as an ominous silence; even "the boldest holds his breath for a time." The conveners of the meeting and framers of the opinions nerve themselves for a storm of words; for invective and derision; for disruption of the League. But the silence continues. The chairman casts an apprehensive glance toward some gentlemen having banking interests and a liberal "line of credit," and is caught in the act by one of them, who gasps:—"What does it all mean?" The chairman replies that doubtless the honorable member's desire for information will be fully met during the discussion that he presumes will take place; and suggests that it would be in order for some one to move the adoption of the proclamation. This formality being performed and noted by the secretary, the chairman states that the whole matter is now before the League to be dealt with as the members will.

To make a long story short, our WISE MEN say the debate on the proclamation lasts for a number of evenings and covers the whole field of politics, including what some of the members call "economics." The Canadian banking "system" is said to be the best in the world—for the bankers: speakers talk of the "gold basis"; of "bimetallism"; of "sound money"; things which, like "the flowers that bloom in the spring," have nothing to do with the case, or, in other words, with the

opinions declared in the Proclamation herein. While a verbatim report of the debate as it comes to the minds of our reporters, must be denied the reader, the following digest is furnished by them.

It runs as follows :—

1. That the circulation of *metal currency* is chiefly because,
 - (a) Men promise it and then want it.
 - (b) Men want it because other men, having promised it, want it.
2. That the circulation of the *paper currency* is chiefly because,
 - (a) Men who exchange their promissory notes for it subsequently want it to exchange for their promissory notes.
 - (b) Men want it because other men want it.
3. That the "promise to pay" is the chief cause of the demand for currency; and the demand for currency is the chief cause of it circulating.
4. That by stopping the supply and by checking the circulation of paper currency, a panic or currency famine can be created among promisors.
5. That the use by a *bank of issue* of a *savings ledger* checks the circulation of paper currency, and effects a suspension of the bank's liability.
6. That *banks of issue* always issue their notes before they receive them and therefore do not need to "borrow" in order to "lend."
7. That promisors of *banks of issue* are prevented from redeeming their promises, when the banks of issue pay interest and continue or suspend their liabilities.
8. That while an educational campaign in the interest of banking practice reform is advisable, the organization of a chartered bank to furnish an efficient debt clearing service would be a more practical step in the direction of securing that service.
9. That a chartered bank furnishing a sound and efficient banking service would secure the best mercantile accounts and be a profitable enterprise.

Our WISE MEN say that having exhaustively discussed the principles involved in the opinions proclaimed, the proclamation is amended in some minor details to satisfy the critics of its form, and then adopted by the League and given to the press.

At this point they become prophetic and say, that when the events foretold by them shall have come to pass, financial practice reform will be an issue in practical politics, resulting in the chartered banks **doing a banking business** and thereby effecting a clearance of mercantile indebtedness.

And hoping that their identity will be of less interest to the public, than the views they have aided in presenting, our WISE MEN separate for a much needed rest.



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