The Labour Question.

THOUGHTS ON PAPER CURRENCY

AND

LENDING ON INTEREST:

AS AFFECTING THE PROSPERITY OF

Labour, Commerce and Manufactures.

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TORONTO: ADAM, STEVENSON & CO.
MONTREAL: DAWSON BROS.
LONDON: SAMPSON LOW, MARSTON, LOW & SEARLE.
PHILADELPHIA: J. B. LIPPINCOTT & CO.
1872.

MONTREAL:—JOHN LOVELL, PRINTER.

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INTRODUCTION.

The science of Political Economy has to do with values and all that relates to values in exchange. It treats of production and distribution, consumption and accumulation. It deals with man as a producer, a merchant, and a consumer, and thus embraces the circle of human wants, Although it has engaged the attention of numerous inquirers, it is astonishing that so little real progress has been made, especially in those departments having the most vital interest to society, or contributing directly to the wealth, happiness and comfort of man. It seems as if some subtle influence were always at work to prevent the science of political economy becoming the practical blessing to our race which it was designed to be. An obscurity, which it seems impossible to dispel, constantly hangs over it. I am persuaded that it is to two things which have attained great influence and importance in modern days that we must refer this unfavourable position of affairs. I refer to the presence of paper currency and the lending of that currency on interest, and of these two things this volume will principally treat. It is not by taking a solitary fact here and there that we can ever come to true conclusions in this science. Neither can we arrive at just apprehensions by taking our stand in the midst of the unfathomable mysteries of the banking system. If we give our minds up to such a chaos of ideas we shall hardly avoid being led astray. Our speculations will be aimless and fruitless, and issue only in disingenuous cavilling and a brood of errors, if we persistently refuse to reason except within the circle of modern banking and currency. The beauty, simplicity and order of nature's laws can only be laid hold of by an intelligent mind outside the complications of a system which, though grown to ponderous dimensions in modern times, has its very existence in the subversion of these laws. This science has to be learned like any other science. It has a harmony as perfect as any other. God is its author, and man is its subject. Order and method in our inquiry are indispensable if we hope to understand the nature of the different forces at work, and to give to these forces their relative importance and position. And in order to arrive at sound conclusions regarding those particular phenomena which have caused, first and last, so much agitation among men, when human interest and the most sagacious, as people thought, of human plans, have proved illusory and suffered common wreck, we must, to begin with, familiarise our minds with the operation of laws which experience has taught us may all be reduced to those principles and arrangements in the economy of nature out of which all barter and exchanges spring.

In such a field of inquiry as this, one must have all his wits at work, and must rigidly school himself to give proper consideration to many a subtle influence and many an obdurate fact. Claims will be constantly made upon him which he must not ignore if he hopes to reduce in his mind apparent complications and intricacies to a system of order and beauty. Many a dark journey he may have, but perseverance will at last bring him to the light.

The disasters which now seem to have become an inevitable accompaniment of modern commerce have, in their frequency and severity, been sufficient to awaken the most anxious inquiry. No statesman, who has at heart the good of the people, can be indifferent to these recurring panics, fraught as they are with so much misery and sorrow to nearly all classes. No small inquiry constrains me to say that thoughtless and erroneous legislation is at the bottom of most of this trouble. Propositions have been advanced full of deadly and insidious error —they appeared plausible, and came from sources where practical wisdom was thought to reign—they have been greedily seized by the public mind, embodied in legislation, and sent forth upon their destructive mission. We have all been led astray by these errors. We thought them the very embodiment of truth. But it was error throughout, and disasters came thick and fast, and we wondered when they came and why they came at all. We fenced our propositions, our system, with every conceivable guard, and with every security we could think of, but all would not do. There were some grievous errors in it all the time, which brought it at last to the verge of ruin. Had we given our system proper thought, we would have discovered that we were continually working against the inexorable laws of nature; and had we thoughtfully traced out these errors, following them from one source to another, we would have seen that it was all founded on wrong principles, which could not, in the nature of things, bring us to anything else but disappointment and sorrow. It will be my task to endeavour to expose, in the following pages, some of these predominant errors. And my hope is that this book may assist in solving to some extent that great problem of Commercial Evil which has caused, first and last, so much distraction and anxiety to civilized nations. Great will be the gain for conscientious and unprejudiced minds should I succeed in tracing out the dividing line between right and wrong--between what is hurtful and what is beneficial to industry and commerce. Of one thing I am certain, that the solution of the "labour question" need not be sought outside of the two great subjects here discussed—*paper currency and its loan.*

I ground no claim for consideration that this book, small though it is, has cost me close upon twenty years of study and inquiry. But in view of the opinions advanced, opposed as they are to those of the great mass of mankind, I think it necessary to state this fact as evidence that these opinions have not been hastily conceived, and that they are the result of mature thought, whatever that thought may be worth. This may also serve to explain certain remarks which I have not deemed it necessary at this date to alter or amend. Much of the work was prepared during the intermission of manual toil, and the considerate reader will, therefore, know how to make a just allowance for any inaccuracies which may appear. It is published mainly with the view of directing more intelligent minds into some new lines of thought on a subject of such vital interest as human labour. I have but dug up some rough truths which other hands will, no doubt, at some future time re-arrange and mint for current circulation.

The author has remarked with great satisfaction that some of the leading minds in the neighbouring Republic are engaged, in the right way, investigating the subject of the currency. He would particularly specify Mr. Charles H. Carroll, perhaps the most accurate and advanced thinker on the question, and whose valuable contributions should be reproduced and circulated in a permanent form, especially among the mercantile classes. Mr. Sulley, another American writer, has given much attention to the same subject; and although I think he is not always just so accurate as Mr. Carroll, yet his observations are very valuable, and exhibit thorough independence and originality. Professor Perry, of Williams College, has also rendered important service, and contributed to a better understanding of the principles of political economy, by his clear expositions in his recent work on the elements of the science. It is a pleasure to express the gratification one experiences in journeying along the highway of truth in company with such men. The American mind is beginning to inquire seriously into the positions—some of them absurd enough, indeed—held by the old economists, and not seldom reproduced in the works of modern writers, and light is breaking in as the result of these investigations. The hope of the author is that these pages, written in behalf of the sons of toil, and with the desire of mitigating, if possible, their hard lot, may prove in some measure a contribution to the cause of truth, and be of service in awakening inquiries into very momentous questions wherever they may happen to be read. It is deeply to be regretted that the cause of the working man is falling very much into the hands of those whose manifestos but too often reveal the dangerous nature of the remedies they would apply to a long and deep-seated disease. This book professes to reveal the secret causes by which industry has been so long and so sorely oppressed. And if, at the same time, it does not, in so many set terms, presume to advance a cure for a system whose inevitable end must be destruction, is it too much to hope that the warnings it contains may not be wholly lost when presented before thoughtful minds, or that many of my youthful readers may be led to frame the beginnings of their commercial life on grounds which are scriptural and therefore safe? May the day soon come when wisdom and knowledge shall be the *stability* of our times, the rights of labour be respected, and the just rewards of labour fully secured.

Montreal, December, 1871.

2. *Paper Currency takes from Labour and gives no equivalent.*

Were I asked what has, in my estimation, proved most hurtful to labour and most prejudicial to the industry of man, I would at once name the modern system of fabricating paper currency and the lending of that paper currency on interest. The authorised issue of bank notes to be placed in the hands of the people as money, or to pass as money, is a practice ruinous in its tendencies and immoral in its character. Its delinquencies have not stood out in bold relief, like open and flagrant acts of robbery. On the contrary, its true character has been concealed under various sophistries and false arguments. In relation to the mercantile system, a crop of ideas, as prolific as they are absurd, have sprung up in modern days. The wildest theories have had their advocates, and nothing seems too ridiculous for belief, if the writers are only on the side of paper currency and can shew more than ordinary ingenuity in their deprecation of hard cash. Deceived themselves, these writers have but too well succeeded in deceiving others. It is sad to think that arguments in support of a system unparalleled in its devastation and ruin, and in its terrible oppression upon the interests of labour, which a moment's serious consideration should serve to dissipate, have been accepted as truths by multitudes whose thoughts upon the subject apparently never range beyond the narrow circle of the paper currency which they handle from day to day. The truth is, the sum of the arguments used by most of the mercantile class is, that the paper currency suits their purpose; that it passes till discredited from hand to hand; and that it enables many people to get into business by borrowing. Beyond these things they do not care to inquire, and more than this they apparently do not care to know.

I have said that paper currency takes from labour and gives no equivalent. It does so for this reason—*that it is the people who take and use the bank notes, who lend to the banks and not the banks to them.*

I had hardly commenced my investigations into the subject when the truth I have now stated came before me. I found it, as it were, on the very surface, and the wonder is that so many inquirers had heedlessly passed it by. Out of all those innumerable complications of the banking and paper system which my mind is competent to trace, I can eliminate mainly this as the ultimate condition, tangible, evident, and painful beyond expression, that the human family throughout civilized lands parts with a large portion of its labour—when all told, perhaps fully one-half—not only without any equivalent, but is compelled also to receive and use a dangerous and destructive instrument of exchange. This is the last issue, terrible to contemplate, but inevitable and sure.

If this be the case, the subject at once assumes an aspect of deepest gravity, and commands the serious attention of every friend of humanity.

I will now give a simple illustration of the truth I have just stated.

We will suppose that you are a labouring man, married, with a family. You hire yourself to a well-to-do farmer at twenty dollars a month. You faithfully perform your stipulated duties, and at the end of the month he is your debtor to that amount. Instead, however, of paying you the wages you have earned, he proposes that you take his note for the amount, payable, without interest, on demand. The farmer, we will suppose, is a mean man, and sees well enough, if he can only get you to take his note, so that he can get your money retained in his hands in order to lend it out to others, that he will make a good thing of it, and that it will prove a very remunerative business if he can play the same game with all his labourers. You at last consent to take his note. Having got you this length, he advances a step further. He has got your little capital to trade upon, and ought, by every law of modern commerce, to pay you for the use of it. But the mean farmer has no such intention. He has now the audacity to propose to you that you should pay him for his service in thus adroitly relieving you of your money, and attempts to bamboozle you with fine speeches about the convertibility of his note, and so forth, not one word of which you can understand. The mean farmer sees you hesitate, and he begins to tell lies, for what does a man care how he lies who tries such a game on you as this? The grass will not grow, he says, without this paper—without it the trees will not yield their fruit—the wheat will be scorched and withered—the wheels of commerce will rust—and we shall all go back to the burrows and caves of the earth. By such persuasions you finally yield, and blindly give of the fruits of your labours to this hard-hearted and insidious master, who takes away your twenty gold or silver dollars and gives you his note for $17.60. At the end of each month, as your wages become due, he repeats the operation, and by the end of the year you have lost all your gold, and hold your master's note for $211.20 instead of $240. With *your* means this kind master starts some one in a neighbouring store, and makes you again pay ten or twelve per cent. of increased price for all that you and your family consume, and thus you are speedily reduced *to the lowest living point.* You are between two fires, and are losing on your wages, on all your purchases, and on every transaction. You begin to descend in the scale, for you are hedged in on every side, and instead of any expectation of rising in the world, you find it requires the hardest struggle and the greatest pinching to support your family, and you have, added to the toil of the body, the more wasting toil of the mind. If, in addition, we add that the mean farmer, in order to allay your suspicions, talks big about a little gold which he keeps stowed in some out-of-the-way place, and indulges in learned and high-sounding phrases about the convertibility of his paper promises into the current coin of the realm, and you have modern paper banking displayed to you in such of its features as it is important for you to know.

The mean farmer has thus got *your* capital into his own hands, and makes *you* pay for the use of *your own money.*

If you keep the mean farmer's note for a month, you have lent him your labour for nothing for a month; or if you pass the note to another in payment, he then becomes the lender for the period he holds it, and if twelve people have had the note in hand during the course of the year, twelve people have been deceived and have lent their labour—or capital, if you prefer that term—for one year, and have not only got nothing for the loan, but had to pay the current rate of interest for this precious accommodation. No wonder then that banks find it profitable to issue paper currency.

Another specious argument of the mean farmer is that your money, your gold, your wages, would not be productive in your own hands, and would lose interest. He therefore relieves you of it, lends out your own money, and puts the profit in his own pocket. This is a great argument with certain economists. I dare say you will think it a strange sort of economy. In plain language, they in effect say,—let us get the people's gold and silver into our hands by giving them pieces of paper instead, and we will lend out the money on interest and thus make gain. Can we conceive of anything meaner or more corrupt than this?

It is painful to think that this is virtually the system everywhere applauded, and which many good men strenuously defend. This is modern banking; and unless you, the labourer, *thus give*, it could not live a single day. Divested of its fine phrases and subtle logic, it is a creed of political economy which consists essentially in the dispossession, without compensation, of property in labour.

You may think over it in every conceivable way, but you can make nothing more out of it than what I have stated. Every man who puts a paper note into his pocket, whether issued by the government or the bank, or by the bank and government combined, not only lends his means or his labour to the issuers as long as he has the note in his possession, but actually pays the money which was extracted out of the merchant or speculator or other person who discounted the note for which these paper notes were originally issued. No one can avoid using these notes, and thus the labour of the people is, through this unnatural channel, compelled to pay tribute for the use of their own capital, a thing scarcely credible were it not so common, and at the same time an inevitable accompaniment of all modern banking. It comes down upon labour at last, not only reducing the rate of the poor man's wages, but adding to the price of what he daily consumes. The basis of *paper* currrency may be said to be its ability to keep back the hire of labour, *money*. Out of these two things, wages and cost of commodities, by means of *price* every bank dividend is taken, for there is no value, and no available resources, without labour; and there is no other conceivable source whence returns can be had for lending money on interest, or for the issue of a paper currency.

It is in this way, and in no other, that the working men, the producing classes, lend their circulating capital to the banks; and it is in this way, and in no other, that the banks exclusively secure the profits of the loan, reaping where they have not sown, and gathering where they have not strawed.

Can we any longer wonder at the restlessness and dissatisfaction of the working population under this heavy and constant pressure, or at those alarming symptoms in our great commercial centres, which threaten to involve masters and workmen in a common ruin? Is it not the part of wisdom to give immediate attention to the claims of industry?

Such a system as this is subversive of the true principles of political economy, and cannot but prove most disastrous to society. We cannot corrupt the instruments of exchange without at the same time corrupting exchanges themselves, and accordingly commerce suffers as well as labour, though in a somewhat different way. Not only is this paper system destructive to commerce and oppressive to labour, but its consequences are prejudicial to public morals and integrity. Andrew Johnson, in that singularly able document which closed his public career, his last annual message to Congress, uttered a true and noble sentiment—noble because spoken in presence of the greatest issue of paper which the world has ever seen — when he declared paper money to be the most effectual of inventions to fertilize the rich man's field by the sweat of the poor man's brow. The old Jewish goldsmiths, before the establishment of the Bank of England, used to lend out something worth while in the shape of solid gold. It was paraded at the time that this great bank was established for the purpose of destroying the Jews' trade, and saving the country from their usurious exactions. But modern usury has prospered at a rate which throws the most plodding Jew wholly in the shade, for it has been stated that the Bank of England has been known to make over a million of dollars in a few months time out of the distresses of the people of England by means of a panic for which the bank alone was responsible through the issue and subsequent contractions of its paper accommodation.

What we want to put things right is the suppression of this paper in order that a metallic currency, the only true medium of exchange, may come into the hands of the people, *for to the people it belongs.* We want no "capital" of the sort we have heard so much about, either from home or abroad. We want gold and silver in return for what we have got to sell, and nothing more. For our wheat, our lumber, and our flour, we want money, not a fiction. So would our country become rich and prosperous, and every industrial enterprise flourish, and labour be attracted where it would be sure to gain its full reward.

Now, let it be understood, that I blame not men, but the system. Multitudes of our best citizens, merchants and bankers, people whom it is an honour to know, and leaders in every good enterprise, are involved in it. Men of public spirit and of active benevolence are everywhere helping to sustain it, unconscious of its terrible affliction to the labouring population.

I have for a long period made this subject my close study. I have read everything about it on which I could lay my hands. I have studied every argument which has been advanced in its favour, am familiar with the history of paper money from its earliest rise, and have traced it throughout all its windings in connection with the Bank of England, and the stoppage of payments by that and similar institutions in the end of last century and first years of the present. I have seen its influence, in conjunction with lending on interest, in degrading labour in that country and consequently introducing the misery and pauperism which abound. I have seen that, where lending of this paper on interest extensively prevails, great riches are the lot of the few and comparative indigence the fate of the many. And I am bound to say that, as the result of these long and patient investigations, I have not found one redeeming feature in it all.

What! you ask, not one?

No! Not one.

3. *Foreign Trade and a Metallic Currency.*

I WILL now point out to the reader how we would be enriched by our exportations were our currency wholly metallic money. This part of our subject has, of course, to be considered in connection with our import and export trade ; for the question is—how and to what extent would we draw wealth from our commerce with other nations were our currency a metallic one? We will take as an example the Dominion of Canada.

It is a question, particularly, of *currency* and *price*, and may be considered as follows:

Let us assume that the currency of Canada is one exclusively of gold and silver, and that it amounts to five millions of dollars. This sum in exchange* would measure the *price* of every article of merchandise ; it would determine how much of that money would have to be paid or received for everything bought or sold ; it would be a currency which would give stability to prices, to wages, to values of all kinds, maintaining a natural equilibrium between money and goods. No element could possibly disturb it except from natural causes, and there would be no internal perturbations in prices unless from increased supplies of the metal received in exchange for surplus

* Although I may in this volume occasionally use the phrase "exchangeable value," I yet agree with Mr. Mill that "value in exchange" is the better term.

produce exported, or from a deficiency of commodities. A currency such as this would impart that stability to prices which every true merchant and manufacturer so greatly desires, but in the midst of which few mere speculators could manage to live. Let us suppose now, that the price of a barrel of flour in Canada, with this metallic money, is five dollars. We have a considerable surplus of flour beyond our domestic wants, and wish to sell. Let us further suppose that we are neighbours to a country similarly situated as Canada, but with a currency part metallic and part paper. They have had, we shall say, five millions of gold and silver to begin with, same as ourselves, but they take it into their heads all at once to add to it five millions of paper money or bank issues. There is here, as must be obvious to all, no addition of capital, of money, or of value. There is an addition to the currency, but not to the capital; and so far as this new and spurious currency is received by the people, it becomes to that extent an active competitor with money—the gold and silver. It becomes an active competitor with money in three ways: first, by reducing values or augmenting price; second, by introducing a false price, inasmuch as price has nothing of value to represent it; and third, by driving out the money from the country and from circulation. There is a promise to pay money, but such can never constitute a true currency; for, let it be noted, money takes its position as a medium of exchange, and confers its services on our race, in virtue of its being, in the first place, a commodity of value. It is essentially requisite that every true currency should have value as a commodity. Without this, currency becomes a counterfeit like a bad coin, exchanging values, it is true, just as a bad coin may do, but not the less a counterfeit. The price of the barrel of flour, with this augmented currency, will be now ten dollars, or five dollars of gold value and five dollars of paper value—if the word value can be applied to these pieces of paper. The advantage of the Canadian exporter is obvious at a glance. He at once sends to his neighbour 100 barrels of flour, costing him 500 dollars (we will put charges out of the calculation), and sells them for 1000 dollars to the paper money country. If their paper is redeemable at all, he goes with the notes he has received to the bank, and draws out one thousand dollars in gold, with which he returns home a gainer of five hundred dollars. The foolish paper people have thus lost five hundred dollars in valuable coin and added five hundred dollars of a debt price to their flour, a false price which can never be redeemed, for there is nothing left wherewith to *pay*, and which effectually destroys their export trade, for they can export nothing at a profit, whilst at the same time the increasing flood of imports calls continually for a quicker convertibility of their currency into coin. The prices of their commodities, and the ability to pay these prices, are receding from each other at a gradually increasing pace, there being a discharge of money on the one side and an increase of price on the other, and the gulf is constantly widening, and thus they make and sustain a radical and fatal divorce between *price* and *value*. They have given away what is *true* and they have retained what is *false*; their commerce is rendered corrupt; and the inevitable result, sooner or later, is bankruptcy, or repudiation somewhere, and more or less extensive.

All this is so plain that it cannot be controverted. It also helps to shew us the absurdity of the common notion that money *represents* commodities. It represents nothing of the kind. It is a medium of exchange for commodities, as well as a commodity itself. A gold eagle may be said to have ten day's labour of one man wrapped up in it, but it no more represents commodities than any other article of merchandise, on which labour has been bestowed, represents commodities. Houses and lands are not currency, and can never be made to perform the duties of a currency; and when, in a period of general distrust, they are thrown extensively on the market along with goods, in order to redeem a paper currency, they fail to find the requisite currency of gold and silver to exchange them.

Of course, I present the case I have now supposed only as illustrative of a general principle in political economy. The benefit to us would have a limit, for thousands would immediately rush to devour a country so silly as thus to throw away its coin. The prices of produce in Canada would immediately rise under the influence of increased prices abroad, and these prices would become, to a certain extent, equalised. But, so far as the acquisition of the precious metals is concerned, the trade would be constantly in our favour, for we would supply our country to the full with that which confers full purchasing power in every market of the world. The work of depletion would go on in the paper country, by laws as powerful and certain as those of gravitation or chemical affinity, till they would hardly have a coin left; the tendency of our metallic money would be to keep down prices at home, whilst the tendency of the increased issues of paper would be to augment prices abroad; we would avoid all those sudden and violent fluctuations which ruin so many merchants in the paper country by depriving them of the currency just when most needed; we would retain that purchasing power which our neighbours foolishly throw away by the adulteration of their money; we would be on the high road to prosperity, because we had not run counter to the true principles of monetary science; we would stimulate our home manufactures to a great extent under the influence of cheap prices, the products of our industry being sent to markets where prices are high; and, lastly, Canada would reap the benefit at every recurring panic among her neighbours, when the very forces at work in upheaving prices at last give way, and, amidst the ruin of the paper fabric tottering to the ground, the feverish excitement, the fall in prices, the desire to sell at any sacrifice, the intense and terrible anxiety to meet banking obligations, and the cry for gold, we at last step in and enrich ourselves by purchasing every commodity we want on our own terms, with the very gold which they have driven away, and which they must now regain at any cost. They gave away their gold, and left nothing in its place but *debt*, or credit associated with debt, of which the bank notes or bank inscriptions in ledgers are evidence, and are now compelled, by the acts of their own folly, to give their goods away at any price to get back the gold.

If this position be correct—and I think there cannot be a reasonable doubt that it is—it presents to us a view, not only of the destructive character of what we call paper money, but of the hardly less destructive character of the credit system, upon which the whole superstructure of paper is raised.

It will thus be seen what a tower of strength a currency purely metallic would be to any country. It is in periods of public exigency that such a currency would tell to advantage; for it would be just as unreasonable to expect that raw and undisciplined savages should overcome the armies of civilized powers as to expect paper to compete with gold. A good illustration of the statements in this chapter has been witnessed of late years in the United States, as any one may perceive by looking into the condition of their commerce, not only foreign but domestic. They have been obliged to pay for a large portion of their imports by the issue of gold-bearing bonds, and probably 800 millions of dollars' worth of these bonds are at this moment held in Europe, and this also in face of an annual export of specie ranging from thirty to sixty millions. Had that country boldly suppressed paper issues at the beginning of the late war, instead of commencing their enormous expansions of currency, they would have strengthened their hands equally well, and not left a cent of debt behind. Gold and gold prices need fear no adversary. What is of perhaps even greater consequence, they would have saved their people from becoming, financially speaking, so greatly demoralised, and their currency being made the means of the wildest speculation and gambling; and there is nothing which true commerce more thoroughly repudiates than a gambling transaction, or any contract which has the gambling element in it, seeing that nature's economic laws design profits for all and losses for none. One can hardly conceive of anything more infamous and humiliating, or more unworthy of a great nation, than the proclaiming of irredeemable paper promises to be legal tenders or lawful money. It must be a false and dangerous expedient which entices an individual or a nation to depart so far from the paths of rectitude. The making of anything a legal tender, in itself valueless, will never save it from depreciation. Its effect is only to enrich one portion of society at the expense of the other, and to introduce disorganisation into every branch of trade. You cannot begin to issue paper but you begin to weaken and destroy. It was the continued boast of William Pitt that he would ruin Napoleon and the French with credit and paper notes, but he was at last compelled to witness the suspension of the Bank of England, an event which brought severe monetary distress upon the country over which he so long ruled as prime minister.

It is obvious, then, that if we mix up our metallic currency with paper, we to that extent impair the strength of the former by weakening its purchasing power and driving out our money to leave only records of debt in its place, which records constantly call for payment, though they never can be paid. Money, the "just weight," is destroyed, and a "false balance" introduced. Our commerce is thus turned into a miserable weakling, a thing of fits and starts, of alternate contractions and expansions, with hardly an element of strength. The only visible work of money in commerce is to *pay;* yet we drive away our coin, and introduce in its place worse than nothing, in the shape of obligations to pay written across pieces of paper, or in other words, bank notes. And our Government, without one feeling of shame, legalizes such work. These evidences of debt, be they fractional or large currency, are as opposite to money as two things can possibly be. These notes have not, in the remotest degree, the power of paying, for instead of being able to *pay*, they themselves require to be *paid.* Nothing more contrary to money could possibly be fabricated than a paper currency which promises to pay money. It is the very opposite of money, as it only promises to pay, whilst money *pays*. That which is wanting cannot be numbered, and paper wants every requisite of money. It is just as if the wise legislators of the paper country had called in all the metallic money from their people and clipped the coins in two, throwing one half in the fire, and had then sent out the other half expecting them to do the work of whole ones; or, what is perhaps more to the point and nearer the truth, as if they had called in the coins and melted them all down, making a gift to foreigners of half or three-fourths of the gold and silver contained in them, and then degrading what is left with a mixture of lead or tin. In short, it is just as if nature had visited the people of the paper nation with some sort of physical affliction, whereby they are only able to produce one half the commodities which they formerly brought to market with the same amount of labour.

The currency, the money of a country, is the property of the people, not of banking corporations. It is a commodity, and is where it ought to be when it is in the hands of those who have given their goods or labour for it. Nowhere else can it exercise its legitimate and natural functions. Were it possible so to restrain the evil work of a paper currency as to compel the issuers to hold in reserve for redemption a gold dollar for every paper dollar sent forth, the currency of the country would be just as false in character as under unlimited issues. The amount would not be so great, but the currency, used as such, would be just as radically defective as ever. The lessening of the supply could not cause it to take the character of money in the remotest degree—the pockets of the people would require to be emptied of their coins—

it would still be a debt system and a debt currency full of risk—and the natural supply, course, and fluctuations of the precious metals would still be most seriously interfered with. In fact, I regard limited, or so-called redeemable issues, as really more dangerous to the liberties and interests of the people, than those which are, on their own face, proclaimed to be irredeemable.

It does not in the least weaken the force of these observations that the United States have, during all this period of inflation, found the prices of their leading articles of export, such as cotton, flour, wheat, corn, and tobacco, overruled, restrained, and kept down by the prices, or rather by the currency, of Europe. Such a thing is just what was to be expected, and confirms the truth of my remarks as to the tendency of paper money. The so-called gold prices of Europe have done anything but compensate the farmers of America for the enormous losses they have experienced through the divorce of their paper currency from the gold, and the general enhancement of prices of all articles of domestic consumption, far beyond what is apparently warranted by the difference between gold and their paper currency.

What a miserable expedient, then, is the introduction by any government of a deluge of paper currency under the foolish pretension that the precious metals are incapable of performing all needful exchanges. It is as plain as that two and two make four, that our country is pauperized exactly equivalent to the amount of the paper we issue, or, what is the same thing, that the value of labour is correspondingly reduced. The more paper the more suffering, and the harder the oppression on those who toil. It is no fanciful sketch when I say that if the paper system were destroyed, all the effective forces of industry, with its comforts and rewards, and in short everything flowing from its material prosperity, would be more than doubled.

It is apparent, from what I have stated, that the fabrication of paper money, and the lending of it on interest, is, to any country subjected to these things, *a great national scourge and calamity*,—a scourge more ways than one,—for there are things to be desired for a nation before silver and gold. I have shown the oppressive character of the paper. The tax on labour arising out of lending money on interest will be considered in another part of this treatise.

When will my fellow-countrymen be wise? When will they consider? I bring before them great and important truths. Doubts of their ultimate triumph I have none. Long after the hand which now pens these lines is mouldering in the dust, these truths will be everywhere received, for they are but expositions of laws as certain and universal in their operations as the return of summer and winter, seed time and harvest.

An imperishable fame will be the portion of the commercial nation which first accepts of nature's teaching on these subjects. No mind has formed the remotest conception of the substantial wealth and comfort and independence which would follow the suppression of paper currency and lending on interest. No one can form any idea of what free labour is yet destined to accomplish for the good of human society, and for the good of labour itself.

4. *Export Trade and a Paper Currency.*

EXCHANGE, though so simple, is yet a curious thing. One man meets my desires with the produce of his labours at a cheaper rate than I could myself minister to my own desires; and I meet his desires with the produce of my labours at a cheaper rate than he could, by his own efforts, satisfy his own desires. What a wonderful reciprocity is here! Interests merely personal, and in great measure selfish, are compelled to minister to universal comfort and prosperity. The products and forces of nature are so arranged and distributed, and the mind so constituted in its endless diversities and wants, that the great hive of human industry, in its mutual services, unconsciously resolves itself into a vast system of economic charity, wherein no man liveth to himself, and which serves further to illustrate, in a way we hardly ever think of, the beneficence of God and his goodness to our race. Trade, if not carried beyond the limits where it ceases to be profitable to mankind in general—that is, when it keeps as much as possible out of the field of mere speculation—is a wonderful civiliser, tending powerfully to restrain national contentions and strife; and, in the coming day, when exchange will have laid its beneficent but inexorable laws on all nations, and brought all kindreds and people under its full sway, peace will become more and more a necessity to the wellbeing if not to the very existence of the nations.

An interesting field of inquiry here opens out before us. If the reader is a person of devout mind, and takes delight in investigating the simple but beautiful laws of Him whose ways are all perfect—and what devout mind does not?—he will find much to interest and delight him in thinking out for himself this great subject of exchange.

No two persons and no two nations will continue to carry on a losing trade, knowing it to be such. Trade, to be healthy, must be reciprocal in its benefits. A foreign trade, where the benefit appears to be all on one side, cannot by any possibility continue. My customer must make a profit out of me else I cannot make a profit out of him. I believe this may sound like a paradox to some, but it is true. If the trade with my foreign correspondent does not yield me the legitimate profit, I will direct my energies to some other quarter; if my correspondent does not make a legitimate profit out of me, he will do the same. It is the healthiest and surest trade when both parties or both nations reap about equal benefits, and when the peculiar productions of each are exchanged at the lowest cost. The cheapening of production in Great Britain, and consequent lowering of price, will benefit Canada on every import; the cheapening of our flour and other produce will benefit Great Britain. For it is the strange thing throughout all this exchange, that in appearing to do the best for ourselves we do the best for others, those buying from us benefiting from our cheapened productions, or from our increased agricultural supplies; and whatever some people may choose to think about high profits, one thing is clear, that cheap goods are a universal blessing. Moreover, all exchanges, foreign as well as domestic, are regulated by the same simple laws.

It may be well to keep these things in mind while we proceed to inquire into the position of the export trade of a nation whose circulating medium is composed principally of paper.

Let us assume that Canada enjoys the benefits of a metallic currency, and that her prices are regulated accordingly. She has extensive dealings with Great Britain, which owns a currency part metallic and part paper, or, as it is technically called, "a mixed currency." Prices are enhanced by this circumstance one hundred per cent. beyond our own, or beyond what they were, or would have been, with a metallic currency. The importer from Canada carries with him to the mother country one thousand pounds' worth of the gold discharged from their currency by the action of the paper of our neighbours, and with this sum he endeavours to buy, in the Manchester market, a thousand pounds' worth of cotton goods, or the same amount of hardware or cutlery in the markets of Birmingham or Sheffield. But he finds the limits at which it would be profitable for him to export from Britain far exceeded; and for what, with a metallic currency, he formerly paid, we will say, a thousand pounds, they now demand no less than two thousand pounds; and all this because the people of Great Britain regard promises to pay one thousand pounds as equal to one thousand pounds, or because the paper circulates on the same level with gold, and is received by that people on the supposition that it is as good as gold. Our importing merchant cannot exchange the thousand pounds in gold for more than a thousand paper pounds. The country which subjects itself to such pernicious influences must just endure the consequences of its folly, and accordingly, through that subtle thing called *price*, the mother country, in the case supposed, deliberately builds up walls and ramparts against its own export trade, whilst at the same time it opens a wide door for the outflow of its own specie.

Here again are the normal effects of a paper currency exhibited in one of its worst features. The enormous resources of Great Britain would prevent her feeling to any extent the loss of trade with the Dominion of Canada. But were the United States, with France, Germany, and Russia, to discharge their paper altogether and adopt a currency of gold and silver, Great Britain, dependent as she is on foreign trade, would be destroyed in a single year. The wines of France would bring in the English market forty gold sovereigns a hogshead instead of twenty, the people of England would have to pay for the wheat of Russia ten shillings a bushel instead of five, and for the manufactures of Germany a price correspondingly increased. For all these they could make no returns in manufactured goods, for they have added 100 per cent. of debt price to everything they have got to sell; and the price of bullion being about the same in London, Paris, St. Petersburgh, and Berlin, the foreigners would prefer the coin and bullion, and take it all away as long as Britain continued to buy. .Everybody would flock to Britain to sell, not a soul would go there to buy. Thus she would soon be thoroughly exhausted, and bleed to death under the combined influences of dear prices, want of money, recurring panics, and total degradation of labour: for what nation, community, or family, could ever stand the test of only receiving half a day's wage for a full day's work, when all around were enjoying full rewards for their labour. Moreover, the fact is so evident, and has been in the history of commerce so often thoroughly exemplified, that increase of money must increase price, that I need not here pause to establish the point. In fact, increase of supply of any commodity other things being unchanged, diminishes exchangeable value, a result expressed, in the case of money, by increase of price.

If, on the other hand, Great Britain were to discharge this poisonous element, paper, from her currency, other nations retaining it, her prosperity, power and influence throughout the world would hardly have a limit.

Were such a combination of circumstances to occur as I have now supposed, relative to a change from paper to metallic money among these nations, their home markets for imports from Britain would suffer for a short period; but the blow would fall with such crushing effect upon the industry of the people of the British Isles, that a few months would suffice to bring about a panic so great that purchases could be made from them at any price, and they would inevitably be compelled, if for no better purpose than self-defence, to discharge their paper and substitute silver and gold. It is true that the closing, or even the temporary disorganisation of such a world's workshop as Great Britain would cause trouble and annoyance all round, but very small margins now-a-days serve to divert the current of exchange or course of trade. Mr. Behrens, one of the merchants examined by the Monetary Royal Commission of 1868, testifies to the fact that the manufacturers of Roubaix, in France, tread very closely on the heels of Manchester and Bradford, indeed in many cases overstep them, simply because there is a slight saving in exchange between France and the three or four States which have adopted an international coinage. As nations become more and more locked together in commercial enterprise, and more and more interested in the diffusion of knowledge bearing upon scientific and industrial pursuits, the preponderating influence of any one of them must gradually decline.

We might simplify these observations by reducing the whole to the case of two neighbouring families, one with metallic money, the other with a paper currency. If you think it out, it comes to the same issue. And the trouble to the paper nation is, that the laws of barter and of economic science are inflexible laws, which do not vary or change to suit the tastes or the folly of those who prefer paper to gold, and who are determined to carry on their commerce on a basis subversive of every principle of justice, and in violation of even the common maxims of prudence.

Therefore I conclude that a metallic money enriches and strengthens a nation, and that a paper currency is a most perilous thing, and makes a nation poor. What a world of wealth, of progress, of independence, of comfort, of taste and refinement, of everything good, has been lost to our race by this paper currency.

Were Canada to inaugurate a monetary and commercial system based upon the principles enunciated in this volume, she would in a few years become rich and prosperous, selling all her products in high markets, and attracting emigrants to fill up every available corner of the land. Every species of home manufacture competent for us to undertake would be stimulated to an astonishing extent. We would have every market of the world thoroughly at our command. Nature herself would rejoice to throw around us her protecting barriers. A great empire would stretch from the Atlantic to the Pacific, almost before one generation had passed away. Money and the cash system would accomplish these magnificent results. Paper and the debt system, on the contrary, cripples us in every movement which we make, and opens up over our land the floodgates of pauperism, with all its attendant misery and crime.

5. *Coins too heavy to carry and too troublesome to count!*

What answer can I possibly find to the man who offers me these two objections to the use of money? I hardly know. I have heard them urged, but whether seriously or not, I cannot say. Political economy has no satisfactory reply to those who would advance such arguments. They speak to her in an unknown tongue. Let us see what the objections really are.

Gold and silver are the universal instruments of exchange, and have, since the world began, received the stamp of public consent. M. Du Bois, of the United States Mint, in his pamphlet on "A Revised System of Weights and Restoration of Silver Currency," speaking of silver coins, says: "While all other nations, however poor, or loaded with public debt, enjoy this benefit (silver money), the United States of America, with such wealth and territory, such mines of gold and silver, are using little bits of gossamer paper, soiled, rumpled, and torn, for fifty, twenty-five, and ten cents. Such money is unfit for the rough usage of marketing, shopping, and hourly business. Silver of standard fineness is the only substance adapted to fill this place. Its intrinsic value is an important feature, making it respectable. But this is not the chief recommendation; it has all the desirable natural properties—clean, solid, beautiful, durable, sonorous, neither hard nor soft, easy to work, and hard to counterfeit." These definitions apply with the same if not with greater force to gold. The precious metals possess just the weight best fitted for a circulating medium; if they were light as paper they would be useless as a medium. It is because they possess *weight*, among other things, that they are valuable as instruments of exchange; the *want* of weight would throw them out of the circle of exchange. They have just the weight suitable as instruments of exchange, neither too much nor too little. It is because paper has none of the qualities of gold and silver, weight among the rest, that it can never be a true medium of exchange. Moreover, the experience of those great nations whose currency has been principally metallic, confirms us in the belief, if such evidence were needed, that the weight of their money has never been the cause of the slightest trouble, or proved, even in the remotest degree, an obstacle in their exchange, or an impediment to their trade. There is downright absurdity then in the notion that, because money or specie has a certain weight in proportion to its value (a weight so inappreciable, however, that the price of a princely estate may be stowed away in a box a few feet square), and because paper from the mill is lighter still, therefore we shall dispense with money, and use, in its place, promises to pay money printed on pieces of paper. And so of the other objection. I never knew of any man engaged in business who would not gladly count all the money every day he could lay hold of, and any smart youth can reckon up twenty to thirty thousand dollars in silver, or eighty to a hundred thousand gold sovereigns a-day, which is a pretty smart stroke of business. People who thus dread the silver and the gold must have a peculiar interest indeed in paper currency.

There is still another objection urged by the paper men to the use of money. They say that the wear and tear of coins is considerable, and a source of much loss. This seems a strange reason to urge why the money belonging to the people, and procured in exchange for their hard labour, should be all surrendered to a few banking corporations, to be employed by them for their own profit, or rather to be sent out of the country so as to be no hindrance to the employment of bank credit, or to the circulation of bank notes. There is a necessary loss in the wear and tear of coins, the same as in the use of every other commodity. Were that result not attending their use, they would be, like air, no commodity at all. The loss, however, if we had a metallic currency, would be spread through so many hands, and over such a long course of years, that it would be wholly inappreciable. From some delicate but exact experiments made at the United States Mint, it appears that gold and silver coins will last, on an average, in commerce about two thousand five hundred years. This fact is not generally known. A coin, therefore, which was minted two hundred years before Alexander the Great was born would only now be finishing its mission of usefulness to our race. In very active circulation the period would, of course, be greatly reduced.

The question is not merely one of *facility* in the medium. It is one of far greater import, namely, of *security* to commerce and commercial men. The worth of gold resides in its own essence; it carries along with it its own security; it pays and never requires to be paid; it has wonderful facility and fluency as a medium of exchange, and its security as a commodity is absolute and unquestionable. Paper may, like any counterfeit coin, exchange values with great facility until it is repudiated, but it wants that indispensable requisite in a medium of exchange, the solid foundation of value as a commodity or article of merchandise. Hence it follows that paper never pays but only promises to pay, and thus acknowledges, on its own face, its own inherent weakness and inability to pay.

It is strange that men should seek to repudiate, for reasons so frivolous, the best gifts of our Creator, and endeavour to subvert His beneficent designs in giving the precious metals as a currency to the world. These foolish notions are part of the unclean progeny of the paper system, destined to perish in presence of common intelligence when it is once directed to the subject. It may be a hard lesson for credit and paper men to learn that nothing but the precious metals will ever satisfy the wants of commerce, but sooner or later they must learn it.

I cannot do better than close this section with some practical remarks from Mr. Pollock, the Director of the United States Mint, in his Annual Report for 1868–69:

"The business," says Mr. Pollock, "of one of these (departments of the Mint) is to make an authoritative circulating medium on a large scale of dimensions for commercial uses, serving also for the use of manufacturers.

"This function is shared by the assay offices. It is to make bars of gold or silver, whether of fine or standard metal; and in these localities where *parting* of the mixed metals cannot be economically performed, to make imported bars of the natural proportions of fineness. These bars are made of convenient shapes and sizes, and are stamped with a suitable device of the United States Government, and the weight, fineness, and value. They are used in the manufacture of gold and silver wares; and still more, to send abroad in payment of dues or settlement of balances of trade. They answer this international purpose better than coin. Indeed, except for the limited wants of travellers, it is a mere waste of labour to coin money to be used for exportation. When commerce was comparatively a small affair, gold might be cut into bits to trade with; but in the immense growth of traffic among the nations, these small pieces are giving way to large bars. For various reasons such bars are singularly exempt from deceptive arts. The known specific gravity of gold gives us an idea of what the *weight* should be from the *size*.

"If the surface were tampered with, it could easily be noticed. And usually such bars, if held for sale, are in such hands as cannot be doubted. Moreover, the purchaser of a single piece, valued at several thousand dollars, will take more pains to be sure of its genuineness, than he could take with a bag of pieces amounting to the same sum. Bars are safer from robbery than coins, for more than one reason; and, in fact, some silver cakes are sent to the Mint from the western mines so heavy that no two men would care to lift them. In such a shape, they can stand for their own security, and be carried as ordinary freight, which is the very reason they are made so."

6. *Some errors exposed.*

I do not make any pretension to write for the instru tion of those who have, in recent years, risen up to expound and defend the general principles of political economy. My object is rather to excite the attention of those who have given but little consideration to certain branches of the subject, but who are yet the most deeply interested. Dealing immediately with clamorous self-interest, this science has been exposed to hostile influences from which most others have been exempted. These interests being necessarily selfish, every artifice has been used to cast dust in the eyes of those who have the load to bear. For hundreds of years industry has been deceived, and has submitted blindfold to the most shameful exactions. Money, the property of industry, has been practically destroyed through a no-money system which has deceived the industrial classes by the most ridiculous assertions. Even the press generally has accepted the paper system as the perfection of monetary science. One can hardly credit that intelligent men have so long submitted to such manifest errors and absurdities. It is refreshing to the mind to observe that, on this side of the Atlantic, there are now able thinkers here and there who are casting old notions and prejudices aside and submitting everything to the test of truth. There is of late years a conflict between labour and capital, a restlessness and upheaving of the masses, perilous to society, which shews that there is a deep-seated conviction in the mind of the labouring population that capital is used as an instrument of oppression. There is a glimmering of the truth in the demand for a reduction of the rates of interest, made at a late western labour convention. The American mind is a restless and inquiring one, and will not long remain satisfied with what is untrue. It will cast off, more speedily than others, old trammels and prejudices. In Europe, for centuries past, the people have been taught, in relation to the subjects now discussed, to believe as they have been told, and they have implicitly obeyed and believed. And whilst there has been on that continent, and more especially in England, an almost limitless field traversed by writers in their desire to discover and put to practical use the surest and most expeditious plans to effect the drainage of the people's industry, there has hardly been a whisper uttered against the system itself, and any attempt to do so would be mercilessly frowned down as a blow aimed at the very vitals of the nation. There has been little opportunity for industry to be heard. In fact, it has not been able to lift its voice in presence of the governing classes. On this continent, the Ruler of the universe has within these few years given the greatest and, we trust, the last demonstration to our race of the unmitigated evils and sorrows of a paper currency. The blood and the treasure will have been well spent, if the recent war should result in bringing round a total revolution of public opinion on the whole question of *debt* and *paper currency*, and thus pave the way for the emancipation of commerce and labour from their degrading state of dependence and oppression, an issue of infinitely greater importance than the breaking of the bonds of a few miserable coloured slaves.

It is to the sons of toil that the subjects discussed in this work have special interest. I am sure that working men generally must have intelligence enough to know when and where they are wronged, when once their attention is seriously invoked. A true friend to labour myself, I would deprecate all resort to anything like violent measures on behalf of the labouring man.

Of course, throughout this discussion, I have had the principles of political economy in view when these principles bore upon the subject in hand. It is not, however, necessary, that working men should be familiar with all the details of this science ere they are in a position to protect themselves, much less need they trouble themselves with the abstruse complications of the banking system. The mere *complications* of that system have little or no direct reference to the vital question of human labour. As I said before, it is mainly outside of these complications that the truths we are in search of are to be found. Nevertheless, there are some errors, principally the fruit of the system, which it may be needful to expose as we proceed, for they have wrought enough mischief in their day in the hands of statesmen and others ignorant of their true character.

I. *The Balance of Trade.*

THE balance of trade, to correct and regulate which used so much to annoy the old economists, is a myth. There is in reality no such thing. It is just like the case of the supposed standard of value, they cannot be found, for they have no existence. The idea that there is such a balance of trade, has caused a world of trouble in its day. It was ever present as a bugbear to the minds of the old writers, but they could never give it its proper place. They thought it ought to exist, and yet it slipped continually from their grasp. Hence there has been a deal of needless worry and most wretched legislation, all to regulate this imaginary balance of trade. It would be impossible to enumerate all the ways in which trade has been tortured, and the laws of barter violated by the statesmen of the day, in order to secure this unattainable source of wealth. The old doctrine, now happily exploded, that wealth consists principally in abundant returns of gold and silver, led to much hurtful legislation to preserve the balance, which, if it could only be secured and fixed on the right side, it was always imagined would direct towards us a steady stream of the precious metals to balance the exports. Commercial restrictions and monopolies of all kinds have been perseveringly tried, but these were always in the long run found to result in confusion and decrease of wealth instead of increase.

Let us now for a moment consider what trade, barter, or exchange, really is, and we will see at once into the absurdities of the so-called balance of trade.

All trade is the result of human desires, and these are positively endless, and will go on increasing, I suppose, till the end of time. Serious errors have arisen from confining the attention to only one of the two commodities about to be transferred when investigating the principles of exchange. No truthful conclusion can be arrived at if we discard from view that object to possess which we desire to make the exchange. There are two parties to every bargain, each influenced by motives purely selfish, each having a commodity on which he has bestowed a certain amount of labour, and yet each, strangely enough, interested in the prosperity of the other. You cannot legislate in any way upon either of the commodities to be exchanged without prejudicing, one way or the other, a free and open contract. There are two desires to be satisfied; and, as the same motives operate in each case, so the same principles inevitably guide each party in the estimate made of the value of each other's product. There is a point in price beyond which the one party will not buy, and there is a point in price beneath which the other party will not sell. The par of exchange is the point of mutual agreement between the two traders. My high estimate of the value of my property descends towards the low estimate I make of the value of the other's property, and the low estimate my neighbour makes of my property ascends towards the high estimate he makes of his own property, and the point where the two lines cross is the par of exchange or point of equation, and this general principal fixes prices in every market throughout the world, whether money intervenes or not. Personal interest draws men to make exchanges, and the same thing at times compels them to withhold exchanges. If there is no *mutual* benefit there will be no trade. There is a compound interest in a compound transaction, and full liberty throughout is the true protection for all. The exchange to be beneficial must be absolutely free, without, on the one hand, artificial stimulants to production, and without, on the other, artificial restrictions on trade. In fact, free trade must reign, free trade in all products, and free trade in money in its natural and proper work of exchanging products. Commerce is for all the world, and restriction on commerce is the work of children, not of men. If the two commodities about to be exchanged are high efforts of human skill, the forces of nature having aided the industry and ingenuity of men, there will be a high degree of benefit conferred on each trader, or through him on each producer. In one word, the law which here reigns is simply this, that wherever and whenever men realise individually more profit by working for others than directly for themselves, exchanges will take place.

The whole thing is now simple. The mist is cleared away. The conclusion is inevitable, that commerce, wherever it prevails, never leaves, in human estimation, such a thing as a balance of trade. The exchange is mutual, the reciprocity is mutual, and the gain is mutual. There is thus a *conscience* in exchange, which ought to be carried into all commerce, for it is *value for value.* I estimate I have made a profit in buying from my neighbour; my neighbour estimates he has made a profit out of me; and a real profit has been made by each, else why should they exchange? England estimates that, in her trade with France, she has a greater value embodied in her imports than her exports; France estimates the same with regard to her trade with England. The United States estimate their imports from Britain more valuable than their exports; Britain estimates in the same direction about her trade with the United States. The gain of the one creates no loss for the other, because the primary idea of exchange is based on the principle of a saving of labour for all. If we prejudice or degrade our medium of exchange that is our own loss. How simple, yet how beautiful, are all these economic laws.

Of course, it is well understood that legislation, wrongly directed or in unskilful hands, may create a balance of trade unfavourable to a nation, and which may continue for a longer or shorter period as the strain can be endured. But in nature, or by those precious laws amidst the deep foundations of which all social happiness and progress are securely laid, there is no such thing as a balance of trade.

II. *The Price of Gold.*

As the phrase is generally used and understood, it is a solecism to speak of the price of gold. There are but two ways in which we can estimate the value or the price of gold; first, by finding out how much it will buy of goods, or, second, how much it will exchange for in silver. When we speak of an ounce of standard gold being worth £3 17s. 10½d. at the counter of the Bank of England, (or £3 17s. 10½d. prompt cash, less 1½d per ounce, as interest for the twenty days allowed to the mint to coin the bullion), we mean, in reality, that it is worth three gold sovereigns, seventeen shillings silver money, and tenpence half-penny copper money. It is a way of reducing, in our minds, the uncoined bullion to some sort of tangible measure, namely, the mint standards, and so far it is proper to speak of the comparative values of bullion and coined money. The paper currency, or the *paper* pound, has caused many a dark cloud to rest over this part of the subject, and yet the whole thing is simplicity itself. Even the most earnest advocates of unsubstantial and imaginary monetary measures unconsciously admit that every idea on the subject flows from *value* itself in the shape of coin. It is absurd to talk of the value of gold as compared with bank notes, which are only promises to pay gold. Such a comparison as that has no meaning, and we cannot rationally combine the two ideas. If a banker fails to return me my money, that is a circumstance with which the value of gold, or the great laws of nature regulating that value, have nothing to do. The precious metals, though employed as measures of price, have no mysterious price of their own. In fact, no commodity ever offered in any market has a price of *its own*. If it made such a pretension it would find no sale. The radical difference between a measure of length or capacity, and money as a measure of value, is, that money is *more* than a measure in which to express price, it is itself a commodity of value, and an object of barter. When we buy goods, we express the value in money terms, or "price" them, although, from gold and silver being used as media of exchange, and therefore measures of price, we do not use the term "price" as applied to them. Yet the goods sold as really price the gold and silver as the gold and silver price the goods. The use of money as a universal medium of exchange has introduced these artificial terms *buying* and *selling* as expressive of the act of exchange or barter. In Canada we now keep accounts in dollars and cents, and have no coin of our own either in gold or silver to represent a dollar. We borrow a term from the German, which has been current in commerce for three hundred and fifty years, and we take the measure from our neighbours, the United States, and mean that we shall pay and receive a specific weight, $28\frac{8}{10}$ grains in gold in the shape of coin. An imaginary dollar or an imaginary pound is simply an imaginary absurdity.

Now, suppose the Government of Great Britain were to declare to-morrow that the ounce of gold shall be exchangeable for £10 sterling, what results would follow? None of the least consequence. Unless done with the secret intention of defrauding creditors, nobody would either lose or gain. An ounce of gold would still be an ounce of gold, and £10 sterling would bring no more in return than an ounce of gold does now. Denominations of money are only the language in which values are expressed. Commerce makes account only of the purity and weight of its gold. From these considerations it is obvious that when we speak of the price of gold, we can only properly refer to something of value given in exchange for it, *price being a relative term* because value is relative, and that we have been falsely educated on the subject if our minds run off in a vain attempt to connect it in some way or other with paper. *Price of gold* is a term without meaning unless it points to exchange.

III. *Gold and Silver have no intrinsic Value.*

It may startle many who have given little thought to the subject to be told that gold and silver coin have no intrinsic value. That, they think, is about the last thing they would wish to be true. It is true nevertheless. Coins have exchangeable value, but no intrinsic value. Many years since, when I first took pen in hand on these subjects, the thought of intrinsic value was constantly rising up to trouble me. But I could never define it or give it a proper place. I saw well enough that it was an unhappy term, only fitted like all unhappy terms and false definitions to lead the mind astray. A writer in the *London Quarterly Review* has well remarked that "incautious language is the dry rot of the world." Perhaps no science has suffered so much from this destructive rot as political economy. It is here that great results depend upon the right use of words. Errors may be made in the physical sciences without perhaps much detriment to society, but errors in political economy, a combination of mental and physical science bearing directly on the welfare of man, may lead to very grave results. Ignorance of the precise meaning of the terms in ordinary use will issue in much the same result, as ignorance on the part of the architect of the measurements and relative positions of the parts of a building in process of erection; and no wonder if, in such a case, a door should be found where a window ought to be. It became evident to me that, commercially speaking, there was no such thing as value irrespective of exchange, and that it could only be predicated of the precious metals that they had value when brought into comparison with something for which they were to be exchanged. Separate from that exchange, the idea has no meaning. It is impossible for any one to give a correct or satisfactory explanation of what he means when he speaks of the intrinsic value of the precious metals. Objects have *utility* without exchange and independent of exchange, but no value outside of commerce. De Quincy's remark is to the point—"He who has fully mastered the doctrine of value is already a good political economist."

Professor Perry, of William's College, has recently published a work on the Elements of Political Economy, which has already reached a fifth edition, and which, in passing, I cannot too highly recommend to the study of our young men, especially those proposing to follow a mercantile life. It is a most interesting and readable book, differing from most other works on the subject in this respect, that everybody can understand it. Professor Perry, in his chapter "On Value," has made that subject clearer to my mind. He has put the whole thing into language so accurate that I cannot do better than quote some of his passages.

"If I take up a new lead pencil from my table, for the purpose of examining all its qualities, I shall immediately perceive those which are visible and tangible. The pencil has length, a cylindrical form, a black colour, is hard to the touch, is composed of wood and plumbago in certain relations to each other, and has the quality, when sharpened at the end, of making black marks upon white paper. These qualities, and such as these, may be learned by a study of the pencil itself. But can I learn, by a study of the pencil itself, the *value* of the pencil? Is value a quality? By any examination of its mechanical, or by any analysis of its chemical properties, can I detect how much the pencil is *worth?* No. The questioning of the senses, however minute, the test of the laboratory, however delicate, applied to the pencil alone, can never determine how much it is worth. These methods will discover the *qualities* that belong to the pencil as such, but I must take another method altogether to determine its *value.*

"Will the origin of the word Value help in finding a method by which I may discover the value of the pencil? The word is derived from the Latin verb 'valere,' *to pass for, to be worth.* There is a hint of a *comparison* in the original meaning of the term itself. Will the current use of language assist me any further in finding out the way to learn the value of my pencil? In current language, when the value of anything is asked, the answer always comes in the terms of something else. We ask, how much is it worth? The answer is, so many cents or dollars. The cents or dollars are very different things from the things whose value we inquire after; and thus we see again more clearly that value implies a comparison of two distinct things; and if so, of course it is useless to try to ascertain its value by a study of the pencil alone. But what kind of a comparison between two things is needful in order to ascertain the value of either? There is no use in laying down a certain number of cents by the side of the pencil for the purpose of fixing its value, as we lay down a carpenter's square by the side to ascertain its length; because the cents have no common physical quality with the pencil, as the square and stick have in common with the physical quality of length. A simple comparison determines the relative length of the square and the stick, and it makes no difference in the result whose the square is, or whose the stick is. A borrowed square is just as good to determine length as any other, since that circumstance does not affect the terms of the comparison; also, one man is competent to make the comparison, and it is not needful that he be the owner of either of the things compared.

"But is a man who does not own a thing competent to fix its value? And is a man who does own a thing competent to fix its value by himself alone? The true answer to these questions brings out two peculiarities of that comparison by which value must always be ascertained.

Besides the two things compared, there must be always two persons comparing, and each of these two persons must be virtually the owner of one of the things compared. Because I think my pencil is worth fifteen cents, is it therefore worth fifteen cents? Somebody else must think so too before that fact can be announced. Somebody, then, who owns the cents, must make a comparison with somebody else who owns the pencil, or the value of the latter is not likely to be truly ascertained.

"But besides such a comparison, essential as this is as towards the end in view, another step is needful before I can announce the value of the pencil. Not simply a comparison, but an *action* also is necessary. I think it is worth fifteen cents; an owner of cents, with whom the comparison is made, thinks so too; is it therefore worth fifteen cents? That is more than I can tell yet. I say to him, Will you take it and give me fifteen cents for it? He replies, I think it is worth it, but I am not ready to give that sum for it this morning. The value of the pencil is not yet determined. In order to that there must be an actual exchange of the pencil for the cents. There must be two things, two persons, a comparison, an actual exchange, by which each person shall receive in fact or in ownership that previously held by the other; each rendering something *for the sake of* the thing received, before the determinate *value* of anything is possible to be stated. There may be expected value, estimated value, but actual value there is none, until a real exchange has settled how much the value is. The value of anything is something else already exchanged for it. Value is not simply a relation subsisting between two things, but an actual fact established between those two things. *Quid pro quo* is the universal formula of value.

"If this preliminary view be just, it is clear that value is not in any true sense a quality residing in any one thing, but is a relation of mutual purchase established between two things. . . . It is not true that value is a quality of gold in the sense in which weight is a quality of gold, because circumstances are easily conceivable, and have often occurred, under which gold would have no value at all. To the crew of a boat abandoned at sea, among whom the last biscuit had been rationed out, a bag of gold belonging to one of the men would not purchase a biscuit belonging to another. The inherent qualities of the gold are present. It is still hard, and yellow, and heavy, but valuable it is not; it will not purchase anything. Value, therefore, is not an inherent and invariable attribute, but is the relative power which one thing has of purchasing other things. This power in any one thing will vary according to time and place and circumstances. It may cease altogether, as in the case just supposed, or it may rise under other circumstances to a very high degree; but wherever it exists, it exists with reference to some other thing, which either is, or is supposed to be, exchanged with it. Ten cents had the power of purchasing my pencil, and my pencil had the power of purchasing ten cents. In this transaction, the idea of value is developed. A similar transaction first introduced that idea into the world, and the endless succession and variety of such transactions have kept the idea in the world, and will keep it here till the end of time. Value, then, strictly speaking, is not an independent quality of the pencil, any more than it is an independent quality of the cents. Both are necessary in order that the value of either may be conceived of. The value of the cents is estimated, is measured by the pencil; and the value of the pencil is estimated, is measured by the cents. In one word, value is always relative, and never absolute. To say that anything has an absolute value is a simple contradiction in terms."

In these passages we have the subject of value made plain to every understanding. I regret that so clear a thinker as Professor Perry has not followed up, further than he has done, the subject of a paper currency. So far as he has thought over it, his conclusions are expressed in these words:—"I do not believe that paper money, in any variety of it, ever made a nation, on the whole, richer or happier." Perhaps he may be led to bring the powers of a truly logical mind to inquire anew into the subjects of paper currency and lending on interest, as to their effects on the rewards of labour, and thus make his work, in subsequent editions, what I hope it may soon become, a standard one for colleges and schools in general. It is but too painfully evident that the grossest ignorance prevails throughout the mercantile community regarding this subject. With the great multitude, the true principles of monetary science are as yet a sealed book. A good beginning will have been made if we can only succeed in directing the minds of thoughtful men, and especially of those having the guardianship and instruction of youth, to investigate the subject for themselves. And I have been long convinced that, in order to dispel these popular, and in the circumstances, most destructive delusions, political economy, and especially the true principles of monetary science, must be taught by competent men in all our schools.

IV. *There is no absolute Standard of Value.*

I THINK that the reader who has attentively followed me so far throughout these pages must perceive that there is no such thing as an absolute standard of value, and that no species of money, bullion, or currency, has any inherent power of determining values. I know that the idea is extensively abroad that money, by nature's own gift, exercises some such power. Our minds, however, must be dispossessed of that idea if we wish to think correctly. Money acts, so far as relates to value, on everything exchangeable, and every thing exchangeable acts in the same way on money. Values are priced in money, but they are not determined or regulated *by* money. The reason is simply this, that value is in its nature relative, never absolute. In every exchange, therefore, the value of money is measured by the commodity as much as the value of the commodity is measured by the money. Perhaps the idea of an absolute or arbitrary standard of value has crept into people's minds from the circumstance that an ounce of gold has so long *exchanged* at the Bank of England for £3 17s. 10½d. Gold money has thus become invested in our thoughts with some sort of arbitrary power. This sort of exchange, however, at the bank counter, has only reference to the scarcely ever varying value of money coined and uncoined, and has not the remotest influence on values in general. All that can be said of gold and silver is that they are the best media of exchange, and therefore the best commodities in which to estimate prices in general. The coining of money, and the stamping thereon of a government device, do not interfere at all with the commercial value of the metal. But value is not relative only, it is also variable, and in this respect is opposed to the notion of a *fixed* standard or measure of value, and it is thus seen how impossible it is that there can be any such standard. I have said that value in exchange is variable when represented in money prices, not because there is much variableness in human labour or industry in the abstract, but because there is variableness in quantity and quality of the products of man's labour from causes outside of himself, or over which he has no control, so that products may bring more or less returns in money at one time than at another. Every commodity on which human labour has been expended, with services of all sorts, have the capacity of measuring each other's exchangeable value, and of thus exercising upon each other a reciprocal power. Gold itself, therefore, can be no more a measure of value than anything which falls within the range of our desires or which ministers to our wants; and it follows that a fixed measure of value cannot, in the nature of things, be found.

It will, perhaps, further help to guide our thoughts into the correct channel if we keep in mind the necessary distinction between *value* and *price*. It is evident that prices may vary and change greatly, whilst values may remain all the time unchanged. Prices point to specific money values. Values point to a relationship or comparison with all other values. The relative *values* of labour and corn now and a thousand years ago are hardly changed—the *prices* of these things have multiplied ten-fold. Prices, then, may rise and fall, and values remain unchanged. It is in the nature of things that it should be so. A general rise of prices, say ten-fold, through increased supplies of currency over all the world, may not prejudice a single interest.

but a rise in the value of food ten-fold over the present value of labour would ruin our race. The value of your labour is not the amount of currency it may bring, but the proportion it bears to every other commodity which you require for yourself and family. This distinction between price and value is a most important one to bear in mind. It does not appear just on the surface, for the reason that it is necessary, in carrying on the commerce of the world, to reduce all values to money prices. Prices may ascend or descend to any extent, and in their rise and fall are only an evidence that money is, at the time, acquiring or losing purchasing power; but a *general* rise or fall of values is an impossibility.

Thus we see how values in general exercise on each other a reciprocal influence, and that nature has not conferred on any single commodity, money included, an arbitrary power of determining values, and that there cannot be any such thing as a so-called standard of value.

It may not be out of place here to state that economists have generally drawn a distinction between *natural* and *market* values. Prices vary, it is well known, from temporary or accidental causes, but they always tend towards what is called natural value. I am inclined to believe that market *prices*—I prefer the term rather than market *values*—however extreme, are only illustrations of the laws of natural value. If, for example, there should happen the loss or destruction of a large quantity of grain, there would be an immediate rise in the market price corresponding, on the whole, to the amount of natural value extinguished by the calamity. Values would re-arrange themselves at once, just as if there had never been any labour bestowed upon the lost grain. The labour would be out of the market, and of course its value could not be found there. Variations in demand and supply do not, I think, contravene this law; for the natural value of any article at any given moment is what it is worth in exchange. Mr. Ricardo finds the natural price of commodities in the quantity of labour necessary for their production, and considers that no variation in demand and supply can alter that price. I think we must go a little further and say that it is not the quantity of labour alone necessary in production, but the quantity of labour *actually exchanged*, which fixes the natural price, so that the natural price follows the market through all its variations. The natural price of labour, or wages, is evidently measured by the amount of labour for which these wages will exchange, whether it consist of a day's toil, or the products of that toil, money, or anything else. It is one of the principles in exchange when applied to the payment of wages that we must use a *product* of labour in estimating the value, to us, of the effective force of a day's labour. He who gives no service cannot expect any recompense; and every man, rich or poor, who gives a service gets a payment and is regarded as a labouring man, for he gives his labour in exchange. The laws of value, of labour, and of exchange, are alike to all, and commodities are all the products of labour, not of money, for money itself is a product of labour, and, *possessing no force*, it cannot be both the product and the cause of the product. Variations in demand and supply will affect the amount of wages in just the same way as they will affect the price of products; and there may, in particular localities and for a limited period, be a flourishing time for wages in exactly the same way as for any of the productions of labour.

The formula of Mr. De Quincy is very near the truth—that the value of A is to the value of B universally as the quantity of labour which produces A to the quantity of labour which produces B. But since value has always some reference to commerce, I think it would be still nearer the truth to say, that the value of A is to the value of B as the quantity of labour exchanged in A to the quantity of labour exchanged in B. This, it will be observed, does not set aside the doctrine that every article upon the market owns a certain amount of purchasing power.

7. *Bills of Exchange.*

We may lay it down as a safe principle that nothing better than the precious metals will ever be discovered as the media demanded by commerce in performing its exchanges, and that, on the whole, they will be provided in proper abundance for the wants of our race, and to supply, down to the end of time, the increasing population and expanding commerce of the world. They are the best friends of honest industry—they delight in the society of man, and are a helpmeet to him in all his exchanges. They make no account of distance, and travel over all seas. Their bright features impart gladness to man wherever they go, and the clink of hard money inspires with confidence, and is the best part of every bargain. Next to the Bible and the art of printing, they are the great civilisers of the world. Being in constant and pressing demand from the centres to the very outskirts of civilization, and in their nature almost imperishable, they sustain and preserve their value almost unimpaired through ages, and receive and absorb within their vast volume the largest accessions with hardly any diminution of their purchasing power. It is beyond all cavil that God has provided them to be used by us for facilitating our exchanges, and that they are in every respect competent to perform this function for all payments, whether large or small, near or remote. The Creator has not more clearly manifested his design that there shall be interchange of commodities among men than that the precious metals are to be used in cheapening and helping that exchange.* "Money answereth all things." A bar of fine or of standard gold or silver is as competent to settle a purchase between two merchants living in Montreal and New York, as between two merchants living in London and Calcutta. The ability of fine bars, even of unparted metals, to perform this function, is beyond dispute.

But nearly all foreign commerce is now accomplished, as to the matter of payment, by what is familiarly known as bills of exchange. The question, then, of the alleged superiority of these bills to the precious metals, as a means of payment, reduces itself to three considerations:—first, the comparative cost; second, the comparative labour; and third, the comparative risk. Outside of these three things the question is of no interest to any one.

* In Alford's Greek Testament, vol. I, p. 539, there is a curious and philosophical speculation relative to the mammon of unrighteousness. "This view will explain how we may make *φιλους ἐκ τοῦ μαμ. τῆς αδ.* just as we can make an example for ourselves out of the *οικονομος τῆς ἀδικίας*.—that which is of itself *τῆς ἀδικίας*—which belongs to, is part of a system of *ἄδικια*,—which is the very *ῥίζα παντων τῶν κακῶν*, the result, and the aptest concretion of that system of *meum* and *tuum* which is itself the result of sin having entered into the world." This view of the mammon of unrighteousness, of which money is here taken by Alford as the representative, is strengthened by the fact that the active genitive is employed, mammon being the fruit or offspring *of* unrighteousness. The idea is that money, in its manifold operations, is the result of sin having entered into the world, for labour, toil and sweat are the fruit or result of sin.

1st. The cost.—I have endeavoured, but without success, to obtain accurate statistical information as to the sums gained by the banks with foreign bills of exchange. In the aggregate, the sum is very large, far exceeding the cost of transmission of the metals, and leading me to believe that the system of bills of exchange is one of the most expensive things in which commerce could indulge. It is a commonly received opinion that the price or cost of these bills can never exceed the cost of transmission of the precious metals. This is very far from being the case here; for the importers, from their position being so dependent, are compelled to buy their exchange from the bankers with whom they deal, and discounts are of course procured with greater facility when the proceeds are devoted to the purchase of bills of exchange, *drawn generally at sixty days' sight.* Were the paper currency suppressed and metallic money substituted, the cost of transmission would no doubt be reduced to a mere fraction, as the charge would then, from the quantities to be forwarded, be made more as a matter of freight, and not as at present a centage on the sums stated in the bills. The suppression of paper, and the introduction of what is becoming more and more a commercial necessity, an international coinage, will, with our increasing facilities and means of transport, render a system of transmission of the precious metals the only one expedient to adopt as entailing the least cost; and I have no doubt that an international coinage, together with a universal circulating medium minted or prepared on a large scale for the wants of foreign commerce, in the shape of bars stamped with the weight and fineness, are among those benefits which human ingenuity will yet confer upon the commerce of the world. It is probable also that should the matter be left wholly to public convenience and choice, the gold would be used principally for international and the silver for domestic commerce, and this, if it be nature's design, would go a good way in settling the difficulties, resulting from coinage, of a double standard of gold and silver.

2nd. The labour.—I have always regarded any question as to the mere labour connected with the handling of the precious metals as quite frivolous. There is undoubtedly less *labour*—if you can call it labour—in carrying a bill of exchange to the post office than in carrying a box of specie to the ship. It is a question whether, on the whole, there would be more labour or trouble with the specie than with the negotiations connected with buying and selling bills of exchange. Your porter would expend a little more strength in carrying a thousand sovereigns weighing less than twenty pounds troy than in carrying a bill of exchange for that amount. But commerce would make no reckoning of it, and that is the point to consider. It is really astonishing how many merchants, men of good sense, are frightened at such a bugbear as this. The truth is, the merchants, under the paper system, could not get the gold even if they wished it. The men of commerce, in professing to be alarmed at the idea of transmitting the gold, are afraid of their own shadow. The daily payments in London under the present system are a large sum, but a money system in place of a paper one would not only greatly reduce these sums but spread them generally over the community. It is the paper which accumulates payments, more than needful, into one centre, and thus people's minds have got impressed with the absurd idea that there is some sort of necessity that the exchanges of mankind should be concentrated into one spot for final settlement.

3rd. The risk.—The consideration of the risk of transmission of specie is of course to be weighed against the consideration of the risk of losses by bills of exchange. Taking an average of years and embracing the periods of commercial panics (which bills of exchange, at such times, propagate from one country to another) I think I am within the mark in rating the losses caused directly and indirectly by dishonoured bills of exchange compared with loss by shipwreck, as ten to one—that is, the risk of loss is ten times greater by bills of exchange than by sending the specie.

The whole thing is to be considered on its own merits. It is simply a question of economy to commerce. If it is cheaper and better to use bills of exchange, let them be employed; if it is cheaper and better to send the specie, let it be employed. It reduces itself in the main to a question of *cost*. Were it possible to give reliable statistics, and to make a sound estimate of the favourable conditions under which money would be remitted with a cash system, giving also due heed to the fact that paper has reduced the value of gold in exchange at the least four-fold, I see no reason to doubt that the balance would be immensely in favour of the employment of the specie.

I am told, for example, by a large importer of British manufactured goods, that it costs him eight thousand dollars to discharge (*discharge*, it is called, but the truth is, the whole paper system is one of indefinite postponement of payment) by means of bills of exchange, obligations amounting to four hundred thousand dollars; that is, at the rate of two per cent., exclusive of loss of interest, which, on bills drawn at sixty days' sight, and giving about fifteen days to cross the Atlantic and find time for presentation, may be reckoned at $1\frac{1}{4}$ per cent. more. Now a cubic foot of standard gold is worth $292,500. In *fine* bars, as generally made, it is worth $362,600. So that the fact of the case is, this merchant pays twelve thousand dollars for the freight to England of a little over a cubic foot of metal, enough to charter a steamer all to himself, and plenty to spare. Everybody knows, of course, that the technical but true par of sterling exchange is $9\frac{1}{2}$ per cent. premium for sight bills. Now then we have the thing fairly before us, and can make a clear and business-like calculation of cost. The imports and exports of Canada amount in round numbers, and after deducting the item of specie, to 120 millions of dollars. Let us assume that it costs, one year with another, 3 per cent. to remit by this method (we will allow the fraction for insurance on the gold, were it transmitted), and it follows that the amount paid to the banks or the sellers of the exchange would be three millions six hundred thousand dollars. In other words, this vast sum, nearly sufficient to pay the interest of our national debt, is paid by our merchants without a murmur for sending to England, as it were, a box of specie in bars containing 330 cubic feet. Three millions six hundred thousand dollars for sending to England what might be carted on board the ocean steamers from this port in half a day's time!* Of course, the consumers and producers

* The value of the yearly imports and exports of Canada, in U. S. gold coin, would weigh 6,450,000 ozs. troy; cast in a solid block would measure 410.26 cubic feet, and would make a cube whose sides would be 7.4305 feet; in ten dollar gold pieces, packed by piling, which is the greatest economy of space, in boxes

somewhere have to pay for it, and thus it falls upon labour.

Probably few of our merchants ever thought of the subject in this light. I have given them a few facts which may prove of some interest to them. Here is a sum of money lost (lost because unnecessarily paid) in performing this trifling service, which would build for the Government of our Dominion twenty noble steamships every year. What a vast expenditure of labour does this sum represent, *all paid for manipulating a few pieces of paper.* No true economist can look at this question in any other light. Here is a sum which would sustain an army of twelve thousand working men all the year round—and give to each about a dollar a day, summer and winter—a force sufficient to cover our country in ten years with a network of railways, and our inland seas with fleets. Reduce even my figures one half, and the arguments against the use of these bills of exchange is scarcely weakened. What will the merchants of succeeding generations think of our ignorance and folly? In fact, the no-money system, which renders bills of exchange necessary, is a most *laborious* system. The mental labours necessary to keep it going, and which so often drive merchants to their wits' end, constitute an immense strain upon commerce, and greatly reduce the value of the services which mercantile men would otherwise render to society at large. Both commerce and industry are robbed of their native vigour. That system, of which bills of exchange form so important a part, is one of desperate toil and uncertainty, and has reduced the

measuring one foot each way, inside, would take 496 boxes. A cubic foot of fine bar gold is worth $362,600; of standard, $292,500.—*Letter to the author from Hon. J. Pollock, U. S. Mint.*

dignity of labour, as well as of commerce, to a mere struggle for life. It fills the present with constant anxiety and the future with gloom and apprehension. Those who live to see the cash system develop its full strength will then understand at what a feeble rate the world has advanced through the restrictions laid by the present system upon every vital force.

Let me add that there is enough of gold and silver in the world at the present day to perform ten times over the *necessary* exchanges of the human family.

8. *The annual Bank Statements a true Index of the condition of Labour.*

The great question of human labour and its rewards has not received that careful attention to which it is entitled. Next to the concerns of the soul, there is hardly anything more important to us. It is at once the key-stone and the foundation of human society, and to it even commerce is subordinate. Interests of the greatest consequence spring from it. The protection of labour is the first duty of society, because if it is in any way oppressed every interest immediately suffers, and in protecting labour, society protects itself. If we seriously depress labour, or take away from its lawful gains, we lower the great body of the people into a position never designed for them by nature or by nature's laws, and the consequences to society itself are more disastrous than any pen can describe. A vast population, ill paid, ill fed, and ill educated, is about as dangerous an element as can possibly be nurtured, and can only be restrained through force and fear. There is not a clearer proposition in all the range of moral ethics than that every man is entitled to receive and enjoy the produce of his own labour. It is a proposition just as clear as that the great forces of nature, placed by God to a certain extent under our control to aid us in the work of production, are gratuitous and free to all. To protect this great interest is the first duty of every Christian government, and I can conceive of nothing which should take precedence of it. Free human labour, and a full return for that labour, as estimated in a free and open market, are the inalienable rights of man. Legislation, when guided by a better understanding, will make these rights secure.

Our legalized banking system does not encourage or protect labour. It cannot, in its very nature, do anything but oppress labour. Let us see if we cannot arrive at some estimate of the yearly labour losses under the banking system. We will again take the Dominion of Canada as an example.

The banks are authorised by our Government to issue paper notes to be passed off upon the people as money, or, in other words, this Christian nation, under the plausible pretension of "free trade in *money*," authorises a privileged class to take and use, by means of paper and lending paper on interest, the labour of the poor and the produce of industry without giving any equivalent. As one means of issuing these notes, the banks discount merchants' and manufacturers' paper. The amount of paper under discount held by the banks of the Dominion is close on sixty millions of dollars. The interest of this sum at seven per cent. per annum is $4,200,000. The merchants and manufacturers, as a class, do not pay this tax. The merchant adds it to the price of his goods, and the manufacturers deduct it from the wages of labour. These are the only sources whence it flows. Generally speaking, the mass of the debt or fictitious currency thus created—these sixty millions of dollars—operates on labour thus: the bank notes passing into the labourers' hands take directly from their labour; the portion operated on by cheques takes indirectly from labour through increased price of goods. Whether in the bank or out of it, it is a mass of currency, and, so far, a means of payment, and thus operates on price. Then we have the interest of the national debt of Canada, requiring $4,000,000 a year, all paid out of labour—and all national debts are the fruits of paper currency—and we have also the vast sum lost to the people by means of bills of exchange, as already shewn. There are also many other ways in which lending on interest is accomplished throughout the country by means of private lenders, money brokers, and sundry corporations. We are perhaps not far astray in stating ten millions of dollars as the sum taken from labour in Canada each year by this system. Our population in round numbers is four millions. Deduct the aged, the women and children, all who either cannot or do not work, and we have a liberal estimate in one million left as a working population. Those who do not work, of course add nothing to the sum of public comforts. Here, then, we have ten dollars paid, one way or the other, by every working man each year out of his earnings to swell the dividends of the money lenders. It is taken in small sums and by repeated transactions, by little and little, but the aggregate not less surely falls upon labour. It is impossible it can come from any other source. If the man works thirty years he loses three hundred dollars, or, if compounded annually, as others would reckon, one thousand dollars. This is the money statement of the case. But under the present paper-lending system, the losses to labour are still greater than Ihave stated. For a cash system would contribute so greatly to production and to make a proper and healthy arrangement of the distribution of labour, natural forces being permitted to come into full play, that I believe the comforts and general prosperity of the industrial classes would be more than doubled, and that each worker would at death leave to his family several thousand dollars instead of now leaving next to nothing. For the question is not one of money only, but also of everything which would conduce to the sustenance of labour.

Economists reckon the unproductive classes generally at ten per cent. of the population, that is, of the able-bodied. This class in Canada would number four hundred thousand. Here, then, we have one million industrious men barely supporting their own families, and also supporting most of the four hundred thousand in comparative affluence.

These are hard facts. They may be disagreeable to us, but we cannot get over them. The money divided in such enormous sums every year among bank shareholders and money lenders does not come from the bottom of the sea; it is got out of the labour of somebody; it is a large portion of the industry of the country taken surreptitiously out of the hand of labour by means of paper; it is the produce of *toil* somewhere. We cannot by any general plausibilities get quit of these facts. We must take them as we find them, and dispose of them in harmony with the principles of political economy, no matter what cherished notions are overthrown.

Now, political economy notably deals with equivalents, and her precious and salutary laws ever constrain that equivalents shall be given. What return, then, does the labour of Canada get for all this sum, for these ten millions of dollars? Let us see. Does it get comforts? None. Employment? Yes, at half a day's wage. Does the labourer get plenty of butcher meat on his table? Alas! no. Does industry get ten millions of dollars, or fifteen millions, or twenty millions added to its gains, or does it get increased wages? No, none of these, for it parts with no small proportion of its labour to pay these ten millions of dollars. Does it ever reap any advantage from discoveries in science or inventions and improvements in machinery? No. The toilers themselves have to work as hard as ever; and these great discoveries in the fields of industry bring no relief, because of this terrible system watching ever at the arm of those doomed to labour to snatch away all that can be got beyond bare life. Well, then, we admit that labour and nothing else *must* and *does* pay all this vast sum. What *does* it get as its share? Let us see. It parts with its physical strength, its muscular toil, its gold and silver, and gets, as its share, promises to pay—a paper fiction and nothing more.

Here is a field of inquiry of the deepest interest for every true friend of humanity. Labour struggles on from father to son in its weary bondage; utter degradation is its lot. It knows nothing of refining and elevating influences. Countless multitudes in these days when born into life open their eyes upon a world which will prove to them a hard and cheerless one indeed, and to whom the sweets and pleasant comforts of home will be all unknown. It is a thought peculiarly sad. The higher the rates of interest under this paper system, the greater the oppression on labour. It barely lives. Millions of human beings toil on from one year's end to the other under the full consciousness that they earn, even in their prime, but a precarious subsistence, and that for old age they can absolutely make no provision. And yet labour itself, though at first a curse, is mercifully overruled, in the exchange of all its products, as a benefit to our race; and every improvement in machinery and art is calculated to lessen human efforts and to promote our comforts. If we look to the bountiful returns which nature gives direct from the soil into the hand of labour, we cannot doubt that, if left to the operation of her own wise and beneficent laws, she would provide an ample surplus out of the labour and vigour of manhood for the wants of age. Can we doubt that well-directed industry is yet destined, in a happier age, to share in the substantial comforts of life as well as to pluck some of its fruits and flowers.

We have, if needed, further materials at hand in the way of proof as to the condition of labour.

At the end of the fifteenth century, the ordinary rate of wages of a day labourer was 4d. with board, 6d. without board. The price of a quarter of wheat was then 4s.; of a good ox 16s. to 18s.; of a fat sheep 1s. 2d. to 1s. 8d. In the reign of Henry VIII., 80 horses, which belonged to Cardinal Wolsey, were valued at £150, and 62 oxen at £80. Edward II., in 1315, fixed the price of a stall fed ox at the outside figure of 24s. In 1533, the highest price of butcher meat was one halfpenny a pound.* In those days the labouring man was able to purchase a good ox with 32 days' labour, a quarter of wheat with 8 days' labour, a fat sheep with 3 days' labour; and this, I should think, is as much as the labouring man can do now, shewing that the condition of labour has not improved with other things. If he now earns say a dollar a day all the year

* As cited by Mr. Stirling in his work (Edin. 1853) on the Probable Consequences of the Australian and Californian Gold Discoveries.

round, it will take half of it to board himself, and it will require the utmost pinching to provide a family with the bare necessaries of life. Four hundred years since, the labouring man's food was only counted as equal to a third of his wages. As to clothing and shelter, the condition of the working population, especially in the United Kingdom, is acknowleged on all hands to be disgraceful to the civilisation of the age, labouring people in some districts being actually stalled with the beasts of the field, or both sexes crowded promiscuously into hovels unfit for human habitation.

We could not have a clearer index than these facts disclose of the relative condition of labour in the fifteenth and nineteenth centuries. It appears as if there were a positive deterioration, a retrogression, now as compared with then. Of what account to labour has all our progress in art and manufactures been during these four centuries?

In truth, these facts taken together disclose to us the reason why as a nation we are always so poor, and why it is that for large public works and improvements we can hardly ever get the money, and must constantly create more paper and more debts. By destroying the people's money we are practically destroying the labour of our land, reducing its effectiveness and strength, and introducing needless anxiety and foreboding and worry into every class of society, not even excepting the paper lenders themselves. The whole system is wrong, most grievously wrong, and nothing but its entire suppression will ever work a cure.

I have never had occasion to doubt that bank deposits or inscriptions in bank ledgers, the fruit of discounted paper, act precisely like the paper notes in their influence on price;

and that it is the sum under discount at any moment which is to be taken into account in reckoning up the oppressive influences on labour. If sixty millions of dollars are at present held under discount by the banks, that sum constitutes the amount of purchasing power, represented by bank credit, in the bank and out of it. It matters little whether we call it all currency or not, or what name we give it; it is a sum in currency for the possession of which in business *a price* has to be paid, and that price does not stop either at the banker's or merchant's door. Mr. Carroll has, with his usual clearness, shewn in an article "On the Currency Question," how these deposits operate upon price, and I quote the following passages:

"It is impossible to find the slightest difference in principle or effect between a bank note and a bank deposit payable on demand. The bank note is but a check of a bank upon itself—the holder of any sum of bank notes pays out as much as he has occasion to use at the moment, and keeps the remainder for future use in his iron safe or his pocket. So the owner of a bank deposit pays out in a check the sum he has occasion for at the moment, and keeps the remainder for future use in his bank. It is not the payment, the mere manipulation of the paper that operates upon the value of money and the price of things, but the whole sum of the demand debt, since the whole acts as a purchasing power, precisely as the whole of any commodity in market acts upon the value of that commodity, although nine-tenths, or any other portion of it, may be at rest in warehouses and seeking demand all the while. Every one operates in money or goods with reference to his means at hand.

"As this question of the nature of bank deposits came up in the Currency Committee referred to (Boston Commercial Convention, February, 1868), I desire to be distinctly understood in reference to it. No one doubts that one thousand dollars of coin and one thousand dollars of bank notes in your counting house safe, which you are circulating in various amounts by daily or occasional payments and renewals, constitute two thousand dollars of currency. Suppose you transfer the whole sum to a bank, check upon it, and renew the deposit to suit your purposes; in what respect is the principle altered or the currency character of the two thousand dollars changed? Or suppose your wife takes one hundred dollars in coin and bank notes to go a-shopping, is not this sum currency? The demand she makes at the shops enters into or is part of the averaging purchasing power of the whole circulating medium of the country and the world, and tends to raise prices whether she spends any of the currency or not, and this demand is of course *in* the one hundred dollars; for if you did not possess it, some one else would, and would exercise the average demand in it as you do. But your wife meets with no satisfactory bargains, and the currency is deposited to your credit in bank. Is it any the less currency than when it was in her hands? Again, you sell a quantity of coffee for a merchant's note which you get discounted, and the net sum of the discount is added to the deposit to your credit. You check upon this sum as you did upon the coin and notes. All these items are mixed into one deposit, one power and one effect. You make an average use of this deposit as you make an average use of the goods in your warehouse, in the operations of exchange; and, in the long run, there will be a proportional amount and purchasing power of currency and of goods at rest in this way throughout the community. Yet all are in circulation, because all are being offered in exchange."

The above remarks, it will be noticed, have reference simply to the influence which the whole mass of currency, active and at rest, bears upon the prices of goods in general. Mr. Carroll, in the same connection (Hunt's Merchant's Magazine, June, 1868), forcibly exhibits the inherent evils of paper currency in the following terms:

"The more of anything there is produced, the cheaper it is of course; but this fall of special value is nevertheless an increase of wealth. The miners and the State of California are enriched as much by producing money, although cheapening it all the while, as they would be by producing a like value of wheat. This fact stares us in the face in the rapid strides of that new State to wealth, and puts to shame the speculative theory of certain scholars and writers that money is not capital. It would be as absurd to oppose the cheapening of money by its increase, as of Indian corn or wheat by an increase of the crops. But to cheapen money as currency, without increasing it as capital, to compensate the depreciation and supply the export demand which that depreciation creates, is quite another thing, that should be restrained as rigidly as counterfeiting, for it amounts to the same thing in its effect upon the wealth of the nation. A bank that has nothing to lend, and lends that nothing in a promise to pay money on demand, creates a fiction, and puts it into the currency to the degradation of the value of money, and loss of capital to the community, as effectually as the counterfeiter who does the same thing, the difference being only in the intention, and in public credulity, which believes in and accepts the one and rejects the other.

"This same thing, in principle, has been tried in dealing in wheat in Chicago; but it lacked that support from public credulity, or, as it is called, 'confidence,' which is so freely granted in dealing in money under the name and cloak of banking, a useful and naturally an honest business, the name of which is used to cover a multitude of sins. The quality of wheat, as of gold, may be uniform, and determined accurately by competent inspection, and the supply of various owners may be stowed in bulk of one grade, and delivered in detached parcels, regardless of the distinction of ownership, without injustice to any one. Thus, as every one knows, wheat is stowed and delivered in Chicago. The warehousemen issue receipts, or certificates of deposit, as the wheat is received, and by and on those certificates it is sold and delivered. These men were not slow to discover that as wheat was coming and going continually, and keeping their warehouses replenished, they could establish the 'credit system' in the business, by dealing on their employers' capital, counting upon an average forbearance of demand, without borrowing or paying interest for it. In other words, they could issue certificates of deposit for wheat that was never deposited or produced —fictitious bushels of wheat in promises—cause sale to be made by those certificates, and meet them out of their employers' supplies. Some of them did this thing, how many or to what extent is immaterial, and whether with or without intentional wrong is also immaterial to our argument, which is concerned only with the principle, and that is, swindling. The Illinois Legislature so considered it, and passed a law enacting that any person who shall nego tiate or put in circulation any such receipt 'shall be deemed guilty of felony, and on conviction thereof, shall be fined in a sum not less than one thousand dollars, nor more than five thousand dollars, and imprisoned in the penitentiary not less than one nor more than five years.' Some failures among the warehousemen, I think, brought this law about.

"Nevertheless, the same thing is done with money in Chicago and elsewhere, not only with impunity, but with encouragement. It is popular among the commercial nations; it is not banking, which is dealing in loanable capital, but currency making, the illegitimate, fictitious, 'credit' system of the Bank of England. You deposit, say, one thousand dollars of coined money in a bank, and the bank will promise to deliver it on demand to four other men as well as to yourself; that is, will lend its employer's capital on the Chicago certificate and Bank of England plan four times over by discounting, without borrowing or paying interest for it, each of the four customers having the same privilege of checking upon your money that you have yourself, the bank counting upon an average forbearance of demand, by circulating its debt in the place of money, so that 20 per cent. reserve of specie will enable it to meet these preposterous promises. Whether the promises are in certificates, *i.e.*, notes issued, or inscribed credits called 'deposits,' makes no difference; the bank creates a fiction of dollars of money, as the Chicago warehousemen created a fiction of bushels of wheat, and with the same effect in degrading the value of circulating capital."*

* These valuable and original contributions from Mr. Carroll's pen have appeared from time to time in the *Merchants' Magazine* of New York, a journal which all mercantile men ought to read.

Nothing could be more striking than the illustration which Mr. Carroll here gives of the character of paper currency. He shows beyond the shadow of a doubt that paper currency exchanges products just in the same manner as may be done by any other fiction or skilful counterfeit. It becomes a serious question for every Christian merchant as to the position he occupies when he carries his promissory notes to a banking-house to get them exchanged for this sort of currency. It is beyond all doubt that in doing so we are partners in a work of serious oppression to industry. On the one hand, we distress labour, as I have shewn at the beginning of this book; and on the other, we uphold a currency made up of nothing but *debt;* and debt is the greatest incumbrance and the most serious obstacle with which a free commerce has ever had to contend, and brings to mercantile men everywhere the saddest of all experiences. We cannot conceive of anything more hurtful and ruinous to commerce, and therefore to the progress of our race, than this false and dangerous currency of debt.

But the degradation is not all on the side of labour. However painful to make such a statement, it must be confessed that we incur moral degradation by a constant borrowing on interest, and especially of borrowing such a thing as this paper fiction. The system would not be true to itself if it had not some such effect as this. It may not often be perceived or noted, but let any regular applicant for discounts, or for help, meet this thing fairly in the face, and look calmly and dispassionately into the position in which he stands with reference to the person from whom he is constantly seeking support, and I think he must acknowledge that he is placing himself in a dependent and precarious position, and that the support on which he leans may be and often is withdrawn on the least alarm, leaving him to ruin and bankruptcy. There is a relationship and responsibility here with reference to debt which cannot be got rid of by any view which may be entertained regarding the securities offered in exchange for the bank currency. However much we may flatter ourselves, our position, as constant borrowers, is a mean and degrading one, unworthy of the noble profession of the merchant, and of the respect which he owes to himself. The world will yet see it in this light. Even setting aside the fact that he is made the channel through which this great injustice is practised upon the industry of the people, the modern merchant deliberately chooses for himself a path of debt all through life; and it is vain to expect that God can give a blessing on a course against which the Scriptures so faithfully warn us. The maxims of modern commerce are wholly opposed to those high, honourable and sensitive feelings which people ought to entertain regarding indebtedness. So thoroughly has the feeling of honest independence been crushed out by modern education on the subject, that many merchants pride themselves on the amount they can borrow. But, indeed, credit, *as a system*, would perish were these feelings of independence generally to prevail.

9. *Would the suppression of Paper Currency lessen the means of employing Labour?*

THIS, I apprehend, is the question which now rises up in the minds of many of my readers. It is a proper inquiry. If the positions I take are sound and correct, we can imagine the sweeping changes which must necessarily, sooner or later, take place over the whole face of society. We cannot define what will be the full effect of these changes. I have naturally made them the subject of thought. But the future is hid from our gaze, and it is no doubt well that it is so. I have never found cause for anxiety in going forward to the future with the simple laws of economic science as my guide, and I have always come back to the present, sad though the condition of labour now is, with a feeling of satisfaction and confidence that all will yet be well, that the day of deliverance of labour from its great bondage is fast drawing near, and that all the sons of toil will yet sit under their own vine and fig tree, with none to oppress or make them afraid. There is a wonderful vitality in labour and in the satisfactions thereof. Progress in art, in all its utility, is just skilled labour at work. It is the foundation of national greatness and progress. To it belongs everything which has been fashioned. The relics of the past, as well as the wonders of the present age of construction, all point to labour. Though by far the largest portion of its productions perish with the using, yet it is enriching the world from year to year. The vital law of increase can only attain its full development where equal rights prevail. When the present dark ages of our commercial policy shall have passed away, the interchange of knowledge, of thought, of commodities, and of labour, will be free as the tides of the great ocean. Free labour means the sword turned into the ploughshare, and the spear into the pruning hook. Doubtless there are hidden forces in nature yet to be revealed for the service of man; a special legacy for those days when free trade in the products of free labour shall encompass all the earth. None can conceive what will be the condition of the coming ages in magnificence and glory, of that new world of the future, when industry rises at last out of its long oppression; for there is the capacity in labour, if left free to receive its full gains and if guided by true religion, to extinguish all our poverty and misery, to fill the world with happy homes, to crown mankind with intelligence and virtue, and to make our earth like the garden of the Lord for beauty.

To return from these thoughts to the inquiry in hand—Would the suppression of paper currency lessen the means of employing labour?

To me, it seems like asking the question, if the removal of the brakes from the engine wheels would retard their speed. When we speak of the means of employing labour we refer to the means of paying for labour. These means are, of course, gold and silver, nothing less and nothing more; and there is, without doubt, ample abundance of these metals, in the earth and out of it, for our present commerce, or for all the commerce which the world will ever witness; and, moreover, the natural laws of distribution, those which compel the money to follow the goods in order to answer the demands of exchange, would spread them in proper quantities among all nations. Production calls up demand, and demand again calls for production; traffic is encouraged, and the precious metals naturally flow in greatest abundance where exchange is most vigorous. The most active and industrious people would require the most and deserve the most, and, unless natural laws were themselves reversed, they would inevitably get the most. They are the media of exchange, of *paying* for everything, wages as well as goods. We do not *pay* for what we buy with anything but money. We shall make a great error indeed if we imagine that we can make the real estate of a country perform the duties of a circulating medium, or *represent* a circulating medium, or take the place in any way or become security for a circulating medium. The money of a country, like everything else, stands on its own right, and is security itself; its powers cannot be delegated to any representative or to any other commodity, and it performs its functions as a medium because it is itself a commodity. The destruction of the false medium, paper, would not destroy the true media, gold and silver. On the contrary, it would release the metals from their unnatural place of confinement, the bank vaults, or recall them from their place of banishment, wherever they may have gone, and cause them to fulfil their own proper mission of usefulness in circulating from hand to hand. It would bring them at once out of those haunts into which they have been driven by the paper, for wherever commodities are offered for sale there will money soon be found to buy.

The call of legitimate commerce is one which the precious metals cannot disobey, there being a financial concord between money and merchantable commodities sufficient to attract each other from the ends of the earth.

But it may be objected—Is there enough of the precious metals to perform the necessary exchanges of the world? Yes, abundance, great abundance. With a metallic currency, those exchanges which are useless and pernicious would be severely pruned. The fifty thousand millions of dollars, said to be the annual receipts and payments gathered into the city of London—a great part of it mere paper repetition—would soon experience a healthy reduction. Were money used instead of paper, there would be no such unhealthy and dangerous concentration. There would be few mere speculators, and goods would go more speedily and directly from producer to consumer, and thus really useful production would be much increased and public wealth and comfort enhanced and secured. It is a serious error to suppose that the mere amount of exchange is a faithful measure of prosperity. It is sufficient on this head to state that the sums ready to start into life and new activity on the suppression of paper may be counted by thousands of millions of dollars, and the reserves held in the form of plate, etc., at thousands of millions more. Mr. Ruggles, who has given great attention to the subject, and who was the delegate of the United States at the late Paris International Monetary Conference, estimates the gold coinage alone of France, Britain, and the United States between the years 1851 and 1866, at twenty-one hundred millions of dollars; and even one million of dollars in constant and active circulation will perform an immense amount of exchange.

The hard cash system which I advocate would tend powerfully to decentralise particular localities as money centres. The enormous daily money transactions of such places as London and New York would be greatly reduced. A large proportion of these transactions are positively useless, and of no account to commerce or to the real necessities of commerce, being only repetitions of the same transaction. All these, with their attendant costliness and intricacy, a cash system would sweep entirely away. In short, it is a monetary truth apparent to all who will reflect, and requires no demonstration that there can never fail to be a sufficiency of money in the world to pay for all the necessary exchanges of goods and labour.

When we look narrowly into this paper system we begin to perceive that its costliness is beyond all reckoning, and that it is one involving immense labour to the mercantile community itself.

Again, the precious metals are self-regulating. There is no special or fixed quantity of them needed for the commerce of the world or of a nation, and it would be as vain as it would be needless to attempt to regulate the quantity. They preserve, like water, their own level, flowing by irresistible laws into every depression throughout the extended domains of commerce; following, like faithful servants as they are, when man does not perniciously interfere, the productions of industry everywhere, and making their presence known and felt in every market. By means of *price*, the sliding scale of commerce, the evils which might otherwise accompany a scarcity or redundancy of the precious metals are averted, indeed completely neutralised, and this is a very important consideration in reference to the question now under review. If money is scarce, prices will fall, or commodities possess *less* purchasing power; if plentiful, prices will rise, or commodities acquire *more* purchasing power. The nation having most goods to sell would get the most money in exchange. The more people, the more industry, and the greater the effectiveness of labour, the more money would be needed, and they would not fail to get it. Thus we perceive that trade would always regulate of itself the quantity of the precious metals needed for its exchanges, and that whatever is gained in money for any country by the export of its commodities, is a clear gain to that country of wealth or of purchasing power.

It is obvious, from these considerations, that whatever convulsions might attend the *sudden* destruction of paper currency (and no doubt they would be very great), and however much there might arise from this cause a temporary disorganisation of trade, and a temporary distress to labour—for what part of the body politic would not suffer from such a tremendous shock?—there would in effect be no lessening of the power or the means of employing labour. The destruction of the false would not impair the service of the true. Our mills, our workshops, foundries, ships, farms, would all still exist, and would soon, under a new and improved condition of things, give to labour better and more remunerative employment, and for the following reasons:—

1. The demand for goods would be steady, because our currency would not be liable to alternate expansions and contractions, and consumption generally would go on with regularity.

2. The supply of goods would be regular as a consequence of the steady demand, and the demand for goods

would be regular in consequence of the steady supply; which is but another way of stating that the natural relationship of supply and demand would be brought into full play. The goods made would be gradually and regularly taken off, and thus we would avoid the evils of a depressed market. Supply and demand would become, as near as it is possible they can ever become, convertible terms, or, in other words, the true principles of exchange would reign.

3. The price of goods would be steady, and thus those fluctuations and derangements avoided which are now the source of loss and frequently of ruin.

4. The employers all round would get a more certain gain, their business would be steady and remunerative, their calculations reliable, and their machinery would not be driven to fever heat one day and the next left to rust or deserted altogether.

5. Fluctuations being arrested, and a steadiness given to prices, unwholesome speculation—the gambling of commerce—would be avoided, and the speculators and unproductive classes turned into producers or compelled to engage in legitimate trade. It would be impossible to make the stock and share market any longer a theatre of gambling, and thus much moral and material injury to society would be prevented.

6. And lastly, as the result of all these, the operatives and labouring classes generally would get a full equivalent for their labour; there would be more money coming to them; depression would not exist; strikes would be forgotten and trades unions unnecessary; they would get more of the necessaries and comforts of life for their families; education would prosper, and general satisfaction and contentment abound.

Is it not worth every effort we can make to endeavour to attain results of such magnitude and importance as these? Ought not every man, and especially every merchant who has the least desire to benefit his fellows, to look into this subject, and do what he can to deliver our commerce from its present degraded condition, as well as elevate and improve the working classes?

The extinction of the paper currency, then, would not lessen at all the means of employment, but, on the contrary, would vastly augment human resources.

And so with regard to lending on interest. The paper currency is a corrupt medium of exchange, and its influence for evil is mainly felt, or at least is most apparent, in the transactions of commerce. But the lending on interest, whether of paper or gold money, is felt in all its bitterness chiefly by the labouring man, for the currency, as a currency, only exchanges goods, but the *lending* of the currency must come down with oppressive force upon labour. The lending of paper, instead of gold or silver money, greatly intensifies this bitterness, for the little capital of the poor man, that which he earns by the sweat of his brow, is wrested out of his hands by this paper, and used against him as an instrument of oppression and to rob him of his gains. If there is anything more than another which commerce can do without, it is unquestionably paper and lending of paper. Destroy both these things, paper currency and lending, and we would not lose one vital force. Everything good and beneficial which God has given to us would not only still remain, but would contribute, with far more effectiveness than ever, to the prosperity of our race. The "labour question" would be for ever settled, and the murmuring and complaint of labour under its long and heavy bondage would cease. Labour, being rendered doubly effective by receiving, as compared with now, a double reward, there would be a lifting up, an elevation, of nine-tenths of the population of all civilised lands into positions of comparative comfort and independence, a mighty reformation beyond anything which the world has ever seen, the very thought of which is enough to arrest and engage the attention of every true statesman and friend of humanity. That this reformation must come round, whether it be accomplished slowly and silently by wise legislation, or by elements of violence and destruction over which man will have no control, is just as certain as the succession of day and night. For industry there is a happy day coming, a sure and prosperous reign. Long has it suffered under the hand of an oppressive system, and patiently has it borne its weary toil, but the time is coming when the burden of its reproach shall be for ever taken away. Why should we hesitate to say, as we contemplate the ages yet to come, that when political economy moves in that new orbit, some of the outlines of which I have endeavoured to trace in this volume, such a change will pass over the face of society, that mankind will discover, amidst the more equal distribution of wealth and comforts and the elevating influences of education, how great a *reality* there is in life and how great a majesty in life's usefulness, especially when that life ceases to be frittered away with idle fancies and unprofitable tastes.

10. *Price, Paper Currency, and Lending on Interest.*

THE reader will have gathered from what has been stated in preceding pages that it is mainly through *price* that paper currency exerts its evil and destructive influence on commerce. It is natural to expect that such must be the case, for it is through price that a man's pocket is principally touched. As a general rule, nothing should interfere with the natural and economic arrangements and fluctuations of price; it is perfectly competent to take care of itself. In this connection the ultimate effects of the issue of paper currency, and the lending of that paper on interest, are to be viewed mainly in their influence on *labour*, for commerce is nothing more than the exchange of the products of labour.

Now then, reducing all that I have previously stated to as exact terms as possible, the state of the case appears to be this:

1st. Paper currency inflicts a double wrong on labour; it employs, to its own advantage, the entire labour of the community, rendering no equivalent, and not only does this, but causes labour to pay for the enforced loan of its own money, there being no pay without labour. Such injustice as this is scarcely conceivable, yet it is done on a large scale by nations and governments calling themselves Christian.

2nd. The issue of this paper currency injects a dangerous poison into the arteries of commerce, and robs it of its only true medium of exchange.

3rd. The lending of money on interest, when it becomes so general as to affect prices, takes its tax, through price, from the general labour of the community and gives no equivalent.

On the truth of these three statements the modern mercantile system must stand or fall.

These exactions may, in one respect, be compared to government taxes. All taxes, except perhaps those imposed to a limited extent direct upon incomes, are secured for the tax-gatherer, through the price of commodities, and thus indirectly, but virtually, out of labour. If, for example, the average import duty on manufactured goods brought into this country be fifteen per cent., the goods will be enhanced in price to the consumer an equivalent amount. Were no duties levied except a tax upon incomes, then that tax would have a preponderating influence on prices, and the amount would be compelled to descend in the same way on the goods or on wages, and the difference in price, with and without the tax, would reveal the amount of pressure on labour. Every tax imposed by the Government takes, through price, its exact measure out of labour, and there its influence ends. Competition in business secures that the amount of the tax, neither more nor less, comes out of labour. But it is far otherwise with those great oppressions on labour exercised by lending out a paper currency on interest. Here a thousand corrupting influences are brought into play, all tending to demoralise commerce and to interfere with the proper distribution of labour and with the natural effects of demand and supply, and all, in the long run, accumulating, with destructive force, upon labour.

There is, in human society, such a thing as a proper distribution of labour. When its accumulated forces are most efficient, then it enjoys that distribution which is most beneficial to our race. The laws of value and of exchange will ever lay a firm and correcting hand on this distribution. But it is obvious that if the proper medium of exchange is destroyed—that in which all values and wages are paid—and payment indefinitely postponed under a promise to pay, there cannot but follow a most prejudicial interference with the true distribution of labour, and whatever interferes with the *natural* distribution of labour adds to the severity of its toil. The clear tendency of a paper currency, fabricated without either effort or value, is to lessen production by fostering the mercantile or distributing class at the expense of the producing. It is one of the sad and painful features of the paper system and the result in part of the banishment of the precious metals out of ordinary circulation, that the honourable profession of the merchant is dragged down to a low and dependent position, and thus both the labouring man and the merchant suffer, though in a different way.

It is through *price* that a ready means is found for all the exactions just referred to, whilst, at the same time, these exactions are pretty much concealed from public view. Hence the system stands, nay, flourishes. If each labouring man, every one, rich and poor, who really contributes by service of any sort, to the good of the community, were to be brought up to the money lenders desk, and there and then, and for no better reason than the manipulation of a few pieces of paper, have these exactions taken out of his pocket, the system could not stand a single day. Its great oppression to the human family is not the less real, though the unthinking multitude fail to perceive how it is done. It becomes, by this, only the more dangerous.

It is perhaps not generally borne in mind, that throughout civilised lands, the whole currency of the country is lent out on interest, for it is all issued through banks, and therefore carries with it a bank tax wherever it goes.

As to the lending on interest of paper currency in its practical effects, we shall get at the truth in a simple and direct way, if we take the following illustration:

Suppose a community of one hundred families, all engaged in the different works of manufacturing and agricultural industry, with the distribution of labour in these arts properly and effectively arranged. The money circulating in this community is gold and silver, and amounts to one thousand dollars, an average of ten dollars to each family. With this money they perform all their exchanges at prices fixed, special influences in particular cases excepted, by the amount held by the community, and averaged at first, in some way perhaps not easily explained, though connected, doubtless, with a certain ratio between labour and its constant sustenance, by the effective force of these one thousand dollars, as the medium of exchange for the commodities to be transferred from hand to hand. Here it is evident that each family will receive the full value to which it is entitled for its own labour, the most industrious faring the best. There is no tax of any kind to take from the value of labour, and no one can, by means of price, put his hand in another's pocket. Neither is there any influence at work to augment prices beyond their natural limits. The metallic currency in use, from whatever quarter it was received, has cost them just its value and nothing more. Let us suppose now that six or eight persons in this community cease from industrial operations, become "financiers," and get authority to issue paper notes to the amount of five thousand dollars to be used as currency. The notes are issued, and the precious metals, true to their nature, begin to depart to those countries where they are esteemed, and all the true currency of this community is speedily swept away, except a few pieces kept by these bankers to supply an occasional call, and even the silver follows the gold, no coins being left except those of a lower value than the lowest bank note. The five thousand of paper circulation drags down the one thousand of real value to the same level as the five thousand of fictitious value, and thus destroys their purchasing power. People cannot transport goods in fictitious ships, or plough their fields with fictitious horses, but they may exchange their goods for a fictitious currency. The first and essential requisite of a currency is that it should possess value like other commodities. But a true currency costing labour to obtain it can never compete with a false currency costing no labour to obtain it, or one whose chief characteristic is, on its own face, a declaration of indebtedness. The bad drives out the good, and consequently these six or eight able financiers soon get the currency of the country, with what passes now as currency, into their hands without giving the slightest equivalent; and it is all lent out on interest to the very people to whom the true currency belonged through a debt system, thus created and kept alive by the paper men. The truth is, it is the labour of the working men, which is now swept into the banks, and that is the only tangible thing with which the banks have to deal. Thus the people's money is all gone, and nothing left to supply its place, but promises; or a currency whose essential quality is debt; and strange to say, the more complicated and incomprehensible the scheme by which all this mischief is effected, the more ready the people are to applaud; and the arguments by which it is sought to be sustained being carried further and further away into the far off regions of mist and obscurity, the public gradually settle down into the conviction that all is right, and tamely submit to be fleeced under the impression that such a show of wisdom cannot possibly be wrong. The paper currency now augments prices five fold, and everything becomes dear, and there is a thorough disorganization introduced into the ranks of our community, and an uncertainty into all their trading operations. The currency being now all lent out on interest, the labour of the people is taxed to pay for the same. And it pays this interest through the increased price of commodities or the lesser rate of wages. People now begin to talk of the "value of money," with reference to how much it will bring *as a loan*, not as a medium of exchange; and there being an apparent large *supply* of money, the ranks of the producers are thinned, and too many induced and encouraged by this paper lending system to go into mercantile life or into speculation, all resulting, indirectly, in further oppression of labour, and a thorough disorganization now takes the place of what was before a system of perfect order and security. The exact amount of the *direct* pressure on labour, reckoned in money, is measured by the whole amount drawn annually from the community for interest, If rates are high the oppression will be great—if rates be lessened the oppression will decrease, or cease altogether when they are abolished. The money lenders of course pay increased prices as well as others for all that they consume, but this is a matter of very little moment to those who have got all the currency of the community into their hands to lend.

Let us proceed a little further with our illustration. The banking capital, as it is called, of our little community is now $5000. The merchants, who are the principal support of the system, in those extremities to which it so often brings them, begin to clamour for more of this capital. By and by the Government authorize it to be increased to $10,000. Now, there is just the same amount as before of effective labour at the disposal of the community. When the gold and silver circulated, these hundred families had no tax on their labour. When the metals were driven out and five thousand dollars in paper put in their place, the people had to lend their labour for nothing, and pay besides, at ten per cent., an annual sum, in money tax alone, of $500, besides bearing, as I have already shown, many additional burdens. They lent their labour for nothing, their money being taken away from them, and promises to pay them for their labour substituted; and then, when their own property pretends to come back to their hands in the shape of paper currency, it comes mutilated with a discount, and thus they actually have to pay for what belongs to themselves! With the increased banking capital of $10,000, they have now to pay one thousand dollars a year out of their labour or earnings to support or to add to the wealth of those who have thus taken away the true capital, their money, and given them that which costs nothing in its place, and who, moreover, make them pay for the use of this fiction, It is as plain, therefore, as any demonstration can be, that paper does not and cannot help labour, but that its influence, in every way we take it, is only to oppress labour, and that it is impossible to bring such a system into our community without in the long run also introducing beggary and want.

Of course, the increase from $500 to $1,000 does not double the force of the oppression on labour; the increase in the currency from $5,000 to $10,000 bringing with it only a *nominal* increase of price. Labour, with all the currency lent at $5,000, has reached as low a living point as with all the currency of $10,000 lent out. The increase of the currency from $5,000 to $10,000 will prove destructive to the commerce of the community, as I have previously shewn, and will only re-act upon labour, so far as the mere increase is concerned, in throwing it out of work altogether, and reducing it for a time to beggary, after commerce has in the first place passed through its crisis and been reduced to wreck and bankruptcy, and been thus rendered unable for a season to give any employment at all to hired labour. Moreover, the introduction of all this paper is the introduction of the very opposite of value. It is the introduction of *debt* and the driving away of the only thing competent to pay debt. It is quite clear that bankruptcy sooner or later is an inevitable result.

Again, let us suppose that only one or two individuals in our supposed community practice lending on interest; that they lend gold and silver, and that no paper currency is in circulation. Can we trace the result? I think we can. In this case the lending being only partial could have no general effect upon prices. The few who borrowed would have to pay out of their own labour the interest on the sums lent, and they would obviously be placed at a great disadvantage in competing with the cash men, and would be compelled to give their labour or services virtually at a less remuneration than all others in the community. But as the lending on interest becomes more general and gradually embraces, we shall say, one half of the circulating medium, there will be a corresponding tendency towards increased prices for goods and lessened rates for wages, and consequently towards a general oppression of labour.

Thus we see that when lending on interest becomes general, embracing all or nearly all the currency, labour in general must pay for it; when it is exceptional and limited, those who borrow must pay for it—that is to say, they can, as a general rule, get no help from price. When it takes the rule of commerce, all labour must suffer wherever goods are sold or labour is hired.

Reducing it all to a sentence, we come back to the old position, *that lending on interest is a degradation of labour.*

I conceive this degradation to be an inevitable result of lending money—that it cannot be otherwise; that the interest *must* descend at last on the back of the labouring man, reducing the value of that which he has got to sell, his labour, and increasing the cost of everything he must buy, thus degrading and ruining him in every possible way. And I conceive further that this is a necessary result, because the laws of production and of exchange have no provision for currency lent on interest, even though it should be money instead of pieces of paper. The smallest sum lent on interest makes a demand on labour which it can never fulfil without a sacrifice of vigour and comfort. If it be lawful to make labour pay for what we call interest of money—something in addition to its real value in exchange—it must also be lawful to have labour itself lent on interest, and to have it receive something in addition to its value in exchange. Hired labour, under a cash system, would receive its real value, a full day's wage for a full day's work. We call it *hired*, and we call what it gets in return *wages*, but it would be labour giving what it has got to sell in effective force for an equivalent effective force contained in so much money,—*quid pro quo*.

It may be well, just here, to reflect that political economy deals with man as a free agent, and will not suffer value to be given without a full equivalent. Morals have to do with lending, political economy with exchange. If one nation makes unlawful gain out of another, or one portion of a community out of another, this science must sooner or later put in its correcting hand. It sometimes calls strange forces to its aid to punish those who have long and persistently violated its laws. It takes *men* into partnership—not banking corporations—and always contributes, by means of its beneficent laws, to universal happiness and freedom.

As we have now almost reached the heart of our subject, the reader will no doubt be desirous to follow out these reflections with me a little further.

To facilitate exchanges is the only proper work of a metallic currency. All the vast benefits it confers upon man originate out of its ability to perform for him this service so well. To divert the whole or a part of the currency out of this its proper channel, and cause it to pass through the hands of the money-lenders, cannot impart to it any greater degree of usefulness than nature and the mint have already conferred upon it. It will still, thereafter, be only used as a medium of exchange, and have the same exchangeable value as before. Its capacity for work will not in any respect be increased. It procures no new power from the money-lender's hands; the most devoted paper man cannot allege that its usefulness will be thereby increased. If anything, this roundabout road it is made to travel must weaken its effective force. Every product of labour helps to determine its value, just as money, again, helps to determine within its influence the value of every other product of labour. There it stands in all its beauty and freshness from the mint, ready to perform its wonderful work in the circles of exchange. But human folly steps in and says, "Give it all into the money-lender's hand and it will be more effective still." He will take out of it, in the language of Shakspeare, "a breed of barren metal," and make it support both himself and its owner. He will disclose all its virtues by locking it up in a dark vault, and, more wonderful still, will exhibit to the world its power and effectiveness as the medium of exchange by driving it all out of circulation!

One can hardly credit that we have so long accepted as truths such evident absurdities. I do not here speak particularly of the heinousness of taking the entire money of a people out of their hands. The question has a moral aspect, and may therefore also be viewed in a moral light. A national paper currency, or a paper currency authorized by law, is a serious injury to society, and is the high road to public dishonour and shame; it destroys the first principles of trade and barter. It is one of the strange peculiarities of paper system that the supply of currency for the people is made to depend not alone on the presence of goods or labour, but, in a large measure, on the caprice or personal advantages of those who are authorised to issue the notes. Whether there shall be any currency for the people at all depends upon the circumstance of the promissory note given for goods being discounted. Thus, the very initial principle of barter, that in which all its value to our race consists, is practically destroyed.

I have now to show how lending on interest lessens the volume of products or of merchandise. What is so familiarly known as the credit system here comes into view.

Two individuals begin the business of manufacturing. One has $40,000 of his own. The other has no money, but, by granting to the lender some sort of security, he borrows $40,000, and pays, we will suppose, eight per cent. per annum for its use. The credit man begins his business under a yearly tax for interest of $3200. There are but two ways in which he can provide this interest. He must add to the price of his manufactures or deduct from the wages of his men. Either of these sources through price will supply the needed sum. The cost of the goods made has been enhanced by the interest, therefore the price must be enhanced too. I put out of view altogether the idea that the interest comes out of the manufacturer's own labour, or out of his own profit, for such it is plain cannot be the case under the present debt system. In fact, every economist whose views I have consulted tacitly admits that the cost of the commodity manufactured, or of the machinery employed, is affected by what is understood under the term "cost of capital." There can be little doubt that generally both the purchaser or consumer, and the labourer or artisan experience the effects of this tax upon industry. It is a tax upon industry whether it comes out of the price of commodities or out of the wages of labour. In either case it is out of labour in the long run. A tax may become as oppressive through *price* as if it were taken at once out of the pocket. Now the cash man, having no tax of this kind to make up, is enabled to sell his manufactures at a lower price, or to give his men a better rate of wages than the credit manufacturer. The cash man has only to make and sell—the credit man has to make, to sell, to calculate risks, and to provide for the interest of the money he has borrowed. The cash man is in a position to benefit labour considerably more than the credit man. Indeed the economic laws regulating all exchanges would compel him to do so, did lending on interest not interfere with prices. This is very obvious. If most people manufactured on their own means, and if there were but few borrowers, the cash men, in their productions, would have a preponderating influence in the regulating and fixing of prices, and the few borrowers would, in consequence, work at a disadvantage. If, on the other hand, most people, as is now the case, manufactured on borrowed money, the few cash manufacturers would of course enjoy larger profits from the enhanced prices caused by the credit men, or from the reduced rates for wages; or they might hire more labourers and artisans, with the sums equivalent to those paid for interest, and thus produce more material, and so benefit, under the credit system, to the extent that their own cash is employed, by what is taken out of the hand of labour by that system. Thus, in whatever way we view it, those who do business solely on their own means—and that is the only true merchandise—are in a position not only to reap a larger benefit for themselves, but, what is even of greater consequence, must inevitably benefit their fellow-men more. If both these manufacturers had commenced and continued their business on their own means, the current prices of their goods would have been regulated by the ordinary laws of demand and supply, cost of production and so forth; the workers and consumers would have been benefited, if in nothing more than a money point of view, to the extent of $3,200 per annum; employers and employed wou'd have got along better together; and, combining all these advantages, the effective force of labour would have been increased, and consequently *the volume of products been augmented.*

It may now be asked, Is not the cash manufacturer entitled to receive what is understood as *interest* on the forty thousand dollars he has invested? I answer, no. He will get profits on his business if he benefits his fellows, but no additional allowance for interest. He will get profits because he is virtually employing labour, now owned by him, of an effective force equal to forty thousand dollars. It is at this point we begin to perceive how lending on interest strikes down into the very foundations of the social fabric, injuring labour, and grievously affecting every human interest. If one could claim for the *use* of money, he would get it, but no such claim being competent, as I will soon show, he is not entitled to receive from labour or commerce any such thing as interest for the use of his forty thousand dollars. Under a lending system, he gets it through the medium of price, but under a cash system, he could not, through price, make any such false claim, and would get his legitimate profit on his forty thousand dollars, or on the labour represented by that sum and employed by him in his business. The forty thousand dollars, whether in the hands of the cash or credit man, has that amount of effective labour contained in it—not more for the credit man than the cash man. If gold money, it just cost that amount to extract it from the mine, and this, its normal value, cannot properly be enhanced, on the ground that it has gotten into the hands of money lenders. A day's work, we will say, of forty thousand men would "balance" it, to use a commercial phrase. With the currency of a country generally lent on interest, and bankers and merchants receiving about equal returns for the capital employed, I think it plain that labour cannot but be oppressed, seeing that labour is all paid in that currency. With a paper currency the result is beyond conjecture. So far as labour has to pay, there is a division of profits as it were on $80,000 instead of $40,000; for, as banking capital throughout the world, or capital on loan, yields say 8, 10, 12 or 15 per cent.—reckoning also the value of what is laid aside as "rest"—and as the mercantile world on the whole shares a similar gain, it is plain that labour has to pay double what it ought under our mercantile system. And if the countless millions lent on interest yield returns to both lenders and borrowers, then, I say it follows, *that industry gets only half a day's wage for a full day's work.* Merchants discount most of their paper; and the sum under discount throughout the world holds within it both the profits of bankers and merchants, a fact which proves that the cash system would reduce the severity of toil one-half, or in other words, *double the returns of labour.*

There is a general idea abroad that because money-lenders claim and receive rates of interest for their money, therefore money, in itself, should be constantly giving forth increase—that nature is bound to provide some pay for the act of lending money over and above the ordinary profit realized by employing it as a medium of exchange. I do not know if any false idea ever received more general credit at the hands of the community. I will endeavour in the next chapter to show how incorrect this notion is. It is a notion based probably on the false supposition, that as money, when employed in trade, or in buying and selling, or, to be more explicit, in exchanging human services, leaves an estimated profit to its owner of, we will say, ten per cent. per annum, therefore the lending of money, that is, the act of passing it from the hand of the lender to that of the borrower, the former retaining the ownership, should be rewarded with a return of ten per cent. too, and that this money, so lent, should be entitled to receive, from some source or other, an increase for every moment of its existence. It is a preposterous and absurd idea, outside of commerce or trade altogether, and which commerce is quite incompetent to lay hold of, and towards which it is impossible for true commerce to adjudicate any recompense. If nature has on the average provided ten per cent. as the profit for human labours, or, to put it in another and perhaps better way, *as the estimated advantage derived from exchange*, she has not another ten to give for lending on interest; and if the merchant who lives by borrowed money, or by constantly discounting, takes ten per cent. out of the labours of those with whom he deals, or whom he employs, with which to pay the money-lender, he is doing, unconsciously I admit, a great wrong, and a deep dishonour to that commerce whose integrity and faithfulness he should ever be desirous to uphold. Thus he wrongs at once his own profession and his fellow-men, and makes commerce, instead of a benefit and blessing to labour, an instrument of its oppression. Merchants who are regardful of the great principles of equity cannot put this question aside. Their responsibility reaches deep and far into the very heart of society on the one hand, and up to the bar of eternal justice on the other, and there is a serious personal responsibility involved in every act of trade carried on by such means.

But it may be now objected that two persons entering into partnership, one with and the other without means, is the same thing as lending on interest, and must be condemned if lending on interest is wrong.

This idea is very apt to creep into the mind. But if we look at it narrowly we will perceive that it does not in any way prejudice the great truth which I have endeavoured to expound, that general lending on interest must issue in oppression of labour. The case of partnership is not one of lending on interest at all. It is the owner of the money purchasing or manufacturing commodities, or hiring labour or service with his own means. Each party gets the value of his own labour or service. There is here no increased tax laid on labour to pay for borrowed money. The money owned by the firm is employed in a legitimate way as a medium of exchange alone, not in lending. The two things, exchange and lending, are quite different, and therefore no comparison can be drawn between them. Any one who cannot see thus far, or who tries to combine these two things, is quite unfit to reason on the question at all. In the division of profits there is an equitable rating, the partner without money receiving value for his labour and service according to the skill and energy displayed, and the partner with money receiving value for as much effective labour as he may have imparted, in addition to what he has gained by employing his money simply as a medium of exchange for other things, and which he might have employed, had he wished, without any partner. All the value divided is the production solely of the firm, or received in exchange for commodities produced by the firm, and they have taken nobody's labour to pay for interest. They have rendered full equivalent for all that they have received, and their labours have benefited themselves and others as well. And so of the case of a silent partner, a member of a firm; or of a partner retiring from a firm, but leaving his money in the business; with regard to all of which the line of demarcation, as related to this question, is obvious enough on a little reflection, and hardly requires to be further dwelt on here.

We may, however, give a moment's consideration, in passing, to the case of a merchant retiring from a firm. If he leaves his money with the firm he does not receive anything *as interest*. He gets his share of *profits* whatever that share may be, lessened by the value of his personal labours. He may cease from active work, but neither he nor the other partners get both interest and profits on the same money. There is no money on loan and therefore nothing is paid for interest.

The increased price for goods caused by lending on interest is, I need hardly say, as broad as it is long to both buyers and sellers, and follows the article round all the circle, until it finally reaches the consumer's hands, who is the party to pay the bank tax, and out of whose labour that tax is of course drawn in the end.

The late enormous issues of paper currency by the United States is not altogether an unmixed evil to the people of that great country, for many of the most sagacious minds are now thoroughly aroused to the dangerous and destructive character of a paper currency. Under the old style of ordinary issues, they might have slumbered on unconsciously as they did before. Mr. Hazzard, an able writer, in an article on "Inflated Currency," in the Merchants' Magazine for August, 1868, shows very clearly how the farmers are the greatest losers by this sort of currency. As compensation for what Mr. Hazzard calls "risks of the inflated currency," all goods bought and sold are charged with a premium of two per cent., which would amount to a loss of two hundred and sixty millions of dollars a year. As dealers turn over their money say four times a year, all purchases made by the farming population come to them burdened with a premium of eight per cent. As the prices of produce are regulated by what the surplus will bring in the foreign market, and as no charge for risk of paper currency can be got back from the consumer abroad, the dealer again deducts this premium for risk from the prices he can afford to pay to the producer, so that, to quote Mr. Hazzard's significant words, "the farmer thus loses at both ends, what he sells is diminished, and what he buys is enhanced, by the premiums charged for the risks of the currency."

Mr. Hazzard shows, in a conclusive manner, the loss to the farmers and planters through fluctuations in the rates of sterling exchange. He observes: "In the natural course of trade, gold and exchange will rise when we have little products to export, and will fall when the amount of our shipments becomes large.

"In our national affairs, since we have had an excessive paper currency, the disturbing influences have been so great that it would be difficult to test this proposition by reference to actual experience. I will, therefore, in the way of illustration, refer to a case on a smaller scale, which was free from the disturbing elements of war, and also from the, financially, hardly less baleful influence of political action. Perhaps private speculation was to a great extent excluded.

"After the severe revulsion of 1837 (1857?) there was a time when all the States except Alabama had resumed specie payments. I then observed and pointed out to the planters of that State, that during the portion of the year in which they were making their crops, and there was nothing to export, they paid for their supplies at prices based on gold or Northern exchange at about 120 to 130; and that when their crops came into market to be shipped and drawn against, exchange payable in gold fell to about 108 to 110 per cent., making a loss to them of about one eighth of the cost of production.

"The same principle must now apply to the nation. Our surplus grain, provisions, cotton, and tobacco, are all ready for shipment at nearly the same time, and the tendency of this is to give the producers a price for them based on gold at the lower rate, after having bought their supplies, through a great portion of the year, at prices based on the higher. Other causes may temporarily interfere, but as these, in the long run, will neutralise themselves, the chances are still against the farmers, who, on the average, must suffer in the fluctuations by just the amount which the circumstances of their crops coming into market lessens the currency price of gold and foreign exchange."

Mr. Hazzard here states the case, I think, very plainly as to the losses which are liable to fall upon the producers of the great staples of cultivation when the currency has been inflated far beyond its ordinary amount.

As to the special influences of lending on interest on particular lines of business or production, I give the following as the result of much investigation; I think it will, in general, be found correct:

1. If the producers or manufacturers generally were the borrowers and not the mercantile class, the interest would be added to the price of the goods manufactured, and would follow them to the hand of the consumer, who would have to pay for it.

2. If the agricultural class were the principal borrowers, the interest would be laid generally on the great staples of life, cereals, sugar, cotton, &c., and would have to be paid by the consumers of these articles.

3. If the mercantile class be the borrowers, they will make the interest they have to pay follow the goods to the consumers' hands.

4. If the agriculturists generally and the manufacturers or producers generally have hired labour at work, the pressure of the interest will be felt partly by the hired labour direct, and partly by labour in general through the prices of goods and produce. Lower than labour it cannot go; out of labour it must be taken; till it reaches labour, it will never stop.

5. All imported goods manufactured on borrowed capital, and imported and sold by merchants dependent on their weekly discounts, will be loaded with a double tax, 14 to 18 per cent., as the case may be, which the consumers of these particular goods will have to pay—a

very good plea for home manufactures, if these go direct from the producer to the consumer. The more that goods are profitably manipulated by borrowers, the heavier will be the tax on labour.

There is a distinction here which, though of little practical interest, it may be proper to keep in view. Prices of goods generally will be influenced by variations in the supply of money, for money exchanges all goods. But prices in general may not be influenced by lending on interest, which, as a rule, is only able to affect those lines of business in which the money is lent, contingent also on the number of hands through which the goods pass. This is a distinction, however, of little importance in these days, when money is lent in all directions and embraces every product of industry. The prevailing and persistent idea that money, when *lent*, is entitled to receive something additional to its ordinary profit when employed as a medium of exchange, has laid hold of all business and all production, and consequently affects every department of labour. All money, even our silver change, being issued through the medium of banking institutions, comes into the hands of the people constantly mutilated by a discount, which all employers of labour and all sellers of goods must replace by a charge for interest. Hence it is compulsory that every borrower of money must keep it moving, and exchanges and speculation in the great staples of life are consequently multiplied far beyond what is needful in commerce or good for society. Thus we see what a good thing it is for the money-lenders, when sales are brisk and credit active, and debt increased, and speculation vigorous, and plenty of paper offering, if security can only be offered for the money advanced; and yet it is true that there is no absolute loss in even large sums of money lying idle for a time. It may be a gain to society to have these sums cease for a period from performing exchanges, because exchange can be too easily overdone. The profit to be derived from the loan of money has for a long period taken hold of the public mind as the cardinal idea in trade, and round this, as a central uminary, the minds of the borrowers continually revolve. Yet consumption, on the whole, goes on throughout the world with great regularity. The fewer interruptions the better, in the progress of goods from the producer to the consumer. The greater the number of hands through which they needlessly pass the greater will be the unnecessary cost to the consumers. All genuine exchanges are beneficial, but all exchanges are not genuine. There need not be any limit to the introduction of labour-saving machinery, so long as, commercially speaking, such wide fields are yet to be subdued throughout the world, for every improvement in that direction is a liberation, though not at present really an abridgment, of labour, and causes it to be spread more generally abroad, and thus the resources of nature and the expedients of art work hand in hand for the good of man. But the mere multiplication of commercial transactions over the same article before it reaches the consumer is an evil of no ordinary magnitude, and there ought to be nothing extraneous to nature's laws to foster such transactions. Paper currency has multiplied these transactions far more than all other influences combined. There is a healthy limit to exchanges in every community, and consequently there is a healthy limit to the circulation of money. It is a false idea, therefore, to imagine that there is always a loss when money remains unemployed as a medium of exchange. Money always on the move, or made to circulate faster than consumption calls for, is doing an evil work. It is good for the world that both money and labour should at times practice abstinence and have their periods of rest, seeing that capital is no more (if as much) a source of the maintenance of labour than labour is of capital. Commerce overdriven is as productive of mischief as labour overtasked. Our ideas as to cause and effect have become completely inverted if we imagine labour to be the produce of money, seeing that the money in your pocket is as much the product of labour as the hat upon your head.

Labours, mental and manual combined, are the effective forces to work out the subjugation of the earth on which we live, and very often one idea of the brain is as good as a thousand willing hands. Many important discoveries have had their origin away down in the lowest ranks of labour. The discoverers themselves, like all great workers in similar fields, have been permitted to see but a very small part of those wide and constantly increasing effects which their ideas are accomplishing for the benefit of man. In the region of physical as well as of moral science, it is true of the earnest worker that he casts his bread upon the waters, to be found only after many days. The discoveries of working men, by means of which work itself is not only lightened but rendered more effective than before, and thus more comfort and independence secured to labour, are the special inheritance of industry. These things are designed for the well-being of the working classes, and are calculated to raise them in the social scale. But no sooner does any elevation and prosperity from these sources become apparent, than a cry is got up for more banking "accommodation," or for higher rates of interest. In a new country like America high rates of interest are exacted, and paper banks are scattered broadcast throughout the land. In older countries, though lower rates of interest prevail, lower nominal rates of wages are received. The pressure in every case becomes piled upon labour to its utmost strain. In America we have causes combining, for a period at least, to alleviate this pressure. In Britain there is no hope of relief except by emigration to countries where the load may be somewhat lighter to bear. Lent capital, however, will follow productive labour wherever it goes. In the older settled portions of this continent, the conflict between capital and labour, all caused by this lending of paper on interest, is beginning to cause anxiety in the public mind; and our degradation to a condition similar to England, with its ten per cent. of population made up of paupers and criminals, is only a question of time. Let me tell the merchants and good people of London city that I have laid my finger on the sore which is causing, within that great capital, so much appalling misery and wretchedness to hundreds of thousands of human beings, bone of their bone and flesh of their flesh.

Placing all these arguments and statements side by side, we now perceive how this miserable paper system, instead of opening up new avenues of traffic and sources of labour, actually closes them. Its tendency, in reducing the value of all labour to the lowest point, is practically to restrain those natural longings which men everywhere possess to go forth and occupy new and promising fields of enterprise and industry. All the industry of the civilized world is now discounted by pieces of paper. We cannot by legislative authority thus inflict injury on labour and at the same time benefit or improve society. Can we help industry by taking away its bread and giving it a stone? The people are so poor that they cannot spread themselves abroad. Hardly a labouring family has the means necessary to transport its members to new centres of action. The system impoverishes and huddles men up into crowded theatres of competition, where they all but destroy each other in their competition for a bare existence; and public aid or charity has at last to be invoked to transport them by shiploads to distant countries. How often, in the British Isles especially, is that most affecting sight witnessed—people willing to work but starving for want of something to do. Down amidst all this depression and misery vice finds its congenial home. There it feeds and flourishes in spite of all that philanthropists can do. Under a cash system, all this would be changed. Were the spurious and destructive currency abolished, and that great tyrant to labour, lending on interest, suppressed, industry would get properly remunerated, and would speedily accumulate a reserve fund to be used as occasion required. All labour would rise in the scale of comfort and intelligence, and even commerce itself be vastly the gainer. The useful arts and industries of civilized life would be spread with far more rapidity than now throughout the earth. It requires us only to lift the load from labour, and to give it a just recompense for its toil, to see what labour, conjoined with skill and commerce, is yet destined to accomplish as a great renovating and civilizing power.

It seems as if, from the east and from the west, a stream of human life was destined to meet and to mingle on this continent. We stand midway among the nations. In spite of all the strain they have to bear through debt, the activities of the American people are irrepressible as ever. Statesmen of America! Fear not to give the gold into your peoples' hands. I would appeal to that sense of justice which distinguishes the Christian merchants of Britain and America. How can we hope to escape in that day of trial which is even now looming up before the world, if we deliberately continue to give support to a system which is working so much ruin to the industry of all lands, and which is so thoroughly subversive of that righteousness which exalteth a nation.

11. *The Use of Money cannot be Bought or Sold, and there is consequently no Fund in Commerce for Lending on Interest.*

Money has not, within itself, any secret spring of wealth whence value may constantly and mysteriously flow. It is eminently useful to man, but its *usefulness* is something it has within its own keeping, and which neither you nor I can touch in the way of barter. Commerce with all its strength cannot lay hold of it, for it is a quality not to be bought or sold. Labour will confer and increase usefulness; the coinage of gold and silver will increase usefulness; but you will get paid for nothing but your labour. Nature owns the latent usefulness, and her gifts are all gratuitous; man confers the value and you get that by exchange. Human labours and the productions of these labours are bought and sold, not nature's usefulness. You cannot, out of money's usefulness, eliminate any quality to satisfy the demands of the money-lender. The material, the bullion, can be bought and sold; and the beautiful workmanship placed upon it by the Mint can, if we so please, be bought and sold; but nature has placed insuperable obstacles in the way of the *use of money* being ever made an object of barter. Within the circle of exchange value for value is the principle between money and commodities. There is nothing superadded on account of *use*, no separate fund out of which you can draw for the money-lender or anybody else. There is utility present, or thought to be present, in every service under the sun, but you pay for nothing but the service. Every commodity sold has its particular qualities, but it is the labour or service bestowed in rendering these qualities subservient to human wants for which we pay.

You may put it to the test, if you like, with the first person you meet who has anything to exchange for your bit of silver or gold, and you will see how thoroughly you will fail if you try to get something out of him for the *use of money*, beyond its simple value as a medium of exchange.

When a person pays away his money for what he has bought, he does not, in his mind, form some additional estimate of its value based upon the fact that he is at the moment *using* a piece of coined money in purchasing what he wants. When I pay five shillings for a spade, I do not say to the seller, you must give me the spade for four shillings and sixpence, because the money with which I am about to pay you is useful to both of us as a medium of exchange. The value of the silver I lay upon the counter is, in money terms, five shillings, not four shillings and sixpence; and in that five shillings there has not been one cent calculated for the *use* of money. Human labour is all its account. The wood and the iron in the spade are nature's gifts to man, and you cannot render to man an equivalent for that which nature gratuitously bestows. Water powers in distant wilds have all within them the capacity of usefulness to man, but they are all utterly *valueless* till brought into some relation, near or remote, with human labour. And so of the gold and the silver in the money. They are nature's gift. We pay for whatever of human labour has been bestowed in mining, parting and refining the bullion, and in minting the coins. Once coined and put into circulation, human service with them is finished, but they carry *usefulness* with them as long as they last. If useful to man, money imparts that usefulness gratuitously. What it carries along with it from hand to hand is the human service from first to last bestowed upon it, and this is the only element of which it is possible for commerce to take reckoning. The usefulness of money is to commerce without value, that is, no man can pay for it, and you cannot reckon it or give it a price. God and his laws are very just; they will give to man everything that he can claim; the value of all his labour under the sun. The *value* of the *use* of money is a solecism. The *use* of money gives no *value* to money. The labour expended in gathering it out of the earth gives it its value. Nature's vast storehouse for the supply of our wants is all absolutely gratuitous. It is nothing but human labour which gives value to the contents of that storehouse, filled as it is with unpriced subsidies for the hand of industry, and it is for that labour we pay. I purchase a plough for a few dollars. I take it home and set it to work. That plough may turn over hundreds of acres. When half worn, I sell it. I paid for it according to the quantity of human labour in the making of it, and I sell it according to the quantity of human labour left in it. It has been of great use to me, but commerce makes no account of that use. Whether we buy, sell, or hire, use comes to all mankind gratuitously. If *use* imparted *value*, the worn plough would be more valuable than ever. Its present value is what is looked to. In fact, it is impossible for *value* to come out of *use*. It is human labour wrapped up in so many dollars pitted against human labour wrapped up in the plough, and nothing more. Or I may hire a couple of horses from my neighbour to draw that plough for a day or a week. What I pay for even here is not really the *use*, but the value of human labour in rearing, tending, and caring for cattle as an occupation on the one hand, contrasted with the value of the service rendered by my money, or the labour in my money, on the other. Or I may charter a ship and send her abroad with goods. The *use* the ship is conferring on me and all on board of her is not what I am paying for, or for which the owner is receiving, for, if so, I would be paying for the sea upon which she floats, for the gravitation which keeps her in her place, for the cohesion which binds together the particles of wood and iron of which she is constructed, and for the winds which fill her sails. These are the elements which come in the moment we attempt to identify *use* with *exchange*. Here again, human labour, human service, be it great or small, and estimated at so much value, is what I pay for. As to *time*, you cannot pay for that in the abstract. You do not pay for your physician's time, for it is not his to sell nor yours to buy. Generally, it is one of those elements entering into computations of value; for it takes time to accomplish all labour; but the physician will charge you much more for cutting off your leg than for drawing your tooth, shewing that it is service you pay for, not time. If my labourer works a day, I pay him a dollar; if two days, I pay him two dollars. I do not pay for *time*, but for the effectiveness of the labour rendered; if he is an effective worker, a full wage; if a poor worker, a less wage; if he lay all the day under my trees, no wage at all. If the effectiveness of one man's labour in one day is equal to the effectiveness of another man's labour for two days, I will pay the first man a double rate, or the other only half a wage. So again, we see, it is nothing but human labour, human service, that we compute and pay for, a fact which commerce would ever have us bear in mind. But again, suppose I own a vacant lot outside the city limits. I do not put a spade in it and derive no revenue from it, yet it is yearly increasing in value. How is this? It is human labour and nothing else, bringing the streets and the houses toward me, human skill and human hands achieving all the time. The lot becomes virtually like raw produce brought from a distance to market, or like the lumber of Canada brought out of its wilds to fashion and embellish the habitations of men thousands of miles away. Or, lastly, take the case of hired labour itself. I hire a labourer to do a day's work in my orchard. He plants for me fifty apple trees. The result of that man's day's labour is seen in the spontaneous gifts of nature for fifty years to come, though all he did was to move the trees to a position in the soil and cover the roots with a little earth, and all I do is to pay him for the service he has rendered me throughout the day.

But you now demand of me—Am I not disposed to be captious and make a mere play upon words? Is there really any difference between *use* and *service?* Yes, there is. Commercially speaking, there is all the difference in the world. In this sense—the only one we have to do with—these two things are as far apart as the poles. If you think over it correctly, you will perceive that, in every case of buying commodities, you and another person are just exchanging mutual services. But the utility of the service to you is a different thing altogether from the service itself. You may say, I will not buy this thing because it is of no use to me; or, I will buy this thing because it is of use to me. These may be the reasons for you buying or not buying, but, when you come to buy, you will find that the laws of exchange take you into a sphere of their own. The money you give is *your* service, for you gave service to get it, and the commodity you buy is the service of the other. Utilities are all the gratuitous fruits of nature and of industry. There is satisfaction in utility, but not value. You pay directly for the service, not for the usefulness. Services in exchange must always have reference to two individuals or two parties—the usefulness has reference to yourself alone. You cannot separate value from mutual services, so that there is no standard by which to estimate the value to you of the use of anything. In fact, as value is always relative, and points to exchange, and usefulness is personal to yourself, it is absurd to speak of the value of the use of any service or commodity whatever. The two ideas have no relation to each other—they cannot be combined, and are wholly destitute of points of comparison. We shall certainly go far astray if we allow any subtle thoughts as to *use* and *usefulness* to divert our minds away from the great principles of exchange.

It must, furthermore, be plain to all on reflection, that there is no essential difference in principle between hiring a horse or a steamship and hiring a day labourer, for all these simply yield their service to you, and you yield your service in return in the shape of money. In hiring men, horses, ships, carriages, it is simply paying for labour, and this whether you possess the object temporarily or own it permanently. If you buy a horse you have the permanent use—if you hire him, you have only temporary use—but all the time it is nothing but service exchanged for service. The very word has a sphere of its own wholly distinct and separate from *use.* And whether you buy or hire the steamship or the horse and enjoy the use of them for thirty days, or twelve months, or ten years, and whether they go back to the original owners or are sold into others' hands, it is all the same—the service is all you can pay for—the use to you is outside of commerce. In one word, the great principle of exchange is as fully comprehended in hiring as in buying and selling, and you no more pay for use in hiring than in buying. It is of the first importance that this should be clearly kept in view.

Thus we see that use can never be bought or sold, but only the human labour expended in rendering a thing fit for use, or in sustaining or continuing it in use.

These views may well startle us. If they are true, the banking system, which we have been instructed to regard as the seven pillars of commercial wisdom, is false and ruinous to human interests. If the use of money cannot be bought or sold, no one who has given intelligent thought to the subject will venture to affirm that that system can ever, on any other ground, be advantageous to man. And *if* these views be true, how incalculably great will be the blessing to humanity when they receive universal recognition.

Now, let us apply the principles of this great truth, which I have endeavoured to unfold, to the lending of money on interest, and to the demand which the lender makes to be recompensed for its *use.* We are now face to face with a subject of the deepest importance to our race, and one therefore which claims our most serious and thoughtful attention.

There is no increase of value in the money as it passes from the lender to the borrower. Neither of them confer upon it any labour for which they can demand equivalent. It passes from the hand of the lender to that of the borrower just as it came from the mint, or exactly as it was received from the previous hand, and its power to effect exchanges is not altered or increased. The borrower takes the money. What does he do with it? Just what everybody else does with it—he buys goods or labour with it. Can he demand from the tradesman with whom he deals, or from the artisan whom he hires, something with which to pay the lender over and above the value in exchange of the money as settled by the laws of barter as well as of value? Certainly not. It would not only be unjust, but it would be in the highest degree absurd, to demand, in so many terms, from the tradesman or artisan a value in return, or something out of his labour, for what I have to give for borrowed money, sufficient to support both me and the money-lender. Lending on interest does no doubt succeed with this very exaction, through increased price for commodities and lessened rates of wages, and has thus become in modern times, and especially by means of paper currency, by far the most terrible instrument of oppression to labour which the world has ever seen. The first and great principles of trade are necessarily violated to accomplish this. You do a grievous wrong to a man if you take away from his labour a half or a third for the purpose of paying some one whom perhaps he never saw or heard of, who never did him the least benefit, with whom he never had a transaction in his life, and who has therefore not the remotest claim upon him for service, or return of service, of any kind. The *use* of money, as the great medium of exchange, is common to the whole human family, and is God's spontaneous and unrequited gift to man. It had that use latent in the mine. The first man who dug it from the earth and rudely fashioned it, got no pay for its use, but only for his own labour. You cannot, *because* money is a medium of exchange, extract any value out of it, over and above the labour it costs to obtain it. If the lender gets paid for the use of money, it is at the expense of the equity of commerce. If the owner of the lent money had employed it in trade, he would have enjoyed the gratuitous use of it for the time being in performing his exchanges just as all others enjoy it. But when he parted with the money to the borrower, he did not retain the ownership of the *use* as something for which he could demand payment, for where is the fund out of which such a claim could possibly be paid? Nature has not provided such fund. Commerce has not provided such fund. Neither labour nor art has provided such fund. *It is nowhere to be found.*

It is not possible, under the present debt system of commerce, for the borrowers of money to pay out of their own labour for the loan of the money they obtain. The interest descends upon the goods consumed by the masses, or upon the wages of labour, and is paid by those who work and who neither borrow nor lend; and the labouring classes are thus everywhere not only worked up beyond their strength, but have their wages unlawfully reduced.

It clearly follows that there is no profit for *lent* money, there being no value in exchange for the *use* of money. The only profit we can get is that which the laws of exchange allow; or, in other words, the value, in my estimation, so to speak, of my imports over my exports, or of the proceeds of my labour over the proceeds of my correspondent's labour, to facilitate which exchanges is the only known use of money. This, which we denominate "profits," has no natural subdivisions, as some economists hold, but is in reality made up of *labour saved.* It is a fine subject, which has its seat down among those profound and precious laws which God has provided for the welfare and protection of labour. No more absurd notion was ever promulgated than that which supposes a money-lender entitled to interest because he foregoes the use of his money, called by some "the remuneration of abstinence." What does commerce, in its countless exchanges of human services, know of the abstinence of individuals, whatever may be included under that general term. The profits of the capitalist are the remuneration of labour, and must ever be so, for commerce remunerates nothing but service. The recompense is not because the capitalist forbears to employ his means, but because he does actually employ them in exchange—not rendered on the ground of *abstinence* but on the ground of *service.* There may be different desires at work in actuating men to trade, but the principle of remuneration is ever one and the same. It has pleased God to determine, by the constitution under which we live, that not only shall man earn his bread by the sweat of his brow, but that the earth shall be replenished by the operation of the universal law of mutual exchange, or value for value, that which not only gives birth to commerce but sustains it in life and health. The further we remove from this salutary law the greater is the distress which labour is made to feel, and we could not more thoroughly violate it than by the fabrication and lending of paper.

The owner of money is entitled to receive, and will receive, in exchange for money, money's worth. But the lender of money is entitled to receive nothing more from trade than the money he has lent, for, as a lender, he offers no labour or anything else to exchange, and there is not so much as the smallest dividend imaginable for him throughout all the vast fields of commerce. The laws of value repudiate the act of the money-lender, and must decline at their peril to provide for him the smallest subsistence; for though the system speaks of "developing the resources of the country," it gives not the least contribution to the comfort, wealth, or happiness of the community. Never was a greater imposition practised upon our credulity than this talk about paper developing the resources of a nation. All that is done is *to exchange written evidences of debt*, an act which has nothing to do with commerce or political economy. The sources developed amongst us by this system are the sad ones of poverty, distress, and crime; these are the things it brings into being. All other causes combined are as nothing in the creation of pauperism compared with this daily and unremitting drain upon labour, reaching as it does into every artisan's home and into every working man's pocket, flourishing and fattening wherever industry and energy are intelligent and active, and thus deceiving people into the idea that the system is allied to thrift and prosperity.

But the paper lenders do, as we see, get paid for the use of their paper. The annual bank statements, so gratifying to the shareholders, prove this but too well for the happiness of the community. How is it done? There is but one way. Under the modern debt system these returns are not taken out of the labour of the borrowers. *The vast sums of interest are taken out of the fund of labour by a false addition to price, or by an unfair deduction from wages.* Thus, either way, labour is greatly defrauded and wronged. Paper lending, which is simply lending nothing but trading on the capital of the poor by taking out of their hands their gold and silver, and indefinitely postponing payment with promises to pay, vastly intensifies all this suffering to labour and crushes it as low as it can go. To the working man money thus truly becomes, instead of a blessing, what Herbert wrote of it long since, "The bane of bliss and source of woe."

Goods and labour sum up the material of commerce, and prices and wages are the only avenues through which returns for services can be received.

Though the money should be lent and re-lent twenty times before it comes into the hands of that borrower who begins to employ it in buying and selling, true commerce can only treat the last as if he were the owner of the money, and will give him a just reward for his own labour, and no more, unless fraud is covertly used. Even a labouring man who borrows a couple of hundred dollars, and has nothing to give but his labour, must work extra hours or half starve himself to pay principal and interest, so that, even here, it comes down at last as oppressive to labour; or, in other words, labour has no extra or reserve fund out of which interest can be paid.

Except in a few cases of barter, working men throughout the civilized world are paid their wages in a currency which has all been discounted before coming into their hands. Its full value in exchange has been, so to speak, taken out of it by the banker. This profit, if we call it such, in the employment of money, should be balanced by the service of the working man. But if this were the case, and if no more were abstracted from labour, there would be no profit at all left for merchants, or for any except the banker and working man. The banker can have no profit from any source but labour; so much effective force in labour, or in the products of labour, exchanged for so much effective force in money; and if a profit is reaped by both merchants and bankers—which must by the credit system be the case, *as everything is sold for money*—then there would be an equivalent were the labourer to discount his labour, and give half a day's service in exchange for what he now receives for a whole day. But the mercantile system compels working men to give a full day's work for half a day's wages, which is worse than if it were wasted or lost, seeing it goes to enrich those who take it without pay or giving an equivalent to labour.

A moment's consideration will shew us what constitutes legitimate increase of price. Freight of goods from Liverpool or London to Montreal or New York is a proper increase; cartage from the wharves is proper increase; the importer's labour in buying, handling, assorting and repacking when sold, is proper increase. The reason I need hardly state. Labour has been given, and commerce, true to its great mission, and as regulated by its own laws of value, is always so just that an equivalent must and will be rendered where labour is given.

It may be proper also in this connection to inquire what is meant by legitimate profit, a term it is necessary so frequently to use. We must go deeper for this than for the increase of price. A legitimate profit is a thing which must, from the very nature of exchange, benefit the whole mass of society. It is an illegitimate profit which benefits one portion of society at the expense of another, or a few at the expense of the many, or one nation at the expense of another, or one trader at the expense of another, or which does not render an equivalent. Mutual gain is the great conservative principle in trade. It is a legitimate profit which brings me in the produce of another's labour for the produce of my own—which exchanges my labour, skill, and energy, and knowledge of my department of business or of work, with the labour, skill, energy and knowledge of another's trade or work. It is a legitimate profit to the world at large when men everywhere are constrained to apply themselves to particular departments of work, and, through the hope of gain, to exchange with each other the products of each other's labour and skill. The higher the skill, the more effective the labour, and the better the machinery, the better will it be for all men, and the nearer will all nations approach in relative wealth and power. There is no natural antagonism between the interests of employers and employed, or of capitalists and labourers. These interests are all in one direction. But there is a constant antagonism between labour and lending on interest. Thus also we may see, in passing, how thoroughly opposed true and useful commerce is to everything of a gambling nature.

The case of lending grain in spring to poor people unable to sow their lands, for augmented returns in the fall, is often brought forward as a warrant for lending on interest. Let us look into it.

The man who lends twenty bushels of wheat for a return of half of the produce in the fall, is doing, so far as the profit to the owner of the wheat is concerned, what the man does who has money when he lends it out on interest, with this difference, that the currency of the country, the medium of exchange, is lent in the one case and not in the other. The wheat itself and the wheat's usefulness are different things. The borrower pays in the fall for the measure of service conferred by the wheat, but not for its usefulness. He knew its usefulness before he borrowed it, and that utility is increased all the time it is under the sun and the rains of heaven, and is exhibited when it comes to be consumed as food. There can be no calculation made of the quality of *usefulness* in the wheat any more than there can be of the quality of *hardness* in coins. The calculations made in the spring between lender and borrower had reference to present and prospective values; and there is no more calculation about the usefulness of the wheat than there is about usefulness when you buy your gold watch, an article which will impart its usefulness to you every day as long as you live, and, it may be, to your children after you. Thus, you see, we are brought back again, as if by some occult but inevitable law, to human labour, its value, and its rewards.

Suppose that we depart a little out of the present line of inquiry, and, as we have now in hand the case of lending grain in the spring for a return of one half in the fall, inquire into the lawfulness itself of lending money on interest from the oft-quoted case of lending grain for increase. There is no real difficulty surrounding it, and it could be disposed of, if necessary, almost in a sentence. In this case the borrower pays for his own borrowing, and there is no injury done to another man's labour. The Scriptures, out of regard for the poor and for those in reduced circumstances, command that no victuals shall be lent for increase or interest, and the injunction has reference, I should suppose, to the very obvious duty that the man who has enough and to spare ought not to see his "brother" perish of want, but ought to give or lend, "hoping for nothing again," or, in other words, lend without increase; and it can never be wrong to receive in circumstances wherein Christianity enjoins to give. The borrower of the wheat gets no advantage from *price*, or from any other source, in paying his interest in wheat. If the price of wheat has been enhanced generally throughout the country by the general loaning of money, he loses to that extent, for, had he been privileged to pay in money, he would have sold his wheat, and so caused the interest to fall upon the consumer of the wheat. As it is, he must pay this increase out of his own labour, or, in other words, work extra hours, or reduce the comforts of his family to pay the interest. Nature does not regard his case with any special favours, and he gets the same return for the borrowed wheat sown as the farmer who sowed his own wheat. He who sows his own has, we shall say, returns sufficient to keep his family in comfort; so has the man who sowed the borrowed wheat. But he must part with one half to the lender, and his family suffers in consequence. This, in fact, is the reason why so many farms are falling into the hands of these lenders, and why so much suffering exists in many rural districts. Among the French population of the Province of Quebec, with which I am more particularly acquainted, the evil has become intolerable. What heart does not sympathise with this noble race, so amiable and light-hearted, working, as it were, in the very brick fields of Egypt, their means taken from them by this cruel system, and yet compelled to deliver the full tale of bricks. The Church of Rome, to her honour be it said, has always sought to restrain the rates of interest. But the poor borrowers are getting down lower and lower, just because nature has no special fund, as I said before, to compensate for the use of money, wheat, victuals, or anything else, and it is only by the mightiest exertion that one of these distressed farmers is, now and again, able to lift his head. In the case supposed, however, there is no infringement of another man's rights, or deduction from another man's labours. The man pays for his own borrowing with his own sorrowing, but so far commerce cannot complain. If the distressed farmer could only manage to shift the burden on to *hired* labour, there might be some hope for him. A man in absolute want, paying back wheat with increase, or money with interest, wholly *out of his own labour*, cannot be said to be violating any economic law affecting the labour or interests of others, whatever may be said as to the disadvantage under which his bonded labour strives in competition with free labour. The question whether the wealthy farmer should have lent without increase, or made a gift to his poor neighbour who was so reduced as to be without seed for his land, is one for morals, not for political economy. All that this science says of the man who borrows victuals for a return in kind with increase is, that there is no fund out of which he can pay the increase, and that if he is so poor that he cannot buy, and his neighbour so hard-hearted that he will not even lend without increase, the probability is that he will go on from bad to worse, till finally his lands become mortgaged and he finds it impossible to retrieve his position.—See Nehemiah, chapter v.

In further illustration of the principle under review it may be proper to add, that the manufacturer who purchases raw produce, or goods only partially prepared for market, and adds his labour in the final preparation, is entitled to and will receive the value of his labour; also, the dealer who bought sugars yesterday at fifty-five shillings, which are enhanced to-day, say, by a great fire at the produce warehouses, to sixty shillings, is entitled to the current rate established by such a calamity. There is no law of value prejudiced here; no trespass upon another man's rights; no violation of the rights of labour.

It is clear then that the claims put forth by money-lenders cannot be established, and that no reason can be shown why you and I should be compelled to pay the interest on a sum of money borrowed by one man from another if this interest is taken without recompense out of our industry. If this be true of lending gold and silver, what shall we say of that masterpiece of acuteness, lending paper currency on interest, where not only no value is lent, but the wages of the poor employed to enrich the few and to oppress and degrade labour itself. The lending of a gold currency would be the borrowing, on the part of the mercantile community, of *property*, something of determinate value belonging to the lenders, but the lending of paper currency at interest is the snatching out of the people's pockets their own wages, and lending it back to them on interest, *causing them to pay for the loan of their own money!* Can a shareholder in a banking institution do such a thing as this, and yet be guiltless? Or can we wonder that this system has been so often seriously shaken?

The reader cannot fail to perceive that if the foregoing positions, as to the incompetency of commerce to pay for lent money, be correct, results of the deepest importance must flow from them. If labour, and commerce, the handmaid of labour, have no pay to offer the lender of real money, much less the lender of this spurious currency, paper, he is certainly an intruder and has no business in the ranks of mercantile men. The system has fastened itself like a leech to commerce, and must eventually be brought to its end by some great and universal overthrow. It would have been pleasanter to all concerned had it been otherwise. But the life is more than meat, and the body than raiment, and truth better than all. The good citizen, if he has been unconsciously practising a calling hurtful to society, will never hesitate calmly to examine the matter for himself, and a reformation is half accomplished when once we begin in earnest the search after what is good and true.

It really appears as if our modern mercantile system were at fault all through, for there is not a single transaction accomplished by means of paper but exercises its prejudicial influence on labour. In its two great features of paper currency, and the lending of that currency under the pretence of lending money, it has, in its avarice, trampled human rights under foot, and shown an utter disregard of the sacred principles of justice and truth. It has led multitudes of superficial thinkers astray, deceiving thousands of merchants into the belief of the most palpable absurdities, and has not hesitated, first and last, to ignore almost every principle in political economy. We might as well ask God to alter the eternal principles of His own righteous administration as expect His blessing on such a system.

There is something very mysterious and awful in the thought of this spirit of usury having obtained such a thorough mastery over the industry of the whole world, and of the suffering it has brought to our race. It is indeed a mystery of iniquity too deep for human comprehension. Well may the merchants, the great men of the earth, tremble in the presence of what they have fostered into such amazing strength, which now rules them as with a rod of iron, and which holds them with such a tenacious grasp that they shall not be able to escape in the day of its fall.

12. *Further Reflections on the Use of Money.*

WE are now brought face to face with the subject of lending money on interest. Into that subject, *in the abstract*, its lawfulness or otherwise, I do not at present propose to enter in any lengthened examination. The intelligent reader may perhaps find, in the statements of the preceding section, an interesting field of inquiry open up before him. I may add here, as a clue to further investigation for those desirous to pursue the subject on its own merits, that the present system of commerce is essentially one of debt, and that out of this feature innumerable evils have their source; and that if money, when lent on interest, doubles itself every ten years, and if it be a law in political economy that the mere instrument of exchange should do so at this stated interval, then the rewards, position, and comforts of the labouring man *should also be doubled* every ten years, seeing that it is on labour that all commerce is built, and that merchants, labourers, artisans, and professional men, are all paid for nothing but their services, or for exchanges of labour. Manual labour among the toiling millions, I need hardly say, enjoys no such blessings—a result to be traced primarily to the one great fact, that interest of lent money must, through price, be taken out of the fund of labour without rendering that which is ever the true, safe and great demand of all commerce, an equivalent. It is beyond all question, as I have already shown, that the modern paper system accomplishes just this result, and uses labour in the oppression of labour. When we attentively take this view, a flood of light is thrown over the whole labour question. The full volume of the purchasing power of a nation lent on interest must reduce all industry very far below its normal and healthy condition, and must bring in its train a tide of poverty and consequent suffering which all the philanthropy in the world is unable to stem, and against which it is hopeless for the Church to offer any resistance. It is nothing less than slander to attribute the condition of labour to the want of industry and forethought on the part of the working men themselves, and such a statement comes with a bad grace from those who never knew what it was to bear the burden and heat of the day. Those who are familiar with the toils of labour, or who have themselves bent their backs beneath the burden, can never accept of such a statement as in the least degree satisfactory. If it could be shown that borrowed money, even gold and silver, the true money of commerce, when generally lent out, could by no possibility take more from labour in the hands of the borrowers than in the hands of its owners, money-lending would be a harmless occupation, considered on commercial or industrial grounds, whatever it might be on those strictly personal to the borrower, or on those which are scriptural and moral. But if it can be shewn that its nature when so lent is to add to the legitimate price of goods, or to deduct from the legitimate wages of labour—that the money-lenders, from the superior power which the possession of money gives over defenceless labour, do in effect get paid from some quarter or other for what they designate "the use of money"—that there is nothing in the nature of money, a thing which is only used as a medium of exchange, to cause it to increase in value at the moment it performs or accomplishes the exchange, much less to double itself, by some inherent faculty of its own, every ten years; that its only office in commerce is to exchange values and to promote facilities in that exchange; that in coming in between two commodities or two services for the purpose of exchanging them more easily, it does not add to its own exchangeable value as it passes from hand to hand, but imparts its use gratuitously to both buyer and seller, or rather, to be more explicit, to the two parties exchanging values—that the lending on interest, even of true money, must necessarily act as a constraining power in reducing the returns of labour, operating, in this respect, just the same as a reduction of the yard or bushel measure—then, I think, it would become evident, if any such results as these are even suspected to attach to lending on interest, that the whole subject should receive a thorough examination and revision at our hands. I dare say not one in ten thousand has ever thought of it in these lights.

We must not forget in these inquiries that, though money is a commodity like everything else, and has its monetary powers based on the fact that it is a commodity for which labour must be given, yet men exchange their goods or services for it, specially on the ground that they can immediately purchase with it whatever they desire, recognizing it as by far the most powerful medium of exchange known. This is the strict commercial view to be taken of money—that we receive it because we know that we can immediately pass it in exchange to others, that, in fact, it will never be arrested throughout all the wide circle of exchange, and that, when we invest our labour in the shape of gold and silver, we place it under the security of the strongest bolts and bars.

It is quite obvious that it is not in the nature of money to increase in value, for there is no labour bestowed upon it after it leaves the mint. Its tendency, like everything else, is rather to decrease in value as it gets worn away. When lying in the banker's vault, or in the miser's hoard, or in your own desk, it is not increasing in value. Neither is it *increasing* in value when employed in trade. It may be the indirect means of causing your labours to increase in value—that which you do either for yourself or society, and for which you will get paid—but the money itself has no inherent tendency to increase in value. We must carefully distinguish where profit or increase has its seat. It is in human labour, and nowhere else; and, as calling commerce to its aid, in the exchanges of your services with those of another. We will greatly err if we suppose it lurks in money apart from labour. If you commence business at the beginning of the year with ten thousand dollars, and you find at the end of it that you have twelve thousand dollars, it is not the money with which you began business that has increased—for that left your hands long ago—but you have gained two thousand dollars as the reward for your labours, your services, and not for any increase of money, which you only used as a medium of exchange, and if you have been true to trade and trade been true to you, it is a legitimate gain. It is just *labour* giving birth to *value*, and not natural increase of money. Though your gains are very much greater than those of an ordinary day labourer, it is the same in principle, for you have been employing in your own person, as it were, ten thousand dollars' worth of labour. The profit, primarily, is *in* the labour, and it is secured to you *by* the exchange. If there were no services to exchange in society, all the coined money in the world would be valueless as so much air.

Surely I am correct when I say that, if a man borrows two hundred and fifty dollars, and buys fifty barrels of flour, he has no right, in selling the flour to me, to take out of my labours eight or ten per cent. to pay for the loan of the money he has borrowed, and thus cause my labours to support both him and the money-lender. If the flour merchant succeeds in forcing up the price of the flour *because the money was borrowed*, evil is done. I pay for the cost of raising the wheat and grinding it into flour, and not for the act of borrowing money. I place my labour in money against the labour of the other, represented by so much flour, and I can compete with nothing more. If I am compelled to put my labour in money against the other's labour in flour *and interest added*, it is not value for value. An element is then in force oppressive alike to labour and to true commerce. Money is an article which may be said to be concrete labour, seeing that it held the miner's labour wrapped up in it at first, and that every subsequent hand through which it passed, but exchanged the labour of that hand for the miner's labour. If the money, simply because it is borrowed for a return, has a right to take out of my labour, I must have an equal right to take from the money, or from the labour it holds in trust, so that the claim would be balanced. Of course, no such transaction as this, on labour's side, is known to commerce. If a merchant borrows one hundred thousand dollars, and buys and imports manufactured goods to that amount, he has clearly no right to ask the buyer of these goods to allow him something out of his labour to pay the money-lender. It would be as unreasonable for the borrower to allege that he must have something over and above the legitimate returns of value for value to pay the money-lender, *because he is working on borrowed money*, as for the money-lender to allege that he must have something out of a man's labour in the same way *because he has lent money*. It is no service to either industry or commerce that the labour held by the money has been borrowed and has passed from the hand of the owner to the hand of the borrower. That for which it is exchanged can only take cognizance of it as so much labour, so much value in so much money. In fact, *lending* the money does not alter the nature of money or its claims. Commerce will give back the labour wrapped up in the hundred thousand dollars, or, in other words, *the hundred thousand dollars*, and also pay the importer for all the labour and service he has rendered to commerce with that sum, and no more, and it is out of these services, and no other, that the money-lender should be paid if he must be paid. This we are sure, is not and cannot be the case under our modern credit system, for it would then be one labour competing against two, that is, my full value competing against the same value divided in two, or between the lender and borrower, and this would be true, whether the goods were sold by the importer to one man or divided among a thousand hands. So that the doctrine I have laid down is still true, in whichever way we take it, that there is no fund provided by nature, or commerce, or labour, or by any known law, for the use of money. If the importer alleges that he has benefited me by bringing goods to my door with borrowed money, I can balance that by alleging that I bring my labour to his door without the use of borrowed money, and that when I pay him my ten dollars or fifty dollars for goods I buy, I pay him what I got for my labour and nothing more, and look for an equivalent value, and nothing less, in goods, or in labour expended on goods. I decline, as the buyer, to pay for the use or rather the loan of another man's money, and if it must be paid, it is most reasonable that the borrower should pay it out of his own labours, and this, as everybody knows, is not done under the modern mercantile system. This doctrine does no violence to trade or its profits, for commerce, in the long run, allows for the labour or services of traders, as it does for all other services. If lending on interest be a service to the borrower (a point we altogether deny, for, according to the statistics of the mercantile agencies, this system destroys all the large wholesale traders once every fifteen or twenty years, shewing it is a curse to trade instead of a service), it is a service for which commerce cannot find any means of payment, so that the labour of the community must be robbed to procure the means. Money-lending is no service to commerce but the reverse, and what is not a blessing to commerce cannot be a service to man. In reality, to imagine that the effects of money-lending, as at present generally practised, travel no further than the borrower, and that the lender, if accountable at all, is responsible only for the part he plays in getting the community into debt, is to imagine the alteration, if not the subversion, of every economic law regulating the labour and exchanges of human society.

Well then, is there no profit for money at all? None whatever, in the way you seek it. Can you, as a money-lender, tell me on what ground you would wish a profit *for* your money? You cannot give any reasonable statement of your wishes. If you should say that all you wish is the same profit as if you were employing the money yourself, then, I ask, where is the profit of the borrower, of the trader, of the merchant? If you allege that money-lending divides the profits with the borrowers, which in the aggregate make up a large sum because of the amounts lent, I reply that that cannot be the case, for money-lending would never submit to receive only half the profits; and the statistics of banking and of trading and manufacturing profits prove the contrary. Any doubt on this head is set at rest by the well-known fact that throughout the whole mercantile world, the merchants add the full amount charged for the borrowed money to the prices of the goods they sell, and it is in this way that it generally descends upon labour, the producers, the ninety out of every hundred of the population. Some call this advance a charge for risk, some, for interest, and others, again, for use of money. One notable fact fully proves the point, that which is familiarly known as "discount for cash," which, of course, means also advance for time, and which is only another way of expressing a charge for the use of money. The credit system has brought commerce in general under its sway, and merchants know that they cannot sell as cheap on credit as for cash; and, consequently, the interest is added to the prices of the goods. This is even done by wholesale cash buyers, for there is only one general market rate or price for similar goods in the same market; and, as a general rule, in the wholesale market, that is, a credit price. All the mercantile paper discounted by banks throughout the world is the production, necessarily, of credit prices, and is thus a tacit acknowledgment that interest falls upon labour. We are dealing with the same fact, namely, a payment we have to make for the use of money, *measured by time*, when we offer our goods for a price at three or six months date, or when we tender discount for cash. Under a general cash system, there may be a partial credit without interest, but there can be no interest without credit. Of credit, simply considered, I make no complaint. It is the credit *system* which we have to dread. That system will be destroyed and the *cash system* prevail when law suppresses lending on interest; and that day is as sure to come as truth is sure to prevail, though no doubt the legal prohibition, as in the case of every righteous law, would conflict with certain strong desires.

The prosperity of human society, in its economic features, rests upon industry and the exchanges of industry, and the use of money in facilitating these exchanges. When you have got a correct hold of these three ideas, then you have got hold of the "seven pillars" of political economy. If you have been left a fortune of a hundred thousand dollars, outside of commerce, that is, as we name it, buying and selling or exchange, you will get nothing for your money. It is as clear as any axiom in mathematics that your money, at rest, will bring you no profit. But you commence to buy and to sell. Then your profit begins. Commerce will not give you any profit *because* you have bought goods with your money. You may lose and not gain. You employ your money simply as a medium of exchange. It is not necessary, I think, to point out to an intelligent mind that the profit is not *in the money* but *in the exchange.* In labour there is production and profit; in exchange there is profit by a saving of labour. Commerce will pay you for nothing but your labour, on the foundation, primarily, of one hundred thousand dollars' worth of labour; and if your labour has been very effective, that is, much tact, energy and skill been brought into play, and favoured by ordinary laws outside of you and your exchanges altogether, then your profit will legitimately be large. But here, all through, your profit has not been *for* money, or for the *use* of money, but has been derived from the exchange of other people's labours with your own. Let us get this thing clearly fixed in our minds, that labour is the source of profit, and the profit is eliminated in the act of exchange; that in dealing with commodities you are but dealing with labour, and your profit is out of labour. Money is a commodity because it cost labour to obtain it, and a large amount of it has a greater amount of labour wrapped up in it than a small amount. Every employer expects to make a profit out of hired labour, else he would not hire, just as every man expects to make a profit out of exchange, else he would not exchange; and in using your hundred thousand dollars in trade, you are making your profit out of labour, in so far as you are helping to exchange, for the benefit of society, the productions of labour; in other words, you are giving value for value, and yet a value for value which leaves on each side an estimated gain. All I wish to prove by these statements, even though it should be at the risk of some repetition, is that, outside of commerce or of value for value, or buying and selling, you can have no profit for money; and I think it is of the utmost importance that this should be clearly perceived and kept in mind.

It comes to the same thing were you to invest your one hundred thousand dollars in manufactures. Were you to claim, first, a return of ten per cent., through some idea you have got into your head about the value of the use of money when lent on interest; and then, second, the ordinary profits of business in addition, commerce would revolt at such a claim, and could not give it without oppression somewhere. It will give you a fair return for all your labour, or for your commodities, the fruits of your skill, energy, money, machinery or buildings. It will allow you, nay, compel you, to make an exact reckoning of all these things on the ground of human labour or service, and to count them all up as the price of your goods under the economic term, *cost of production*. If commerce can afford to pay your price, that is, if no person can give a better article at as low a figure, you will be paid. If you have borrowed everything, houses, machinery, money, all except your bare labour, commerce can give you no more.

If you are a manufacturer, and have borrowed say a third of the money with which to put up buildings or erect machinery, commerce, or the laws of value, will pay you for that third through the price of the things you make for sale, just as if it was your own money. You cannot, without defrauding labour, get more for your goods, or give less to your workmen, because you have borrowed money in your business. The products of labour everywhere have a magnetic influence upon money, but industry has nothing to afford for lending money on interest, and recoils from any such claim.

To put it plainer still. Suppose I hire a man with his horse and cart to draw me fifty loads of stone at a dollar a load. Another man offers to do it at one dollar and five cents a load. Of course I choose the man at a dollar. In this dollar there is something for the man, something for the horse, and something for the labour on cart and harness. In short, I pay for the sum total of labour or service rendered me. Another man who has borrowed a horse and cart comes along, and offers to do the same work also for a dollar a load. I take him on. He gets say fifty cents for himself, and fifty cents for the person from whom he hired the horse and cart. I pay here for the amount of *service* given by horse, cart and man, hired or not hired. Commerce approves of it, and gives the return for the service. But suppose I had to borrow the money with which to pay these men. It would be manifestly improper for me to deduct anything from their wages on the score of interest. They must get *all* the borrowed money. In the chapter which treats of the distinction between hiring and lending, I will endeavour to bring the reasons for all this more clearly out.

I think we have now got hold of one of the most important truths ever brought out in connection with monetary science and labour. A sentence reveals it all. Labour is the source of all value; money exchanges values; profit is in the exchange of values or of the products of industry, not in lending money on interest.

I have given a key with which every intelligent reader may unlock for himself the secrets of this oppressive system of paper currency lending. It is unnecessary, even were it possible, for me to follow it throughout all its ramifications. I have given, to a certain extent, my views of lending on interest as the subject has long presented itself to my mind. The lending of money *in the abstract* does not materially affect us in these days, for modern commerce is everywhere carried on by the lending of paper currency, which is no money at all. And as to the evils of paper currency lending, its oppressions and exactions, the misery and ruin which it has introduced into the world, I believe the half will never be told.

When we take a thoughtful survey of the condition of labour, of the children of toil, throughout civilised lands, embracing, as it does, nine-tenths of the population, and contrast it with the condition of the remaining tenth, actually burdened, through this paper system, with an accumulating wealth which it hardly knows how to put out to profitable use; the many struggling on in utter hopelessness all through life, their children compelled to go out to labour at tender years, and, after all this toil, leaving, except in the case of a few skilled artisans, nothing at death; the few rolling in wealth, splendour and enjoyment, faring sumptuously every day, and drinking to the full the cup of pleasure provided for them by the labour of human hands; we cannot resist the impression that a great conspiracy is in force to defraud labour by means of this paper-banking, and that this is the proximate cause of all the suffering and degradation which we witness. Here, too, is the secret of the overcrowded labour market for women and children which has of late years excited so much sympathy and enquiry. Can there be a sadder sight than to witness one's own offspring forced in childhood's happy years to go down to hard toil in dark mines or in loathsome brickfields? Yet this is the condition to which the system has brought the industry of civilised lands. Reared in ignorance, vice, and hard bondage, these children will become the men who will one day take a terrible and blind revenge on society for their deep wrongs.*

I have endeavoured, with what success the reader will judge, to lay bare the great popular delusions at the root of all this matter as to supposed increase of money and lending on interest. A few general remarks on what is popularly known as the credit system, will conclude this part of the subject.

* The idea that industry will be benefited by a shortening of the hours of labour is an error so transparent as hardly to need notice. It is simply a question of a fair day's wage for a fair day's work. If working men cease working two, or four, or six hours each day throughout the year, do they think it will prove a loss to the employers and a gain to the men? Do they imagine there is some mine of wealth yet undiscovered, out of which they will get paid? The law will never be brought to light which will give to working men as much for eight hours' labour as for ten. Other things being equal, the workmen would soon find themselves worse off with fifty dollars a day of nominal wages, for eight hours' labour, than with the present wages for a day of ten hours. All must in the end be paid for the *amount* of their services. A man who compresses ten hours' work into eight may do so at the expense of his physical constitution. A smart workman may do so and not feel its effects, a fact which the employers will not be slow to discover. After all, piece work and time-work come to be paid on much the same principle. The matter of real importance with which both employers and employed are concerned is this—to see that labour receives for a full day's work a full day's reward. It is true, however, that a reduction of the hours of labour in a few particular lines of manufacture, the wages remaining the same, might for a season confer special benefit on the workmen more immediately interested, but it would be at the expense of a greater strain on workmen elsewhere. The important point for the industrial classes to know is this—that it is impossible to benefit industry in general by a general reduction of the present hours of labour. Political economy cannot permit of it, and it cannot be done. The day may come, however, when industry will be able of itself to reduce its hours of toil.

The credit system is, in its more intense features, a system of debt; of course, there is no credit without debt. It originates probably in paper currency; there, at least, it now has its seat, and is fed and supported by the credit sales of goods. Let it not be forgotten that the present credit and debt system could not survive the introduction of a metallic currency. With a currency of promises to pay the credit system must obviously exist in all its force. The laws of commerce or exchange are based on the laws of value; in fact, they *are* just the laws of value in full operation. So far as these laws are brought into play, the debt system is a system of exchange but half accomplished. In respect to the paper currency, it is a system of debt all round the circle of exchange—debt needlessly created for the benefit of a class—payment indefinitely postponed, for a promise to pay is not payment and never can be payment. On the part of the seller the exchange is accomplished—he has delivered his goods; on the part of the buyer it is not accomplished—he has not delivered his goods. In fact, he has no goods to deliver, for the labour or service he proposes to exchange is not yet born, has not come into being, and has no existence; and yet it is this nonentity with which modern banking, under the name of "credit," deals in discounting mercantile paper. Are there any natural laws regulating or bearing upon a system so dangerous to human interests? None that I know of. The laws of exchange embrace it as far as they can go and no further. Every few years we have startling evidence of the never-ending conflict between nature's laws and the modern debt system. The transaction, the exchange, is complete when the goods are paid for, and not till then, and pieces of paper in constant fluctuation and always promising can never pay for goods. To complete the exchange, there is nothing else for it but to pay for the goods. If not paid for, or the goods not returned, the buyer owes the seller or his heirs till the end of life, and no legal discharge or composition can *satisfy* that seller. The relationship between debtor and creditor is one having reference only to goods or services. The seller has done a service to the buyer, for which he has received no satisfaction—the buyer has not done any service to the seller, and yet has received a satisfaction. He has got goods and given no value in exchange, so that it is not a case of ordinary value for value. It is like a bridge only half built over a river—commerce cannot cross it; and, as a system, paper currency ever thwarts the efforts of commerce to complete the crossing. Lending money on interest clings like a parasite to this bastard sort of commerce of its own creation, and without which, indeed, it could not live. Buying or selling goods on credit creates no capital, either loanable or otherwise. Goods and money are capital, not debt sales. The laws of value have nothing to say about debt. The buyer gives no equivalent, though he makes all the promises and protestations in the world. The goods still belong to the seller, for the obvious reason that they are not paid for. The buyer promises to pay for them, and writes his promise on a slip of paper, but the laws of value can take no reckoning of a so-called equivalent of that sort. The transaction is ended substantially, commercially and morally, when the goods are paid for, and not till then. Giving a piece of written paper is no equivalent, for if it were so, the buyer would be giving two equivalents for one, as he has to give another, and that the real equivalent, when he pays up.

It makes not the slightest difference if the seller requests the buyer to pay to a third party, his agent, his representative, his banker, or a person from whom he has borrowed money, and it matters not what sort of written or printed documents are used relative to the exchange. The debt system is a constant attempt to break down the natural laws of barter or trade, a thing which can never be done without enormous loss to the community. Property or services, not rights, are bought and sold. All legitimate rights come along with the ownership or the purchase of property, as *use* and every other quality comes along with the goods you buy or the things you hire. You may buy, as it is called, the rights of a minor to property, but it is virtually and really the property you are buying, not something imaginary or separate from property under the name of rights; and, like a credit sale, it is incomplete if the minor does not, at the proper time, put you in possession of the property. If you have "rights" in the stocks or funds, you will find that they are rights which will both clothe and feed you. When a banker purchases a trader's note, he takes the place of the seller, and becomes the owner of so much property as is written on the face of the note, and he is not dealing any more exclusively with "rights" than is the purchaser of a hat when he buys something with which to cover his head. The right to demand and receive payment, or to the delivery of the goods, is a right attaching to every bargain, and is not a peculiarity of a credit sale. There is no property, commercially speaking, in the *right to demand* payment. If I discounted a note, the credit system would speak of me as *the owner of the property of the right to demand payment* *of property!* Whilst the *fact* would be that I had become the owner of the property, or of so much money, or put myself in the seller's place, and all the rights of property come along with its possession. Honour and confidence are very desirable things among men, and everybody desires to avoid rogues whether selling for cash or on credit. Of the first we can never have too much, though the laws of value and of mutual service have nothing to do with people's honour; of the second, in a commercial point of view, we are very prone to have a great deal too much. When it goes the length of encouraging all young men to begin business on borrowed money, or issues in getting nearly everybody into debt, it becomes the credit system or the system of debt, perhaps, in all its bearings and in all its results, as great a scourge as ever followed our poor fallen race. It is impossible that the credit system can ever pay so full a price to industry as the cash one. Credit, in the abstract, may be harmless enough to industry, but, with the machinery of modern commerce, it is part of a mighty engine of oppression to labour. If all young men were wise, and would take counsel by the warnings of the past and the sorrowful lessons read to us by the debt system, they would work patiently till they accumulated a fund of their own. All good young men read the Bible, yet they despise its exhortations if they begin or carry on business by discounting or going to the money-lender. The money-lender is leading them on to treacherous ground, and any day, and with scarcely a warning, their feet may sink in the deep mire. Once involved in debt, it is the hardest struggle in the world to get clear of it; and under it many a sensitive nature has entirely broken down. I do not know anything more painful than the sight of an honourable firm of merchants struggling on for years and at last obliged to yield to their inevitable fate. We are all responsible in the sight of God for the position in which we leave our property to those who come after us. Let the idle, the depraved, the spendthrift, urge their inefficiencies and shortcomings as reasons for resorting to the debt system; but let no young man with industry, ability, and honourable principle, think to excuse himself on the plea that he may succeed quicker, or get on a little faster, by going into debt; a very doubtful plea even at best, when we remember that it is God alone who can give prosperity in commerce or in anything else. I am sure no young man, with the least pretension to intelligence, can for a moment be seduced with the plausible arguments of the advocates of the debt system—that some people have got money who cannot use it just as well as others; that there are many rich old people who would be glad to lend; that money is not so "productive" in some hands as in others; that there are many people idly disposed who will lend to you; that aged people are not to use, for their own sustenance, the means which God has given them for their declining years—and so forth. If any young men are entrapped by such snares as these, and cannot in one moment give to such arguments their proper weight and value, it is evident that the net is not spread in vain in the sight of such silly birds. Let me advise all my young readers, if they would wish for *true* prosperity, for happy homes, for peace to their minds, for real independence, to avoid the money-lending system now and for ever. If it were given to mortal eye to penetrate into all its deep and hidden recesses, how appalled would we be at the unmeasured oppression which it is bringing to our race every day. It is to me incomprehensible how any man professing to give sound convictions on the subject, or alive to the responsibilities which he incurs, can reason himself into the belief that a universal or even limited system of debt can prove a blessing to humanity. Those who thus strive to uphold this cruel system are not guiltless. Young men especially attach weight to their sayings. The peril just lies in the fact that it is so easy to reason yourself into the belief that a little credit is so lawful and honourable a thing, that there are no breakers ahead, that to-morrow will be better than to-day, and to forget all that is included in the memorable saying, that sufficient unto the day is the evil thereof. Without much consideration, or perhaps without any at all, our young men in the commencement of life are seduced into the paths of this great destroyer, debt; they see a few succeed and attain to the position which wealth always commands; and, fired with the natural ambition of youth, are blind to the fact, which statistics amply prove, that the great majority, sooner or later, go down to bankruptcy and to that dishonour which must ever attach to unpaid obligations. I would not for ten thousand worlds be the man who would thus corrupt the minds of the youth of our land, and lead them on to a path replete with ruin and sorrow, ruin not only to themselves, but to countless multitudes of industrious families brought to deeper want and misery in seasons of commercial panic when work nearly ceases. Little do those writers think of the evil they are doing, who, whilst professing a hollow sympathy for the cash system, yet throw the whole weight of their influence in favour of banking and paper. Though men may applaud and posterity approve their sayings, the pen never, never can be blest which is thus in league with tyranny and oppression to industry. Would to God that every young man who reads these pages had his mind awakened to the responsibility he incurs in lending his aid to build up a system against which stand arrayed not only the inflexible ordinances and economies of nature but every principle of righteousness and truth. Honour and duty, necessity and expediency, all combine to point out to young men in training for mercantile life the true path to follow and the only one which God can bless, a path which nature herself has dowered with strong and unfailing resources. I invite my young friends to think for themselves, and to put away childish things. The tendency of a depraved taste has ever taught that the longer we grovel among filth and error, the more satisfied do we become with such garbage. Let the beautiful Scripture thought ever engage our hearts, that understanding is a well-spring of life to him that hath it. Empires may perish, thrones may fall, and principalities and powers pass into oblivion, but true thought is immortal. There is ample room for your bread upon the broad waters of human life. Let the silly crowd continue to chase their butterfly fictions; be it yours to find in following after truth a merchandise better than silver and a gain more to be desired than gold, something which will avail the world and be a blessing to humanity amid those changes and commotions in society, the sound of which may even now be heard afar off, and which threaten when they come to be as sweeping as they will be relentless.

"If thou forbear to deliver them that are drawn unto death, and those that are ready to be slain; if thou sayest, Behold, we knew it not; doth not He that pondereth the heart consider it? and He that keepeth thy soul, doth not He know it? and shall not He render to every man *according to his work?*"

13. *The Distinction between Lending Money on Interest and Hiring.*

BUT we perceive nothing wrong in hiring a house or a store; and is lending money on interest not just the same as hiring a house or a store?

It is by some question such as this that people generally satisfy their minds that lending on interest is all right. The absence of that close and critical investigation which the subject requires will undoubtedly lead to such erroneous conclusions.

Lending money on interest is not the same as hiring a house, a store, or a farm. There are some points of resemblance between them, but the essential features are different. There are differences sufficient to constitute the one virulent and the other harmless.

The position is this: in hiring things, *we pay virtually for human labour;* in lending and borrowing money on interest, *we do not pay for human labour.* In the one case we benefit labour by giving value for value in exchange, in the other we cannot but oppress labour. There is not the least difficulty in bringing this clearly out.

Take the simplest case of hiring—that of ordinary day's labour. You engage to pay your hired man a dollar a day, or six dollars a week, or, if with board, ten dollars a month. It is a clear case of commerce, legitimate in every respect—value for value being given—the money for the money's worth in labour. You might have paid him in wheat, flour, potatoes, or other produce, but you mutually prefer to settle in the medium of exchange, money. You take the labour and give the money, he gives the labour and takes the money, and the transaction is complete. The laws of exchange are as fully operative in this case as if, instead of hiring, he had spent the same labour in making some article for sale. There is no lending in it at all. His body—the human machine—has come and gone, but it has left service behind, and for that service you pay. Or you hire a house, a store, or a workshop for a month or a year. It has been proved, I think, very clearly, that *use* cannot be bought or sold, and it hardly requires me to pause to point out to you that whether buying or selling, *use* comes to you just the same. For what then do you pay in hiring these buildings? what are the elements which enter into the calculations of the owner and yourself? Clearly nothing else than the human labour expended in erecting and maintaining the buildings, and the service they are likely to be to you. The element of utility is more or less present as one of the fruits of every service, but it is the money spent or to be spent on either side which is the measure of this service. The hiring and paying rent for the buildings is just service for service. You may make all the calculations you like about utility and service, but after all, it is just an exchange of commodities or services in commodities—*your* money for *his* service. There has been so much labour spent in getting the money and so much spent in getting up the buildings, and there is a mutual exchange of these labours. The *use* comes along with the buildings, but it is the *labour* you pay for through the service the building renders you in your business, just as it is the labour of your hired man you pay for through the service he renders you. There may have been, say, in all, one thousand dollars spent as extras on the building in ornamenting and carving, which, if it be a manufactory, you do not expect to enhance, in any appreciable degree, the service anticipated, but you will, if you cannot do better, have to allow for that expenditure of labour even though what it was spent to obtain may prove of hardly any *use* to you. In the case of the store or workshop the rent is a legitimate element in the cost of production of the things you manufacture, and is, consequently, laid upon the goods sold, for without such shelter and appliances, the goods could not be made at all, or if made, it would be at a very great cost, or at a very great expenditure of labour. The better these labour appliances, the cheaper the goods and the better for all. The rental of your dwelling house, on the same ground of service for service, you will pay out of your own pocket, for it has no connection with goods, but only with your own comfort, and you may have a very fine one or a very plain one, as you wish, although the plain one is no cheaper viewed in relation to labour expended than the fine one. The rental of the workshop, and no more, is laid by the tenant upon the goods manufactured in the same way as if it had been his own building, or as if the owner himself had been both proprietor and manufacturer. It is a proper return for labour spent, just as in the case of hired day labour. Being for an expenditure of labour, the laws of value and of exchange will, of a certainty, give the just return for that labour, and no more, and the average rate of it will be regulated by open competition. You may not notice it particularly, but the fact is beyond dispute, that rents fall, in the end, and properly so, on the goods sold.

But the parallel fails entirely when we come to the case of lending money on interest. Each is a case *sui generis*, arising out of the nature of the thing lent or hired. If you make a claim of recompense for the use of money, it is impossible to conceive of a single element out of which we can even begin to construct a platform of value in exchange. We cannot lay the first plank. The whole thing is beyond our arithmetic. You cannot even give the data yourself on which you could found a claim upon commerce, or on which you would wish to be paid. You have not conferred a particle of labour on the coins you lend, so you cannot make a claim for labour. If you could show that you had conferred any labour, of exchangeable worth, upon the coins, commerce would allow you for it. But commerce is so strict and exact that, if you have even by some miscalculation only got half value, in the shape of coin, for your labour, it cannot make up your loss. Money may be exchanged for property, for which rent may be paid; or it may be exchanged for all commodities, with a view to profit; but it is, itself, a thing for which it is impossible to pay rent, there being no benefit to commerce or industry in the loan of money. It holds with the most secure hand, and in the most compact form, the fruits of toil and industry, yet the very aggregation of these peculiar qualities, which make it the great instrument of exchange, throws money effectually and for ever into the circle of exchange; and it is at the peril of commerce if it is ever removed out of that sphere where nature has confined it, and in which alone it becomes a blessing to our race. You cannot make a claim for the *use* of the coins, for they are a medium of exchange between man and man, and the use is as common to me as to you, and just as gratuitous to me as to you. Now, I know that you have got the idea into your head that because these coins, your money, came to you in exchange for your labour and toil and hard work, therefore you are entitled to be paid something for their use in lending them to others. It is just here that we all appear to have gone so long astray on the subject of money lending as related to commerce. These coins come to you as the just reward of honest labour, and they will be faithful in service, and will bring you back their full value in anything you wish to buy; and, at the same time, will impart to you, and to the person with whom you deal, all their wonderful facility in promoting exchange, or, in other words, their usefulness, as well as give you a return for all the service you render to commerce by the employment of that money in the legitimate paths of trade. Can you expect, or would you desire, anything more from trade? Would it not be highly improper that you *should* receive anything more from it? Commerce has it not to give, for commerce can only give value for labour; and, if you take it from labour, which owes you nothing, it will cry out against you, and its cry will enter into ears sure to hear. It is impossible that your money can measure more labour, or more of any of the products of labour, in your borrower's hands than in your own, and, consequently, commerce has no pay for you. You have given your labour in trust to these coins, and they can discharge that trust in no other way than as instruments of exchange. You will get back your labour and something as profit out of the service the money makes over to you in the way of exchange. Commerce will give you the value of money in exchange and no more. It has no fund out of which to pay you for *lending* your money, and at the same time to pay the trader who *exchanges* your money. It has but two hands, one for the buyer and one for the seller—no third hand for the money-lender; in fact, it knows nothing about money-lending. Therefore, if you and the borrower combine to have increase for money lent, you may get it by afflicting labour but not otherwise, and that is about the last thing in which either a nation or an individual should engage.

I have said that neither commerce nor labour have any fund for lending on interest. It is clearly in the nature of the case that it should be so. Suppose you own five dollars, and that a barrel of flour is worth five dollars. The five dollars is the produce, we will say, of a week's labour, and the barrel of flour is the produce of a week's labour. The barrel of flour exchanges for the five dollars. They are of strict relative value. Suppose now that you lend the five dollars to another person at ten per cent. interest. Does the loan alter the relative value of the flour and the gold, or their value in exchange? It is quite apparent that it alters none of these conditions, nor any of the great laws of commerce which imposed these conditions. Labour has the flour to give for the gold, or the gold for the flour, but nothing in addition for the loan of the gold. If the borrower has to pay for the loan, it is just so much deducted from the effective force of labour; therefore, even setting aside the question of debt as one of Christian ethics, the less of this lending on interest the better for labour, even though the interest were always paid by the borrower's labour alone. There is a mutual relation in nature between the value of labour, and the value of commodities the produce of labour, and if the element of interest for lent money gets admission at all, it can only be to the injury of both commerce and labour. Borrowing money and paying of interest are things for which nature and commerce have no provision. Lending on interest destroys the natural equilibrium of price, or that true and real relation which must always subsist between industry and the things manufactured by industry.

But you yet demand, Is it not true that I am conferring a service on the borrower when I lend him money? I reply, I do not know. It may or it may not be a service. *I speak for commerce.* It knows of no such service and repudiates it; it does not require it, and it cannot pay for it. Every few years commerce revolts at the unnatural union imposed upon her by the modern system, and struggles against it with a violence which threatens to overturn the whole social fabric. As to service, that must be settled between each lender and borrower. The Bible warns against such service; the whole economy of nature and the whole economy of Scripture are against it. Ten thousand borrowers are ready to endorse the Bible warnings—warnings well worth listening to in connection with these great social problems—and to say that such a service was an introduction of them to a life of bitterness and sorrow, and that, had they commenced and persevered on a cash system, however humble, all would have been well with them and with their families to-day. Little do merchants think what sort of a friend they are turning from their door when they open that door to *debt*, and thus shut it against *cash*. I am well aware that some of those who have suffered most by the system are still the loudest in its praise; no new or strange thing, when we look at the influence of other evil systems in darkening up the mind. But as to lending money on interest and going into debt being a service, let the blighted hopes and ruined homes and untimely graves of countless multitudes of our fellow-men declare the truth. True, they pass away, and are soon forgotten amidst the wreck and ruin of commercial society; but the sad history of their wasted lives, with all the terrible anxiety and disappointments and abortive toil, is a record against the system which can never be obliterated.

You cannot evade the issue as to lent money by suggesting that you may enter into a business partnership with your money. In that case, whether you are an active or a silent partner, you are not a money-lender but a trader, a buyer and seller; and in that sphere, if you are a true merchant, you can do no wrong to either labour or commerce.

In brief, the whole question between hiring things and lending money on interest turns upon the point of *productiveness* or *unproductiveness*. Anything which is unproductive, commerce and labour will soon reject. Commerce constantly calls for products, and profitable labour is always productive. If my day labourer is a man of skill, and invents some machine very profitable for me in my manufacture, self-interest and commerce will greedily seize it and will return him a corresponding value. I may buy the machine out at once, or pay him every day for the valuable service, or labour, it renders me. And so with every other hired thing which labour can profitably employ. But money, so far as commerce can be called to pay for anything it brings forth, is absolutely the most unproductive of all articles passing through our hands. Though it has proved one of the most potent agencies in the welfare and progress of man, it never directly creates wealth—it only exchanges labour. Its only reference to labour is that it hires it, pays for it, like anything else. *From hand to hand it passes, ever the same from year to year, exchanging all products and all services, and bringing, as to value, all things vendible into numerical relationship, but never, like the loom or the spindle, directly creating a single item of value, of which commerce, or the laws of value, can make account.* It generates no interest, and in itself gives forth no increase. It possesses a labour value, but no loanable value, and therefore no *interest* value. Lending it or hiring it will neither increase nor diminish its true value. It will buy you anything you wish according to the quantity of human labour it contains, and subject to the ordinary laws of exchange. It will buy for you because it is *money*, not because it is *lent* money, and if you surreptitiously, or unawares to industry, increase its value in an artificial way on the ground that it has been borrowed at interest, your transactions will prove hurtful to commerce and oppressive to industry. If you could turn your gold piece into a machine, with which to spin yarn or knit a stocking, commerce would take reckoning of it, and would pay, through the price of the product, for the service of the machine. If you buy, with the gold piece, a machine to perform these services, the money has simply bought the machine, nothing more. Though time is saved and labour lightened by the employment of money between man and man, and though its power over the human mind is so great as to draw men to the ends of the earth, yet everybody knows that no calculation is or can be made of the value of these elements in buying and selling. In virtue of its double character as a commodity, and as a universal medium of exchange acceptable to all nations, it becomes the greatest labour-saving instrument known, or ever likely to be known, and yet, with all this, it creates no product, but gives forth all its vast powers freely and gratuitously. Its value as a product can be known; its usefulness as a medium of exchange is, like the air we breathe, without price. In every transaction wherein money is employed, commerce reckons it as a *product* for which labour has been given, and never as a medium of exchange, nor as something lent, although, at the same time, we employ it *as* a medium of exchange. Commerce can no more pay for the use of money than it can for the winds and the tides. There is, then, no such thing known to the laws of exchange or of commerce as the *loanable* value of money. They pay for all exchanges, but have no pay for the act of *abstaining* from making exchanges. There is, in commerce, *exchangeable* value but no such thing as loanable value.

Thus we see the fallacy entertained by the late Mr. McCulloch, and many other writers, that the apology for paper currency is to be found in the *costliness* or *price* of a metallic money. As a commodity, it costs just what it is worth, the labour of searching and digging for it; as a medium of exchange, it costs the world nothing at all. From the moment it is coined it goes forth on its useful mission, and never needs so much as a single repair. Its usefulness as a medium is embraced in its value as a commodity, and it asks no contribution for all that it has done in the former capacity for our race. And yet Mr. McCulloch actually went so far as to recommend its rejection altogether as a medium of exchange for commerce, and its employment only in the manufacture of ornaments and trinkets! He appears to have lost sight of the important truth that a medium of exchange must be a commodity of value, and that gold and silver have become universal media of exchange simply from the fact that they own a purchasing power denied to all other commodities. I do not know if I have ever met, in the course of my reading, with a more striking example of indifference to a self-evident truth.*

It is clear that we cannot obtain for *money* what is so familiarly known by the name of *rent*. It is a peculiarity of money that it cannot be rented, as land, workshops, and other things are rented. For example: Suppose I am a manufacturer. I hire a factory which has cost my landlord $4000. I pay him $400 a year of rent. He is making a profit of ten per cent. out of the lime, the stone, the wood, the labour, bought with his money. His

* I may as well quote the following passage from Mr. McCulloch as an instance of the blunders into which even eminent men have fallen. "If the currency of Great Britain amounts to fifty millions of gold sovereigns, and if the customary rate of profit were five per cent., this currency, it is plain, would cost two millions and a half a year; for, had these fifty millions not been employed as a circulating medium, they would have been vested in branches of industry, in which, besides affording employment to some thousands of individuals, they would have yielded five per cent., or two and a half millions a year net profit to their owners. Nor is this the only loss that the keeping up of a gold currency would occasion. The capital of fifty millions would be liable to perpetual diminution. The wear and tear of coin is by no means inconsiderable." What thoughtlessness and want of penetration are here exhibited. One can hardly credit that doctrines so erroneous and dangerous, theories so crude and unfledged, have, in recent years, been quoted approvingly in Exeter Hall before the Young Men's Christian Association of the City of London.

money is gone, and he has something else in its place. I lay the rent upon my goods. There is a sum of $400 in all upon the aggregate of goods sold as the item for rent. Or, suppose I borrow the $4000 at 10 per cent., and erect the factory myself, I still place $400 for the item of rent upon the price of the goods I sell. Or, suppose I erect the factory with my own money, and place the same sum, $400, on the goods I manufacture. It is plain that in all these cases the amount placed upon the goods (or in other words, paid by labour) is the same. Four hundred dollars and no more are paid out of labour as an equivalent for an item in the cost of manufacturing the goods—that is, labour for labour, whether the money invested in the factory comes from the landlord, from a money-lender, or from myself. It is rent for the factory, not for the money, because the money has been exchanged for its full value in labour, lime, stone, wood and other material. It is evidently no more advantage to commerce to pay this money to a landlord than to pay it to myself were I to erect the factory with my own means. The factory yields shelter and appliance and must be paid from the produce. With regard to one of the parties, there is simply the *fact* of money-lending in the case, altogether outside of the activities of commerce. But commerce pays for an expenditure of labour represented by $4000, and, so far as it is concerned, it matters not from whose hand the principal sum is obtained, if it never had anything more to pay than value for value as in the case supposed. What is evident is, that it has not a profit for the $4000, and also on that sum for the manufacturer. It pays, and does so legitimately and naturally, for the portion of labour represented by the $4000. And it is equally plain that commerce, in this case, pays for an expenditure of labour, or value for value, not *because* the factory was built by the landlord, not *because* it was built by money lent and borrowed, neither *because* the money may have been my own. The return or remuneration is wholly aside of these facts, and is based, properly, only on exchanges of service.

In addition to what may be drawn from these illustrations, it is conclusive on the point now under discussion to state, that were you to hire money as you would a farm, you must, if you wish to make any profit, pass away the money at once from your hand in exchange for other things or services; and that you can do nothing with it but use it as a medium of exchange; the money thus passing away instantly into a path peculiarly its own, the region of sale; and that, as you cannot employ it in any way but as a medium of exchange, rent cannot be extracted from it. It is true that the precious metals contain within them so much of human labour, concreted in such a way and endowed with such qualities, that the labour, in that peculiar form, can be instantly exchanged for other labour; but the constitution of commerce has ordained that the labour so embraced can only be used in exchanging services. Labour embraced in a machine, a ship, a farm, or the human frame, can be hired for rent, and thus bring its value, but labour embraced in money can only bring its value by being employed as a medium of exchange, a truth clearly recognised by Aristotle so many ages ago, when he reasons of the barrenness of money as an argument against interest. Money cannot be employed in commerce otherwise than as a medium of exchange, and thus it ever revolves in a circle of its own and within which *rent*, or *interest*, never can be found. Therefore, the increasing and enormous drain of what is known by the name of *interest* is just so much labour spent without remuneration, and the correct definition of the term is *unremunerated labour.* To speak very strictly, interest on *paper* currency is a gain made out of industry by withholding and employing the wages of industry when due.

In the exceptional case I have just cited, of a manufacturer borrowing the $4000 and erecting the factory himself, paying the lender ten per cent., I trust the reader will not run away with the idea that therefore commerce has some fund for lent money, or for payment of the *loan* of money. The lender has received a return, not because the money was lent, but because it was employed as a medium of exchange. Using it merely in illustration, I have assumed that in this case commerce paid no more than the legitimate claim of value for value, irrespective of the source or of the channels through which the money happened to come.

It is of the utmost importance, as already stated, that we should perceive clearly that *profits* have their origin in exchange of services alone. In buying, say, a sheep from a farmer, the farmer as truly buys my money as I buy the farmer's sheep. Gold and silver are products of the earth, and it is just an exchange of products. The amount of the profits is the estimate I form of the labour saved to me by making the exchange of service. Sometimes these profits can be accurately measured as in the case of a money surplus—at other times they can only be roughly estimated. If ten per cent. per annum be the legitimate and natural average of the profits in commerce, then ten per cent. per annum is the direct gain to the human family through exchange—the indirect gain is a great deal more, and cannot be stated in terms. This definition, it appears to me, will cover every conceivable case of exchange of service, material or immaterial, embracing even the rent of houses and lands. It also, at the same time, most rigidly excludes any idea of profit from the mere use of money, or for the loan of money.

But there is a nice distinction here which we must not let slip, else we shall get confused and fall into error. I have shown that money is the medium of exchange—that commerce can use it in no other manner than as a medium of exchange—and that its use is gratuitous. Now, though it be the medium of exchange, and can only be so used, it is also true that it is itself one of the things exchanged. The laws of exchange operate upon it as a commodity in the same way, and to the same extent, as they operate on other commodities; and there is nothing to justify the interest system in the fact that profits have their origin in exchanges of service, one of these being represented by so much money. Here we are in the region of sale, not of hire. The concreted and substantive qualities of money have made it what it is. Money, *the commodity*, is an article which cannot be hired so as to produce, beyond its own sphere, anything for which commerce can pay. Once admit the negative principle, and you take the back bone out of industry and it falls to the earth. Labour, in the form of money, is inert power, and can only be exchanged for other power—labour, in the form of a steam engine or a thrashing machine, is effective, multiplied, and producing power. There is production direct from these machines, so that they can be profitably hired; from money there is no direct production—it is the completed product of labour, and, though it be a commodity, can be used only as a medium of exchange. We gather, then, that nature has profits for our race through exchange alone, and that *interest* is unknown to nature and commerce, *for it is said to be a profit on the loan of money.*

But I would advance a step further, and say that if money could be hired like the human frame, a farm, or a workshop, then it would not be the perfect medium of exchange which it is. The very fact that commerce accepts it as a perfect instrument of exchange is in reality the very reason why it can afford for it no hire; and the conclusion is inevitable that a system which approves the whole currency of commerce lent out on interest, must take from all industry one half of its service, its gratifications, its use, its comforts; indeed, everything useful or desirable which could be purchased with one half of all the earnings of industry.

It may be worth while here, just in passing, and in case any reader should make a stumbling-block of the matter, to see what sort of connection there is between renting of land and interest of lent money.

The land, in its wild state, and before the hand of man has begun the processes of clearing, fencing, draining and cultivation, may be compared to the precious metals in their dormant state, and before they are dug from the mine. And they may still be compared after the one has been dug and refined and fashioned into pure money, and the other brought into a state of order and fertility. In each case human service has been given and value has attached, in general corresponding to the amount of that service. Further than this the comparison fails, if we begin to remove them out of the region of exchange of absolute ownership into that of hiring and lending. The most ordinary observer must perceive that there is an important difference coming into view. The office of land is to produce food for man and beast; the office of money is to exchange commodities. The one is productive, the other is unproductive. Money does not both exchange products and produce commodities. If you hire a sculptor, your money has not produced the statue. Skilled labour produces the statue, not money. Money exchanges your labour, and makes the statue yours. If you planted a colony on a fertile island, and showered gold upon them a foot deep, it would do them no good until they had produced something by their labour, a fact which I expect needs to be noted by many people older than very youthful merchants. Even that remarkable piece of logic, De Quincey's "Templars' Dialogues," is seriously obscured by confused ideas on this point. We must regard the wages of labour as virtually embodied in the products of labour, for what is capital, so called, in its true relation to labour, but the wages of labour too? It does not alter the case at all, that the working man is paid his wages in the shape of a piece of money, itself a product of labour. To exchange your labour, or service, or commodity of any sort, for an equivalent in money, and then to allow a certain amount to be deducted from you under the plea that the money happened to be borrowed, would be absurd. But you inquire, Is that not just tantamount to saying, that in buying produce from the farmer, it would be as absurd to allow a sum to be added to go to the landlord for rent? I do not think there is any similarity between the two cases. I think there is a very important difference. It lies here. In buying the produce of a rented farm, you pay just the legitimate price; the thing hired, the farm, having contributed, in conjunction with the labour of the tenant, to the production of what is brought to market, and part of that price goes, as it properly should, to the landlord, as a recompense for the service he bestows through the productive powers of the farm, brought to its present state of perfection by the labours of himself and his forefathers, and part to the tenant as a recompense for his labour or service. It is of high importance to note that if a farm, *as a piece of property*, is worth a thousand pounds, it is worth more to commerce and to industry when labour takes possession of it and works it, and brings out its power and resources in providing food for man and beast. In the price of the products there is therefore something for the farm itself and something for the labour, &c., on the farm—in other words, *rent* may be lawfully paid. The farm itself, whoever owns it, is an element to be taken into account in reckoning up the cost of production, based upon the present state of fertility and general condition, as the result of past labours, and it is therefore impossible that anything can be added to the price of the produce over and above the legitimate cost; just in the same way as the factory, whoever owns it, is to be taken into account in the way of rent when reckoning up the cost of the goods made therein. If he who is now the tenant should come to own the farm, or if all cultivators were proprietors of the lands they till, the prices of produce would be just the same. The only difference would be that the cultivators would appear to be better off in a money point of view, but then they would require to have paid value in money, or value in labour, which is the same thing, for the farms they had bought, which makes the matter about as broad as it is long. Therefore, the breaking up and division of the vast landed estates of Great Britain, other things being equal, would not give cheaper food to the people. This is obvious, because labour, and the products of labour, whether in the form of money or improved land, must, under a true system of commerce, ever bring in a legitimate profit. It is true that were all farmers and cultivators owners of the lands they till, they would be *able* to sell all the produce at a cheaper rate to the people; but though all of them would be richer, they would not do so, as it is not a question of *ability* or *will*, but one of value for value, service for service; and commerce, in the end, ever rules that where value is given, an equivalent must be found. So that the evils, many though they be, of the accumulation of land in few hands, are not to be found connected with the question of the prices of produce.

It may be proper to observe that some lands are so poor that, instead of leaving any produce to sell, they barely sustain the cultivator himself. In which case there is no commerce worthy of the name, and therefore no rent; no service, for there is no surplus. Literally, it is from hand to mouth, simple production and consumption, and, so far as commerce is concerned, such land might be just as well so much air.

In contrast to all this, I think it is quite evident that money, when hired or lent on interest, gives birth to no product or service which commerce can pay for as a satisfaction for the use of money, or for its loan or hire. Those great services which money has rendered to man in the advancement and civilization of the race, have all been given out gratuitously around the circle of exchange, and, so far forth, money calls no man master. After the borrower has got the money in hand, he can do nothing else with it but *buy*. He may purchase labour, or service of any sort, or any commodity, either directly now with the money he holds, or indirectly by now discharging a debt contracted some time before. He can do no more with the money. I hold to the opinion that it is utterly impossible he can put it to any other service than employing it as a medium of exchange. He may build a ship with it, or buy a farm with it, or erect a mansion or a warehouse, or employ a thousand men or pay an army of soldiers, but it is all the time only a medium of exchange. And the profits on all these things are calculated independently and irrespectively of its use as a medium of exchange, for the profits are reckoned exclusively out of those services which he expects to render, and which he expects to receive, and which the money only serves to exchange. Or, if you put the fact of money being a medium of exchange out of sight altogether, and view it simply as a commodity, it comes just to the same thing, for you are but exchanging your commodity or the produce of your labour for another's commodity or the produce of his labour, and his commodity measures the value of yours, as much as yours measures the value of his, and there is nothing at all for either loan or hire or interest of money. In short, there is nothing extra to be taken from labour on the ground of anything being hired.

But it may now be suggested, what if the owner of a farm goes to a capitalist and borrows money at interest to the full value of the farm? Or, what if the tenant should purchase the farm from his landlord, and borrow the money at an interest equivalent to the yearly rental, and pay the landlord for the farm? My reply is, that these transactions are outside of commerce, and will not, or should not, affect the prices of the produce, or the great laws of exchange, service for service, which regulate the price of what is sold off the farm. The man who advances the money has but changed places with the landlord, and the rent, and nothing more, is laid upon the produce as before. The farm, if rented, completes its service to the tenant at the end of every six months, and is paid for that service, neither less nor more.

Where then, it may still be asked, is the difference between cases such as these and the bankers discounting the paper of the mercantile community?

The difference is indeed very great, as I will endeavour to show.

With regard to the farm, *even though there should be lent money in the case*, there is no more than the rent laid upon the produce, or upon the labour expended in raising the produce. It is the farm that is hired, not money; and this just makes all the difference. The farm confers a service for which commerce must pay by service in return. The rent is part of the profits in exchange of service. And though the owner of the farm should mortgage it to its full extent, labour is not called to pay for the loan, for it pays nothing but the rent. The rent, in that case, would simply be transferred from one man's pocket to another's. If all the farmers in the country did a credit business, discounted all their paper, and came to *hire* money, as it is called, as well as hire the farms, then the pressure on labour would begin, for they would be paying hire for that which cannot be hired; and, to accomplish this, a fictitious price would have to be put on all produce sold, or on all labour hired. Money may, then, it seems, be lent in such a manner that part of the profits of exchange of service may come to it; but still it is true that exchange has no profit for lent money as such, and therefore no interest for money. Now, the case of discounting mercantile paper is different in this important respect, that money is hired by such means though it can afford no rent or interest, and yet rent or interest is paid for its use. There is value given by the farm in return for the rent; there is no value given by the money in return for the interest. The farm is an active instrument in production, and is entitled to be paid for its measure of service. The money is only an instrument of exchange; and in that exchange rent cannot be found, for it is simply a sale of products, value for value. The farm will bring its worth on being sold, as well as bring a revenue on being hired. The money can bring its worth only by being exchanged. The hiring of all farms would not oppress labour one tittle; the discounting of all currency *must* oppress all labour. If I sell my goods for cash there is value for value, and labour is benefited; if I sell them on credit, and discount my customer's notes, there is interest laid upon the goods, and abstracted from industry when these goods are consumed, or from wages when other goods are manufactured.

But aside from the question of mere rent, there are serious social evils resulting from *accumulations* of land, having their counterpart in the evils flowing from accumulations of money, which the paper system throws so abundantly into the few hands. I ask every American who reads these pages if he would like to see the fee simple of the fertile lands of this broad continent changed into any other tenure? Would he like to see these lands gathered, as in England and Scotland, into the hands of a few proprietors, and the independent and intelligent freeholders turned into a nation of serfs or vassals, having no more interest in the ground on which they tread than the sheep browsing upon the hill sides? America would be no longer America under such a change. But can we not perceive that the inevitable tendency of lending money on interest is to do with money what we deprecate so strongly with regard to our lands; that the lending on interest throws the money of the people into few hands, especially when there is nothing but paper, and *accumulates* the wealth of the nation among the few, instead of, like trade and industry, *distributing* it among the many. These accumulations—part of them, in banking language, are sometimes facetiously called "the rest"—are gathered together out of the people's industry under the false and persistent idea—but too successfully put into operation—that paper promises to pay *money* are possessed of some intrinsic power of adding to wealth every hour of their existence. Evidences of these vast accumulations are visible on every hand, and the social and national evils flowing from accumulations of land and of money are not far to seek. The people lose the feeling of independence; they are reduced in the social scale, and intelligence and virtue suffer; the motives to self-exertion and the stimulus to improvement are greatly weakened; production itself comes to be lessened; the many become poor whilst the few are enriched; discontent occasionally prevails to an alarming extent, culminating at times in riots and bloodshed; patriotism, the grandest of national feelings, sinks lower and lower; comforts at last take their flight, and personal thrift and hopefulness yield to slovenliness and despondency.

Let us give to men the full produce of their own industry, and we will give to society the best guarantee for its tranquillity, advancement and growth, as well as insure to industry its true and natural position as the chief instrument of political power.

Once we get intelligent hold of the leading economic laws regulating values and exchange, we are able to solve, in a manner satisfactory to the mind, every possible case or objection, except it be one very unique or exceptional indeed; and we may rest satisfied with the assurance that, when we have these great laws correctly in hand, extreme cases, apparently for the time as insoluble as a riddle, must at last yield up their secrets to patient and continued investigation when constantly brought to the test of these laws.

14. *Credit.*

To illustrate what I have to say with regard to *credit*, simply considered, let us take the case of horse hire. Such cases, in the form of objections, may arise in the mind, and it is just as well that they be investigated.

If I hire a horse for a year, I pay for a year's service; if for two years, for two years' service; if for five or ten years, for five or ten years' service. It comes clearly within the range of the ordinary laws of barter, so much service in money paid for so much service from the horse or the proprietor of the horse. If I *buy* the animal, then all his service belongs to me for life. In hiring, his service belongs to me only for a stated period of time. In buying, I own all his service. I pay for the service—the utility to me comes subsequent to the service, and for that I do not pay, for it is something having no commercial relation to the service I give or to the service I receive. I pay for the service of the horse, the same as I would pay for the service of a hired man. The utilities are different things altogether, ramifying away in a thousand directions, and commerce knows nothing of them, until they are again brought up, *in the form of a service for which it can pay.*

Now, if the price of the horse is $100 cash, and I purchase him, but afterwards agree to pay in six months, am I justified in paying a higher price on that account?

I think it is quite clear that it is proper I should pay an enhanced price on account of this credit sale, and that no violence is thereby done to the laws of value, but that the transaction, so far as the enhanced price is concerned, is in strict accordance with these laws. I am speaking only, it will be observed, of the question of enhancement of price, not of the nature or character of what is called a credit sale.

The reader will perceive that there is something involved in it, so far as service is concerned, of the same nature as in the hire.

It is, in one respect, as if I hired the horse for six months and then bought him for one hundred dollars. I pay for the six months' service or for a certain expenditure of vital force, *not an additional price for the horse.* I do not pay this so-called credit price simply *because* I have obtained six months' credit, or *because* the seller would have an actual loss did he not receive it, or *because* he might have employed the money withheld to some other advantage. Commerce knows nothing of these *becauses*, for all trade and barter consist of the act of exchanges of service. These are but preliminaries to trade, not the trade itself. I pay because I have received service, and for no other reason.

It is true, however, that a so-called credit sale is not really a case of hiring, nor a case of hiring a credit sale. There is no credit in cases of hiring, because we pay when the service is accomplished, on the same principle as a day's work may be said to complete the service of a hired labourer. A credit sale, so far as it remains a credit sale, can only be considered as a sale half accomplished, for there is an arrest of the fundamental principle of value for value involved in all exchange. The credit system, as part of the machinery which oppresses labour, is not, therefore, to be judged from the harmlessness to society of people purchasing horses at three or six months, and paying, out of their own means, an enhanced price on that account. Indeed, the mere fact is of very little moment, considered by itself, that A B sells a thousand dollars' worth of goods to C D at six months, and takes the granted promissory note to E F to be discounted. The question has to be considered on far broader grounds than these. We cannot, in fact, give any intelligent consideration to the credit system apart from its influence on the industry of working men. The system is one of the responsible agents by means of which the industry of the world is discounted by the banks and doubly oppressed by paper currency. The working millions do not borrow nor lend on interest. Their labour is all their capital. The merchants and manufacturers who discount customers' paper do, to that extent, borrow money at interest to enable them to get the goods, or to pay for them, or to pay for the hired labour, and the interest must descend upon the labour, or upon the goods, the produce of labour. So that, if all merchants and manufacturers carried on business with their own capital, or, in other words, if all the money of the country were employed only in its proper sphere, that is, in exchanging goods and not in drawing "interest" out of labour, all classes would be benefited by cheapened goods, and all working men benefited by increased wages. Even setting aside the cases of the numerous respectable families who are so straitened that they can hardly avoid taking credit in their struggle to make both ends meet, the system works adversely to many of those who begin to get credit at the stores, leading to high prices, and, in the end, often to thriftlessness and dissipation.

All the currency of modern commerce may be said to be borrowed at interest, and, of course, all the merchandise of modern commerce is purchased with a currency which has been borrowed. Most of this merchandise, the produce of labour, when it goes into consumption, has to be purchased with money wages, the produce of labour, so much labour set over against so much labour. If ten per cent. be the profit of the owners or lenders of the money, and if ten per cent. be the rate of discount for cash, it follows that ten per cent. is all that should be paid by the consumers, because the value of the labour contained in the money of the consumers is equal to the value of the labour contained in the money of the bankers, the one being the strict measure of the value of the other. All labour must have its profits as well as money, which is but the produce of labour. Commerce has profits for the men who legitimately employ money in exchanging all services, but not because money belongs to bankers or is lent by bankers. It takes gold and silver at their face value, their labour value, and can pay no more; and though the borrowers should cause the money to pass through the most complicated transactions or industrial operations, this law can never be defeated without injury to both commerce and labour. As banking takes one profit from the face value of all the currency before it goes out into circulation, it is evident that industry must lose to that extent when paid in a currency so mutilated by "interest." The ten per cent. of discount for cash is the exact sum, in the way of profits, to be paid by industry for its commodities, or by labour for its wages, for it represents labour profits on every hand. But under the credit system, the discount for cash, if it be the precise sum, or if nothing more were exacted from labour, would leave no profits at all for the mercantile world. In any case, either the banker or merchant would be working for nothing, and would receive no dividend. This position cannot be controverted by any considerations as to profits or emoluments from other sources, or as to *gross* and *net* profits, for all commerce is but exchange of service, as I have so often pointed out. In a word, if ten per cent. is the exact and legitimate profit on employment of money, then the merchants, if they did not borrow but owned the money themselves, would get their ten per cent. and would be satisfied. But this credit and paper system (or, as it may very properly be called, this *no money system*) imposes a double pressure on labour, both bankers and merchants reaping from the same capital. In other words, a cash system would reduce the pressure on labour one half, the question being one of *profits*, not of *gross returns* for labour. If we call a dollar a day at present the profit of a labouring man, a cash system would give him two dollars; if we call twenty-five cents a day his profit, the cash system would give him fifty cents. To use a striking illustration, the credit system in league with lending is as if two landlords planted themselves in every house and store, and on every farm, and sought and obtained a double rental from every tenant. This is in effect what is done with the currency of the country in the hands of the credit system; and it is just possible to crush labour down so very low as to accomplish all this.

There is a class of loans which do not seem to inflict any special injury or tax upon labour, and which must be therefore judged upon other grounds. Loans of money procured for the building of a public hospital, the formation of a harbour and wharves for ships, or the purchase and laying out of a public park, come under this aspect.

Money builds the harbour; the shipowner (*if he be the only person benefited*) pays the tax, and there it ends. But on economic as well as moral grounds, I believe public debts to be pernicious, and that the cheapest plan in the end is for the labour of the people to construct all needful public works as ability, strength and time will allow. I think that people whose opinions are entitled to respect now generally concede that the system of public debts is one of unmixed evil.

I do not see how we can come to any other conclusion than this, that if *money* were brought back to commerce, and these paper promises silenced for ever, merchants would be enabled to employ their own means, and goods would be everywhere furnished at one profit instead of two, which is only another way of saying that the pressure on labour would be diminished one half. The currency of a nation all discounted must take from the industry of the people at least one half of their net earnings without recompense, whether this currency is made up of bank notes in circulation or deposits payable on demand and operated on by checks. On the other hand, the cash system would sweep away at a stroke all that vast pressure on labour which is represented by the millions upon millions of interest paid for lent money.

I have already shewn that the lending out on interest of paper currency is a far more serious and complicated matter to industry than would be the lending out of money, gold and silver. By the modern process the degradation of labour is complete. The time must come when the industry and commerce of the world will shake themselves free from this paper system.

15. *Church Loans.*

THE Church has a serious interest in the questions discussed in this volume. It is a money-lender. It has large sums invested in banking and kindred corporations, and lent out on mortgage. It has at times been called to mourn over the loss of large sums contributed by the people. The Church sets at nought the command to owe no man anything. The Apostle Paul was a master in church politics and economics as well as in theology. He indicates at once the source of real strength and true prosperity when he commands the Church to depend on the weekly offerings of the people, and plainly intimates that these offerings are to be *used* as periodically given, and not *hoarded.* He abhorred spasmodic "gatherings." By the act of the Church, people are involved in debt, industry is oppressed, a divine command is trampled under foot, and a solemn trust violated. Thus our gold and silver become cankered, and we heap together treasure for the last days.

It is a perilous experiment. The "investment fund" is a curse to the Church. Labour gave this treasure for works of beneficence and mercy, that the principles of Christianity might spread over all the world, and that the gospel might be carried to heathen lands. The Church, as a lender, makes of it a permanent source of oppression, lends it out on interest, and involves her people in debt. Has she any right thus to cast the willing and spontaneous offerings of the people upon the tempestuous sea of mercantile debt and credit? No more fatal mistake could be made. We come to lean on "the fund" rather than on the people with their periodical offerings. Church mortgages are elements of weakness and not of strength. The fund gathered together with such anxious travail is emphatically a treasure "for the last days"—for those days of trial drawing near which will put every false principle to the test, and in the midst of which these fancied mountains of security shall vanish like a dream. The system of church finance is out of joint, and the teaching is erroneous. A few wealthy men may give, and give liberally, but after all it is in the people and the daily labour of the people that the Church must find her strength and support. It is the industry of the people which God designs as the support of the ministry. Interest of money drawn out of invested funds is not the spontaneous gift of the people. How long will it be ere the ministers of the sanctuary perceive the cause of God's controversy with them? What countless streams of beneficence does the Church close up by the system of *never spending the capital*. She sets at naught the great law of increase. How would this money, if spent instead of being hoarded up, yield other fruit and increase, and how rapidly would this augmenting process go on. But the Church lacks faith, is afraid to spend, and is content with the tenth or twelfth part of its real resources, and delights in bonds and mortgages. It trusts to the fund at interest. It has received freely from the people, but does not freely give, and imagines that if the capital is spent, it will be seen no more. It hugs its wealth like a miser, and gives to God a driblet of interest. Thus it cripples its own limbs and ties ligatures around its own heart till it almost ceases to beat, and a cold and cheerless charity rules where faith and largeness and plenty ought to reign. It would require volumes to detail the injury the Church has suffered even in its own resources from this wrong doing. What, I ask, has become of the working men? A glance round our city assemblies at the hour of worship on the Sabbath but too plainly attests the painful fact that the Church and the labouring population have, to a large extent, bidden each other farewell. Missions cannot flourish with such a miserable and misguided system at work. God's blessing cannot rest on it. Our annual reports at Synods, Unions and Conventions may be very flattering as to our permanent and augmenting funds; but He who walketh in the midst of the golden candlesticks looks on it all with the deepest displeasure, and sends leanness into our souls as the reward of our unfaithful and unfruitful doings.

The Church of Christ a money-lender! Its treasure, its funds, heaped together *for the last days*—driblets of interest its only portion now, and burning and destruction the miserable end of all this travail and accumulation.

> "We rave, we wrestle, with Great Nature's plan;
> We thwart the Deity; and 'tis decreed,
> Who thwart his will, shall contradict their own."

16. *Usury.*

THE Scriptures are explicit on the subject of lending on interest. Under the designation of lending *on usury*, the practice is forbidden by divine command. The defence of the poor, the security of labour, the integrity of commerce, and the advancement of our race, are all embraced in one comprehensive and rigorous prohibition of a vice which has through all the ages brought nothing but misery in its train. The word "usury" has been employed throughout by the English translators of the Scriptures in version of a Hebrew word signifying *to bite.* The original expression seems to have been employed by the Jews metaphorically to denote their sense of the practice of lending on interest. The modern interpretation of the word refers it to an *exorbitant* rate of interest. The original term has no such meaning, as is clearly evident from the connection in which it stands to the word *increase* in those passages of Scripture where it occurs. It denotes interest in its lowest as well as in its highest degree. It occurs in the Hebrew Scriptures as an adopted word, and its primitive meaning has no reference to what we understand by lending money on interest. The English word suggests nothing particular, being apparently only another form of the word *use*, more expressive, perhaps, of the act of lending money on interest. The term was employed by the Jews, in a figurative sense, to denote their sense of the practice. In their estimation, lending out money on interest, instead of employing it in the lawful paths of trade as a medium of exchange, was a work at once sordid and oppressive. The ancient Romans entertained the same thought when they spoke of it as *usura vorax*.

The Greek word employed in the New Testament, and translated "usury," is derived from a verb signifying to procreate, to beget. The Latin, *fenus*, has the same signification. These expressions, in the original, imply the interest or increase, by lending, of money, and the idea is evidently derived from animal increase, or the production from the mother of offspring like herself. The thoughtful Aristotle uses the word in this sense when he speaks of the lending out of money on interest or on usury, as being a perversion of it from its proper use to an unnatural purpose, the increase of itself; whence, he adds, "comes the name of interest (Tokos), as being the offspring of a parent like itself." Shakspeare has the same idea when he speaks of usurers as taking a "breed of barren metal." Horace, in his Satires, has exactly the same thought. Thus we see that by the etymology of the Greek and Latin words employed, the interest is supposed to be *generated* by the principal; or, in the hands of usurers, the principal is made to generate the interest.

The modern meaning, therefore, attached to the word usury, namely, that of an exorbitant rate of interest, derives not the slightest countenance from the real meaning of the term, as originally used by the translators of the Scriptures, as well as by all the Councils and Fathers of the Church. This modern import evidently denotes a change of thought and feeling on the subject; and I am of opinion that this change of thought can be traced to that period when the Reformation in Europe shook to its foundations the established order of so many centuries. It may be, also, that some change of opinion, tacit rather than expressed, regarding the authority of the Old Testament, has taken place in these later years. The Church, faithful to the law of God, had never failed to brand the usurer or lender on interest, and for a long period, even up to the age of Elizabeth, she was in conflict with the State upon the question of money-lending. Gradually, however, there was an encroachment of that spirit of covetousness which it was one object of these Mosaic laws to hold in check, and by degrees the Church ceased her protestations, until she finally identified herself with those practices which she once so strenuously opposed.

Of the modern credit system, and of the extent to which lending on interest was to be carried, the Jews could, of course, have no conception; still less could they entertain the idea that the very practice against which they were put upon their guard by divine command, would ever go so far as to repudiate the "current money of the merchant," and introduce evidences of debt subscribed on pieces of paper as the great media of exchange.

The reader may now consult the following passages of Scripture: Exodus xxii. 25; Leviticus xxv. 35–37; Deuteronomy xxiii. 19, 20; Psalm xv. 5; Nehemiah v. 1–13; Proverbs xxviii. 8; Ezekiel xviii. 8, 13, 17, and xxii. 12; Jeremiah xv. 10; also Psalm xciv. 20; Gal. v. 13, 14, 15; 1 Thess. iv. 6; 2 Thess. iii. 10; Matt. v. 42; Prov. xiii. 23, &c. There are many other passages throughout the Old Testament regarding the oppression of the poor, and the accumulation of riches through that oppression, which can only be fully understood by a reference to the texts ow indicated.

The following, from Jeremiah xv. 10, shews how the Jews were accustomed to vent their indignation in unmeasured curses upon the heads of the money-lenders. "Woe is me, my mother, that thou hast borne me a man of strife and a man of contention to the whole earth! I have neither lent on usury, nor men have lent to me on usury, *yet every one of them doth curse me.*" The same curses followed the lender on interest in those ancient times as now fall upon those who, by the imposition of exorbitant rates, or through well-laid plans, manage to strip their victims of their houses and lands. To understand the force of the text now quoted, we must bear in mind that there was then no extensive commercial system to conceal, through price and other ways with which we are now familiar, the direct effects of money-lending and the personal and family disasters which followed speedily in its train. These results were at once obvious to all, and the people never failed to connect with the vice of usury the distresses brought upon the land.

The expressed intention of the usury laws of the Bible is to prevent the oppression of the poor. The prohibition is not confined to lending to the poor. In Deuteronomy xxiii. 19, 20, it is in general terms, and the people are strictly forbidden to lend on interest to each other. The Bible could not be true to itself, or to its own spirit, did it in any circumstances sanction lending on interest, for it is wholly opposed to debt. The good of the commonwealth of Israel required that there should be no lending on interest. Of course, no Jew would be able to get a loan without full security, and no Jew would be likely to part with his money on loan without getting that security Then, as now, property would be the security offered and accepted; and yet God forbids all such contracts and transactions. *In the Book of Proverbs there are the plainest and strongest injunctions against what we now call the discounting of bills.* The complications of the credit system, and the introduction of modern banking and currency schemes, have concealed from public view many of the more odious features of the vice of usury; but the whole traffic, in its real nature and in all its disastrous effects on society, is the same as in the days of Israel, only in reality more general and intensified now than then. No essential feature has changed. The old Jewish money-lender was actuated by precisely the same motives as actuate the money-lenders of England and America at the present day. Every unprejudiced mind must, on reflection, perceive the wisdom of the divine injunctions against lending money on interest; and so much does God esteem the man who conscientiously refrains from the practice, that he accepts of it in the fifteenth Psalm as among the virtues which characterise the man of perfect walk and integrity. He who refrains from this subtle and easy method of increasing his wealth, and who takes no reward against the innocent working man, shall abide in God's tabernacle, and dwell for ever in His holy hill. I need not refer to the passages in Mat. xxv. 27, and Luke xix. 23, further than to say, what every intelligent reader will at once perceive, that these express no opinion at all as to the practice of usury.

Whoever, therefore, approaches the Scriptures with the expectation of finding therein a justification of the practice of lending on interest, will meet with many passages, every one of which pronounces towards it only a sentence of condemnation.

Up to comparatively recent times, the practice of lending money on interest was viewed by all Christian nations with the utmost abhorrence. The testimony of history is clear and explicit on this point. Sensitively alive to the character of the vice and to its disastrous and ruinous effects, the Church never hesitated to make the usurer the subject of severe discipline.

Councils, casuists, and the Fathers of the Church, utter but one voice on the subject, and that voice is an uncompromising echo of the Word of God. Augustine, Basil, Cyprian, Ambrose, Gregory of Nyssa, Jerome, Chrysostom, and, in fact, all the clergy, east and west, are unanimous in their condemnation of the practice of usury, or lending on interest, as an odious vice.

Profane history bears the same testimony. With regard to the practice of the ancient Egyptians, Rollin has the following: "To prevent the borrowing of money, the parent of sloth, frauds and chicane, King Asychis made a very judicious law. The wisest and best regulated states, as Athens and Rome, ever found insuperable difficulties in contriving a just medium to restrain, on the one hand, the cruelty of the creditor in the exaction of his loan, and, on the other, the knavery of the debtor who refused or neglected to pay his debts. Now, Egypt took a wise course on this occasion, and without doing any injury to the personal liberty of its inhabitants or ruining their families, pursued the debtor with incessant fears of infamy in case he were dishonest. No man was permitted to borrow money without pawning to the creditor the body of his father, which every Egyptian embalmed with great care and kept reverentially in his house, and therefore might be easily moved from one place to another. But it was equally impious and infamous not to redeem soon so precious a pledge; and he who died without having discharged this duty, was deprived of the customary honours paid to the dead. This law put the whole sepulchre of the debtor into the power of the creditor, who removed to his own house the body of the father; the debtor refusing to discharge his obligation was to be deprived of burial, either in his father's sepulchre or any other; and, whilst he lived, he was not permitted to bury any person descended from him." To those who are acquainted with the funeral ceremonies of the ancient Egyptians, and their exquisite sensibility regarding the memory and good name of their ancestors, it will be obvious that this law against usury was the imposition of the last restraint against the practice of borrowing.

The wisest of the ancients declaim against the lending of money. Cato, Seneca, and Plutarch, give their voice against it. Tacitus pronounces it the inveterate grievance of the city of Rome, and one of its most ancient evils.

In the days of Lucullus, the cruelty and avarice of the usurers had reduced the cities of Asia to the greatest straits. Many of the people of these cities were held under such great oppression as to be obliged even to sell their children, and to part with the statues consecrated to their gods. In many instances they were handed over to the merciless creditors to be dealt with as avarice or cruelty might suggest. Thus, in every age of the world's history, the sighs of such as are oppressed have risen to God as a witness against lending money on interest.

At the time Solon was chosen Archon of Athens, many of the people had been reduced, by their inability to pay the accumulated arrears of interest, to sell their persons and liberty, and thus reduce themselves to a state of bondage.

It was one of the laws of the Athenian Commonwealth, in the days of Plato, that money should never be lent with interest. After repeated experiments with different rates, and after suffering the greatest calamities, the Romans, in the 411th year of Rome, finally suppressed by decree all lending on interest.

The Persians esteemed it one of the most pitiful things in the world to live upon trust or by borrowing. They abhorred it as a mean and infamous sort of life, leading to servility and ignominy. Whilst reprobating the lender on usury, they profoundly despised the borrower, and judged the man who regularly lived upon credit as one dead to all feelings of self-respect.

In the ninth century, during the reign of King Alfred, usury was an object of hatred and legal animadversion. Six hundred years after, up to the reign of Henry VII., public feeling was the same, for we find, during that king's reign, all usury or lending on interest strictly prohibited as not only against the laws of God and the realm, but against the very law of nature.

It was during the reign of Henry VIII. that public detestation of lending on interest first began to diminish. Towards the close of his reign, the first English statute was passed *legalising* what all ages had pronounced vicious and destructive of human happiness. The rate of interest was fixed by that statute at ten per cent. per annum. This was repealed and usury again prohibited in the reign of Henry's successor, Edward VI. But in the reign of Elizabeth, the statute and rate of Henry were revived, although, strange to say, the act itself was still pronounced vicious. This shows that the Church and the State were not then in accord on the question. Various statutes gradually reduced the rate of interest, until, in the reign of Queen Anne, it was finally fixed at five per cent., at which it continued for more than a century.

The inimitable letters of Blaise Pascal have made us familiar with the "Mohatra," a sort of bargain, or "general method for all," suggested by the casuists of the seventeenth century, and not yet altogether unknown or unpractised, according to which method the money is borrowed, and the sin of usury avoided, "by the needy person purchasing goods at a high price and on credit, in order to sell them over again at the same time and to the same merchant for ready money at a cheap rate;" or by a man who has occasion for twenty pistoles "purchasing from a merchant goods to the amount of thirty pistoles, payable within a year, and selling them back to him on the spot for twenty pistoles, ready money." The Church had, century after century, branded the usurer, and prohibited lending under very severe penalties. However futile such flimsy methods as the Mohatra might prove in hiding the real intention from a modern jury, I am yet disposed to believe that to the very subtleties of these casuists may be traced much of that unwillingness to submit to these usury laws which gradually grew up. Casuistry in one form or other, seems native to the human heart; and I am certain that I have come in contact with subtleties, and listened to reasoning, in connection with the modern system of usury, and paper currency, worthy of the most renowned and learned Fathers of olden time.

Such is the testimony of Scripture, of ancient history, of the great writers of antiquity, and of the Fathers of the Church, relative to usury. In sweeping from their statute book in 1854 the last public testimony against this dangerous and insidious foe, the unenviable notoriety was reserved to the legislators of Great Britain of giving the lie to the experience of more than thirty centuries. For money-lending nature makes no provision, and, therefore, suffering is its certain fruit. Paper currency has vastly intensified this suffering, and brought all labour beneath the heel of this dreadful and tremendous power.

Every imaginable objection has been put forth in recent times to weaken the force of the divine injunctions against usury. As no scholar could for a moment entertain the notion that these referred only to *exorbitant* rates of interest, it was found necessary to attack them in some other way; and it seems as if the very depths of space had been sounded in search of arguments to blunt the edge of the divine warnings. Several of the more prominent of these objections I will now shortly consider.

1. "There is an express command laid upon the Israelites not to oppress a stranger, Exodus xxiii. 19, yet they were allowed to take usury from him, Deut. xxiii. 19, which they would not have been permitted to do, had there been an intrinsic evil in the thing itself."—*The Shorter Catechism Explained. By Rev. James Smith, of Glasgow,* 1765.

It is about a hundred years since this argument was propounded, and it is an objection which has been urged and repeated a thousand times since.

There was a positive command, an absolute interdict, against the Israelites taking interest from each other; there was also a permissive clause allowing them to take interest from the stranger, not a command, but a permission only. Now, how are we to explain or reconcile these statements? Not surely by taking up the position that the permissive clause has abrogated the positive command. There is no example that I know of in Scripture of a mere permission being made to override an absolute command. Scripture is its own best interpreter. Let us turn to a similar permissive clause in Deut. xiv. 21. There the Jews were permitted to give or sell their diseased meat to strangers or aliens. Would it therefore be proper to allege that diseased food is a lawful thing to be sold in Christian markets, or that there is no intrinsic evil in such a thing? The two cases are exactly parallel; and the one referring to the diseased food goes to prove that the usury laws were not intended only for the Jews. But our Saviour himself gives us the key to the interpretation of these permissive clauses of the Mosaic laws. When the Pharisees objected to Christ's teaching as to the indissoluble nature of the marriage tie, "Why, then, did Moses command to give a writing of divorcement, and to put her away?" The immediate answer was returned, "Moses, *because of the hardness of your hearts*, suffered you to put away your wives, *but from the beginning it was not so*." It will be noted that the objection of the Pharisees in this case is precisely of the same character as the one we are now considering with regard to lending on usury to the stranger. Now, who can doubt that as the Jews because of the *hardness* of their hearts, were permitted to put away their wives for trivial causes, or at least for causes which ought not in themselves to dissolve the marriage tie, so they were permitted to take usury from strangers, or sell diseased flesh to aliens, because of the *covetousness* of their hearts. "But from the beginning it was not so." We have, therefore, no alternative but to conclude that these positive injunctions are of binding and permanent authority.

But, moreover, there is not a single passage in the Bible leading to the belief that lending on interest is a good thing, or profitable to the commonwealth. It is just the other way. In every place where it is spoken of, from Moses to Ezekiel, it is held forth as an act which is always afflictive in its consequences and oppressive to those in poorer circumstances. The passage in Proverbs xxviii. 8, "He that by usury and unjust gain increaseth his substance, he shall gather it for him that will pity the poor," points evidently to the individual who makes a regular trade of lending his money on interest to all and sundry. The objection now under review is, however, fully met by a positive command of Scripture itself. In Leviticus xxv. 35, the Israelites are commanded to take no usury or increase from any person at all, *brother, stranger, or sojourner*. This, of course, fully disposes of the objection, and goes to establish my position, that the permissive usury clause must be ranked in the same category with the permissive divorce clause. It was as if God had said, "I command you to abstain from lending your money on interest, but if your covetousness has so hardened your hearts that you are determined not to be deterred from this vice, and will not rest satisfied with the employment of your money in useful occupations, then I solemnly command you not to make your brethren, the children of Israel, your victims."

Objection 2.—The Jews were a people placed in peculiar circumstances—the usury laws form part of the political code peculiar to that people, and are of no binding force now, &c., &c.

It is evident, if this objection be of any weight, that there is not a single command in all the decalogue which may not be got rid of in the same way. The whole Mosaic code, so eminently a law of mercy and love to man as well as to the creatures under his hand, may be swept away at once under such reasoning. "This is your wisdom and your understanding *in the sight of the nations*, which shall hear *all these statutes* and say: Surely this great nation is a wise and understanding people. And what nation is there so great, that hath statutes and judgments *so righteous as all this law*." It becomes us to proceed with caution when propositions are brought forward to get rid of any portion of that law which gave to this nation such a glorious pre-eminence.

The ultimate and grand design of the Scripture laws, forbidding all lending on interest, is to prevent the oppression of the poor, and also to secure the comfort, peace and happiness of civil society. If these are the objects sought; and if these laws, properly observed, will secure these results; and if human nature is ever the same, it follows that these usury laws can neither be limited, suspended, nor abrogated. They appeal to our own temporal comfort and gratification as well as to the sympathies of our common humanity. We shall have God's blessing on all our labour if we obey these statutes—we shall have his curse if we despise them. In view of these plain and divine commands, this question comes home with deep and solemn importance to the conscience and heart of every christian.

Objection 3.—But the usury statutes in the Bible are to be considered as only a restriction against lending on interest to the poor.

Were there no other evidence at hand, the narrative of the sufferings brought upon the land in the days of

Nehemiah by this vice would, of itself, overthrow this objection. We have placed before us the details of a *crisis* which fell principally on agriculture as the main element of Jewish wealth, and on the heritable property or real estate of the country. The reader is requested to consult the whole passage, Nehemiah v., 1–13. The cry of oppression which rose upon the ears of Nehemiah was not that of *the poor*, as we consider the poor, but of the owners of the substantial lands, vineyards, oliveyards, and houses of Israel, and the charge brought against the usurers by Nehemiah was that they exacted usury, *every one of his brother.* These covetous people did not exercise any tender discrimination. Their money went wherever good security could be obtained. And yet it was against this sort of lending that the Jewish reformer set his face and invoked a great assembly.

Objection 4.—The laws against usury were designed for agricultural communities and not for commercial nations.

The fundamental absurdity involved in this objection is obvious on the slightest reflection. It attempts to draw some line between agriculture and commerce, as if lending money on interest could injure one and not the other. Agriculture is the basis of all prosperity. The products of the soil are just articles of merchandise the same as the products of the loom. The interest of lent money will fall on the artisan just the same as on the agricultural labourer. Great Britain and America are agricultural nations, as well as trading ones. How is it possible that the effects of lending on interest can be confined within certain limits when the varied products and interests of the field, the forest, and the mine interlace and ramify in every direction? Even the Jews were not an exclusively agricultural people, for, in the days of Solomon especially, they had an extensive and profitable foreign commerce. If lending on interest is detrimental to agriculture, it must be also detrimental to commerce.

There are a few other objections frequently urged against the usury laws. Some attempt to draw comparisons between the fixing of prices for commodities and the limitation of rates of interest, and so forth. I need not do more than advert to such an objection here, as it must be obvious, on the least consideration, that no comparison can possibly be instituted between these two things. Those who would reason of the lawfulness of usury from some fancied relation between prices of commodities when fixed by law and limited rates of interest, only shew that they have given no proper thought at all to the subject.

These Scripture usury laws, then, are for no particular race and for no particular time. They lie at the very foundations of national progress and wealth. They form the only great safeguards of labour, and are the security of civil society, and the strength and protection of commerce itself. Let us beware, for our own sakes, how we lay our hand upon the barriers which God has reared around the humble dwelling of the labouring man.*

* I should like the reader to consult, if possible, two old puritan sermons of the sixteenth century, on Ps. xv., 1, 5, (published in Nichols' series of Standard Divines), preached by the Rev. Henry Smith, called in his day the silver-tongued preacher,—"but one metal below St. Chrysostom himself." I question if any modern divine could give a more thorough exposition of the subject.

17. *Is Lending on Interest under Legal Control? Mr. Justice Byles' Opinions as to Usury Laws.*

I HAVE never had any reason to doubt that were public opinion strong enough to bring legislation to bear upon the subject, legislation would be quite competent to suppress lending on interest. If rates can be fixed, or raised, or lowered at pleasure, law is able to suppress the practice entirely.

A small book on the subject was published in England, in 1845, by Mr. Justice Byles, then serjeant-at-law, containing practical opinions regarding legal restraints on lending on interest. I consider these practical views as of great importance. I make room for the following extracts:—

"But our own courts of common law, bankruptcy courts, and courts for the relief of insolvent debtors, present daily instances of cruel extortion, in comparison with which the instances afforded by the evidence given before the Lords' Committee (of 1841) and Lord Devon's Committee, are mildness and mercy. A loan at the rate of sixty per cent. per annum is not considered at all extortionate by those who have the means of knowing what takes place between distressed tradesmen, or gambling speculators, and money-lenders or discounters of bills. A loan of £80, for which a promissory note or bill for £100 at a month is given, would be considered reasonable. But that is interest at the rate of 300 per cent. per annum.

Whenever an impartial Parliamentary Committee shall institute a searching inquiry in the proper quarter, they will find that interest at 100, 200, 300, 500 per cent. per annum, and more, is amongst vast multitudes paid, or promised to be paid, for the use of money; they will find reckless speculation promoted, borrowers ruined, and the resources of the country misapplied and wasted; they will find in every court of common law the most cruel actions constantly brought to enforce these extortionate demands; actions *in which the law, so far from being as she ought to be, the handmaid of justice, is in reality prostituted, and made an accomplice in the perpetration of the most iniquitous gambling and robbery.*

"If it be asserted that these evils (those of the property of creditors being lost by usurious interest paid by debtors) existed before the change in the law, the only proper and true answer *is a denial of the assertion.* They did not in any considerable degree. Here and there an instance might be found of a successful evasion of the old law, but such instances were comparatively rare. *Usurious interest was the exception, but now it is fast becoming the rule.*

"The power to lend money at a high rate of interest secured by law presents an easy expedient for evading the legal responsibilities of partnership, which, when generally understood by persons of large fortune, will be often resorted to; enabling them to participate largely in the profits of trade without sharing its losses, or without rendering their property liable to the creditors of the concern.

"'Qui sentit commodum,' says the law, 'sentire debit et onus.' If you really participate in the profits, or even lead the public to believe you do, you, with your whole estate, shall be liable for the losses."

In answer to the statement often put forth in defence of the money-lending system, that people are the best judges of their own interest, Justice Byles brings forward many instances to the contrary. For example, the Acts of Parliament regulating annuity contracts for the benefit of the grantor—the prohibition of the truck system, or compelling to pay in the coin of the realm—the compulsion to put important contracts in written form, and for the parties to sign their names to them—the compulsion, in other cases, to have a professional man present to explain the effects of a warrant of attorney or cognovit—the prevention of the sale of unwholesome meat, not leaving it to the mere buyers and sellers—the power the law gives of entering shops and stalls to examine weights and measures, thus actively interfering to prevent buyers being cheated—the assay mark on gold and silver plate which gives confidence and facility in dealing in these articles—the taxing of attorney's bills, by which a master of one of the courts looks over the bill, and says how much the client ought to pay—the law making it penal in hop-growers to pack their hops falsely—the laws regulating steamboats and passage of emigrants—the factories' bills, and regulations of mines, where the *adult* workman is protected often by means which he would never have thought of—the compulsory education of professional men, doctors and attornies—the laws against gaming and gaming policies on ships and lives—and restraints on accumulations, by which trusts for that purpose beyond certain limits are prohibited. "Let us even," says the author, "take the restraint of the over issue of paper without security as a case in point, for experience has demonstrated that no set of men can be entrusted with such a power." To protect the simple, the ignorant, and the necessitous, he justly adds, is not therefore an endless and hopeless task.

"There is very little truth in the assertion that the usury laws were inoperative because so often evaded. The words of the law were large enough to meet every case. No matter how the advance is made, in goods or in any other form, if the real contract were a *loan*, the law looked through the outward form at the substance. 'Where the real truth is a loan of money,' said Lord Mansfield, 'the wit of man cannot find a shift to evade the statute.' There is no tribunal on earth for sifting facts and motives in commercial matters that will bear a moment's comparison with a London special jury at Guildhall. Every cloak and disguise is soon stripped off, and the truth stands naked before them. Nor have juries hesitated to find the truth by their verdict, even when it exposed the lender to the loss of his whole principal and to imminent peril of the severest penalties besides.

"Advances of goods, apparent sales or re-sales of goods, unusual and extravagant commissions on discounts or advances, loans and pretended purchases of stock, and loans on continuation, pretended wagers, pretended subleases, and a hundred other ingenious but futile devices of lenders, have been successively defeated and branded as usurious; till at last it was discovered by experience that no man could invent a way of lending money at more than five per cent. interest, which would not be void in law, and moreover highly penal."

The opponents of these laws have always made an outcry about the uselessness of the statute on the alleged ground of the extent of its evasion. The testimony of our author is, that not one such instance of evasion could be found *in a hundred thousand transactions.* Surely such evidence is decisive.

"In order to constitute a usurious loan, the contract must be *for repayment of the principal money at all events.* If the principal be, *by the terms of the contract,* put in hazard, it is not usury. I say, by the terms of the contract, because the risk of the insolvency of the borrower, or of the insufficiency of the security, must to some extent exist in every contract, and therefore is not such a contingency as will prevent a contract from being usurious."

He then shews how a contract of an annuity *for a term of years* could never defeat the law. If all the instalments, when paid, did not amount to the principal and five per cent. interest, the contract was a legal one; if to more, it was usurious. The so-called *purchase* of an annuity for a term of years is in reality a *loan,* where principal and interest are mixed together and repaid by certain instalments.

But the purchase of a life annuity is not a contract of loan at all. The person for whose life the annuity is granted may die the next day, and the principal is gone. If the purchaser attempts to make repayment of the principal certain by exacting a covenant from the grantor so to do, it becomes a usurious bargain. There may be the power of redemption—the grantor may have the *power* to repay the principal, but he must not be subject to any *obligation* to do so. It is of the very essence of a life annuity that the grantor should not be bound to repay the principal at all. Hence, the principal being put in hazard, the transaction is not usurious.

He continues :—" Then it is urged, where people borrow in spite of the law, the penalties which are incurred by the lender enhance the risk. The value of that augmentation of the risk must be paid by the borrower in the shape of yet higher interest, and so usury laws injure the very persons whom they were designed to protect.

" But, in the first place, if there is any truth in the preceding observations; if the old laws, generally speaking, regulated the rate of interest, and the violations of the law were exceptions comparatively insignificant in number and amount, then, even were this observation well-founded in practical truth, it would not be deserving of much weight. For the case would then stand thus. Generally speaking, the usury laws succeed and are obeyed (see House of Commons' Committee, 1818, and of the Lords, 1841.) The transactions in which they are violated are, both in number and amount, a minute fraction of those in which they are obeyed. Yet a superadded inconvenience, felt by this very small number of persons who violate the law, is put forward as a valid argument against the law altogether."

It appears by the testimony of witnesses before various parliamentary committees, that the general effect of the old law fixing five per cent. was to oblige the lender to content himself with the five per cent. when he could have got more.

In answer to the objection that legal limits cause the borrower to pay only the more heavily for his accommodation, experience shows that the borrower does not really pay for any enhanced legal risk caused by usury laws. Mr. Justice Byles says on this point: " Of late there has been, as to the majority of transactions, no penalties of usury. Has there been any alleviation of the extortionate usury, because the lender incurs no penalty? On the contrary, we have seen, without any risk of penalties, interest extorted as monstrous as could have been done were the risk of penalties still existing. The enormous premiums extorted to cover the risk of insolvency leaves little room for a further premium to cover the risk of the loss and penalties of usury. The calculations of borrowers and lenders are not practically so nice. What do they care or know about the doctrine of chances? The power of one side and the helplessness of the other fix the rates."*

Judge Byles then proceeds to show how the repeal of the usury laws affects the landed interest, introducing uncertainty into the operations of mortgages, causing money to be called in when rates of interest take a rise, and imposing needless expense in new deeds and titles to estates already complex enough. Resolutions affecting the landed interest are generally slow and silent, but not the less sure. The Judge tells us, on the authority of the most eminent conveyancers, that one half of the landed property of the United Kingdom groans under incumbrances of debt of one kind or other.

Surely these facts shew that legislation is needed on such a subject. It is just the innumerable evils seen to flow so copiously in all ages from lending on interest which have caused it to become with all nations, more or less, a matter for legislative review and authority. If restrictive laws have

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* The recent prosecution and conviction of certain New York brokers and bankers, for violation of the Usury Laws of that State, have created profound impression in commercial circles, and been the means of arresting the high rates of interest, and of thus causing these salutary laws to be regarded with more than usual favour by merchants and the public in general.

been of such immense benefit to society, the mercantile classes would soon learn to welcome a prohibitive usury law as the best friend which ever crossed their path. Every statesman who desires the good of his country ought to peruse the little book of Mr. Justice Byles.

18. *International Coinage and the Standards of Value.*

He who thinks to become a proficient in the science of political economy, especially of that department of it which treats of money and exchange, will, unless he consults nature at every step, soon find himself going constantly astray. His investigations will result only in a patchwork of follies. Nature is our teacher here. As in all the other great sciences, she has given to us her simple but beautiful laws. But we must be willing and obedient, and consent to learn. She speaks to us imperatively, and, if we wish to prosper, we must hear her voice. If men were wise, and would but consider their best interests, they would listen to that voice. In the opening of the gates, at the entry of the city, at the coming in at the doors, and in the chief place of concourse, she speaks to us of excellent things, and her voice is constantly to the sons of men. She never fails to indicate the path of prosperity. The true source of the common wealth, and the true dignity of labour, are pointed out in these words of Scripture, "The profit of the earth is for all: the King himself is served by the field." What sermons on economic science might be preached from texts of Scripture!

One of the wants of the world is an international or universal coinage. This want will be supplied after paper currency and all its progeny are swept away, and after industry and commerce are liberated from their present fetters. Mr. Ruggles, who was one of the Commissioners at the late Paris Monetary Conference, in his Report to Mr. Seward on the subject, quotes a saying of the great Napoleon, on his prison rock, that "a common law, a common measure, and a common coinage" expressed the chief wants of Europe. The illustrious exile may be said to have uttered a prediction destined to be fulfilled. His august relative, the present Emperor of the French, has, with his usual wisdom and zeal for the welfare of his country, taken the lead in giving this idea a practical solution. It is an encouraging thought that the nations are beginning to perceive the advantages of a common system of coins, weights, and measures, and that so far as regards a uniform coinage, the discussions at the Paris Conference, and at the meetings of the International Statistical Congress, and the valuable evidence of the witnesses examined by the English Royal Commission of 1868, have cleared away most of the preliminary difficulties, and that almost the only point of disagreement is that relating to the monetary unit or the common starting point for all. The Paris Conference was presided over by Prince Napoleon (Jérôme), and also at several of its sittings by M. Esquirou de Parieu, an eminent Frenchman, and himself a writer on monetary science. The "Report from the Royal Commissioners on International Coinage, with Minutes of Evidence and Appendix, 1868," is a most exhaustive work, and all but renders obsolete anything previously written on the subject. The proposal to unify the coinage of the nations has been discussed in all its bearings, and from every imaginable point of view, and the reader desiring to be thoroughly posted should consult the Report itself. The Commissioners, under the able presidency of Lord Halifax, together with the witnesses examined, have, in labours so important to the human family, earned for themselves the gratitude and praise of all men.

Nature has given us, with regard to the measurement of one magnitude, time, an unfailing index in the revolution of the earth on its axis; and thus, that which by itself would be the most difficult thing to measure, becomes practically the easiest to all nations. Mathematical exactness is absolutely requisite in the standards of length, bulk, weight, &c. The difficulty experienced in finding natural standards to which all concrete magnitudes may be referred, has led to the numerous artificial and complicated systems prevailing among the different nations. Now that scientific investigation is so fully directed to the subject, a harmonious system will no doubt eventually reward the labour bestowed.

The decimal system of currency with which, happily, we in this Dominion are now so conversant, even though it be confessedly artificial, is yet one we would not like displaced. Some years since we went all at once, and with extraordinary facility, from the old and cumbrous method of computation by pounds, shillings, and pence, to the simple plan of dollars and cents, and thus a common system prevails over all North America. The example of the United States conferred upon us this great boon, and the advantage both to our international and domestic commerce has been very great. I conceive it would be a great advantage to the people of the United Kingdom if they should at some future day adopt the decimal currency, and prefer the dollar, as the central unit, around which so large a portion of the commerce of the world has revolved. It is gratifying to learn that the North German Confederation has passed a resolution declaring the necessity of a decimal system of money. Mr. Field, of Birmingham (question 771), shews, in the clearest manner, the advantage to Great Britain of a decimal system founded on a four shilling gold piece equivalent to one dollar. It is the duty of our legislators to shield with jealous care, and especially in view of the inevitable destiny which awaits us a people, what has proved so beneficial to us in our mercantile relations.* We naturally conceive that it would be best if all nations would bring their coins—silver and gold—into decimal relation, and adopt the dollar as the monetary unit, with, to us, its familiar range of decimal multiples and subdivisions. But this is only *our* national idea; and the French people will cling to the familiar franc, and the English people to the no less familiar pound; and although the pound sterling of England, the five dollar gold piece or half eagle of America, and the proposed twenty-five franc piece of France, approach each other in value, they are not the same thing precisely, and it is just the precise equivalent that is wanted in a system of international coinage. Each

* The Government of Canada has shewn an enlightened desire to fall in with any feasible plan for the unification of the coinage and measures of the nations, and have passed an Act, declaring it to be highly desirable that the currency of the Dominion should be in accordance with the basis agreed upon by the Paris Conference The currency of Canada, being identical with the metallic currency of the United States, it is wisely provided, however, that the change shall only take place on the adoption by that country of the Resolutions of the Conference. A Committee of the Senate, with the Hon. Thomas Ryan as Chairman, watches over the subject. An interesting report from the Committee has already been published.

nation naturally inclines to cherish its own system, and we can hardly expect England, with her world-wide commerce and the vast interests locked up in her national debt, all at once to consent to any serious alteration of her present monetary arrangements. And yet it is surprising to see what has already been gained as the result of recent conferences on monetary affairs. A common money, the unit of which is the French five franc gold piece, is now owned by France, Belgium, Switzerland, and Italy, and several minor States; and other leading nations seem all but prepared to fall in with the terms of the convention under which this great reform has been accomplished. It was so recent as December, 1865, that this monetary convention was entered into between these countries, and some other nations, I believe, have since cast in their lot; and now nearly one hundred millions of people on the European continent enjoy a common money, the gold and silver coinage being assimilated and made legal tender in each country. The treaty accurately defines the quality, weight, diameter, and "tolerance" of the coins issued under its arrangements. Since the Paris Conference closed its sessions, Austria has agreed, by treaty with France, to mint, for mutual use, a ten florin gold piece, equivalent in weight and quality to the twenty-five franc piece.* There is evidence, in the Report of the Royal Commissioners that the monetary arrangement above referred to, is already beginning to have a prejudicial effect on the commerce of England, notwithstanding all her facilities and power; and it is testified in evidence that, simply from the fact of the contracting nations having now a common measure of value, the woollen manu-

* See Mr. Ruggles' valuable Reports on the subject.

facturers of Roubaix, in France, are treading closely on the heels of Bradford and Manchester, and that large orders which used to come to the English market are now diverted to the French. Sheffield and Nottingham have also, it is alleged, close competitors on the Continent from the same cause. Thus, we see, that a saving in the trouble of calculating cost of commodities and exchange, and of a possible loss therein, are sufficient to divert the channels of trade, especially when competition is becoming everywhere so close. There is doubtless, also, between these nations the common feeling of interest and security arising out of a common money. Mr. Field, Chairman of the Birmingham Chamber of Commerce, says (Question 740), "I have not the slightest question that other manufacturing nations are advancing at a greater ratio of speed than we." Comparisons drawn at the recent Industrial Exhibitions have made these facts quite apparent. England is being outstripped in many departments of skilled labour. I believe it is nearly all traceable to the degraded state of education, and that that again is the result of the money-lending system so prevalent in England, and by which labour is so much oppressed. If paper currency, with all its offspring—a greater obstacle in the way of the contemplated reforms than even difference of language—were wholly suppressed, the necessities and advantages to commerce of not only a universal system of coinage, but also of a general assimilation of currency or money of account, by which the same names would be applied to the same denominators over all the world, would become so very apparent, that one feels inclined to take a hopeful view of the accomplishment, at no very distant date, of even a reform like this—one fraught with so many blessings to our race. It will, indeed, be a wonderful thing if human ingenuity yet works out a problem of such vast significance.

The opinion has been expressed in England that, where silver coins form the great mass of the circulation, there is generally a deficiency of the means of conveniently paying large sums in coin. It is here overlooked that the operation of paper currency multiplies the same transaction three or four times more than would really be needful with cash. It is one of the forms of credit used in England, as elsewhere, for paying or pretending to pay large sums; and, by its means, payments which ought to be distributed in a healthy manner over the country have been transferred for final settlement, and at an enormous cost to commerce, to London city and a few other large centres. It is impossible for me to believe, if England suppressed paper, and then repudiated the gold, and declared she would take nothing but silver, that, even in such a case, she would long suffer for lack of the coin. A stream of silver would immediately set in upon that hive of industry which nothing could arrest.

The Paris Conference agreed to the following basis:—

1. To adopt a single gold standard.

2. To mint the coins of equal weight and diameter.

3. To mint them of equal quality, nine-tenths fine, or in other words nine-tenths the proportion of fine gold in the coin.

4. The weight of the 5 franc gold piece to be the unit for all, and all other gold coins to be multiples thereof.

5. The respective coins of each nation to be legal tender in all, but to bear such names and device as each may prefer.

It is unfortunate that the weight of the coin recommended as the unit does not shew a clear metrical number, and that this rather serious objection follows its decimals and multiples. The quality, nine-tenths fine, is that which is possessed by the coins of France, the United States, and several other nations. England would require, in order to unify her coins, not only to recoin her gold, but to change the quality from eleven-twelfths to nine-tenths. The Conference seems to have been pretty unanimous on every point except on that relating to the common denominator. It was finally agreed by a large majority to recommend the five franc gold piece as the unit.

England is almost exceptional in charging no seignorage, or cost of mintage, on her coins. On commercial grounds I think it is quite plain that a seignorage ought to be charged. If commerce calls for coins it will not decline to pay for the cost of manufacture. The point has been much discussed, whether, in the event of England joining the Monetary Convention, she would be able to keep all previous contracts intact, by imposing a seignorage of say one per cent. on the new coin of 112 grains of gold, the weight of the present sovereign being 113 grains. Now, it is quite true, as laid down by Adam Smith, that, if a seignorage were levied, the coinage would increase the value of the metal in proportion to the extent of the charge. But it is also true that money contracts are for the payment to the creditor of a determinate weight of coined gold, and have no reference to current or exchangeable values or to mintage laws. The British gold coins, minted without seignorage, have the same value in trade as the French gold coins, minted with seignorage. It is therefore clear that an engagement by a foreign government to pay a thousand gold sovereigns, each weighing 113.001 grains, could never be honourably discharged by paying a thousand of the proposed new twenty-five franc gold coin weighing 112.008 grains. It makes no matter to commerce if the government chooses to mint its coins at the expense of the State. Notwithstanding the ability with which the opposite view has been urged, I think the Royal Commissioners, in their published report, have made this point very clear.

The alleged difficulty of keeping up a double standard, that is, a full currency of gold and silver interchangeable with each other by law, has led some of the leading nations of late years to demonetize the silver altogether. Great Britain and the United States have for a considerable period followed this course with their silver currency, by coining it only in small quantities, making it subsidiary to gold and to be used only as change, and degrading it by giving the silver coins a false value, as compared with gold, for that is really the result of the course pursued. A good deal of the trouble which has been experienced from the double standard has arisen from errors in the legal rating of the two metals, not from the legal rating itself. If the legal rating is not a true one, or does not correspond to a nicety with the bullion value of gold and silver, troublesome consequences may follow. The whole silver dollar of the United States, weighing 412½ grains, was overvalued as compared with the gold dollar, and consequently five millions of these silver dollars have gone out of circulation, illustrating in a practical and interesting way the well known monetary law that the cheaper currency will drive out the dearer. Mr. Pollock, the Director of the United States Mint, in a letter containing full particulars on this point, informs me that at present the silver dollar sells for more than the gold dollar by a little over three per cent., and that, taking the average of sales at London, the great bullion market, an ounce of silver 900 fine is worth 120 cents, and the ounce of gold being rated by law at $18.60.46, it consequently follows that the relation between silver and gold, according to the American reckoning, is 15.42 to 1. The reckoning in the United Kingdom, according to their *mint* regulations, is 14.287 to 1, which shows the amount of degradation of the silver coin. It is interesting to note that the equivalence of silver and gold has for many years varied but a fraction from the ratio of 15½ to 1 or thereabouts, so that their equilibrium has been scarcely at all disturbed even by all the modern discoveries and increased supply of gold. The constant and large demand for silver by the Asiatic nations has probably served to balance the large supplies of gold. The national money of China is the *tael* or ounce weight of pure silver; and I may state in passing, that it is a most interesting circumstance, in view of the increasing commercial relations of this continent with that vast and populous empire, that their currency is strictly decimal. It is another question whether this constant relation between gold and silver would have been exhibited under a pure cash system, with no paper to prejudice the laws which govern demand and supply. The smaller silver coins of the United States, or those under a dollar, have been still further reduced in value, so that, as compared with the whole silver dollar, they are worth 7½ per cent. less; or, as compared with gold, 4 per cent. less; but, as they are legal tender to a certain amount at their face or denominational value, these subsidiary coins are in reality overvalued, as compared with gold, to the extent they are depreciated, namely 4 per cent. The British silver is degraded in the same manner. The quality is 925 fine, the American 900 fine. The same amount of *absolute silver* coined in England into 66 shillings is coined in America into 61 quarter dollars.*

Of course nature has made no provision for an unvarying relationship, as to value, between gold and silver. They are subject like other commodities to the ordinary laws of production and exchange. Their relative value has ranged from 1 to 10 in the days of Livy, to 1 to $15\frac{1}{2}$ in our own times. They were rated at the latter figures by England as far back as 1717. By the law of the seventh germinal (28th March, 1803) which established a double standard in France, 1 grain of gold was held equivalent to $15\frac{1}{2}$ grains of silver; and when, for a season, silver was found to be more valuable than that ratio, the French mint, to correct the difference, reduced the *quality* of silver coin. The legal rating cannot fix the exchangeable values of the two metals, a fact very forcibly pointed out by Mr. Ruggles, when he says that nature herself repealed the law of the 7th germinal. When one of them has been overvalued, or when a divergence between the two has taken place through the course of years, and no legal provision been made relative to the change, it has been found that the overvalued metal has been left alone to perform all exchanges, and the undervalued one has taken its departure, a proof, if such were needed, that the

* The new silver coinage (1870) of Canada is of the same weight and fineness as the issue of 1858. The people of the Dominion had therefore more value dollar for dollar in the United States coinage than in the British.

laws of value and exchange are as fully operative with the precious metals as with commodities in general.

The question now arises, why should the working of a simple natural law like this cause any loss or disarrangement to commerce? The error is evidently not in nature. The merciless logic of nature is utterly opposed to anything like depreciation or demonetizing of either of the two great metals she has provided for the world's exchanges, or of giving to the one legal protection and privileges denied to the other. Is it then in the work of man in fashioning the bullions into coins? I do not think the trouble lies exactly there. The mere minting of specific weights of gold and silver should do no harm to trade. The source of the evil is to be found, as I view the matter, in the fact that we coin or have attempted to coin *silver dollars* and *gold dollars*, that is, confer the same name on two different and distinct commodities, and then make these commodities, liable as they are to change in value like all other commodities, perform the work of one denominator. This is one source of the monetary trouble. The other is something similar, namely, the legal rating itself between gold and silver where the coins have different names, and out of which arises the conflict between legal and commercial value. It is evidently here that the trouble arises. Man is at fault, not nature, for nature never errs. If I bind myself to pay ten thousand dollars two years hence, and have the option of paying in silver dollars or gold dollars, and if, at the time of payment, I have ten thousand dollars in silver as well as the same amount in gold, but find that then these ten thousand silver dollars are worth ten thousand and two hundred gold dollars, I will undoubtedly prefer to pay in gold; or if I should find, on the other hand, that the ten thousand gold dollars are worth ten thousand and two hundred silver dollars, I will prefer to pay in silver. Nature, we see, makes no provision for old contracts or long standing debts. There being no absolute relation as to value, between silver and gold, there is no use attempting to fix a legal relation where none exists.

What, I would ask in passing, would be thought of the proposition to discharge silver out of circulation, presuming there were no coins, but that exchanges were performed in the old style of weighing the bullion?

Those who have not given thought to this subject may think that practically no evils can flow from the system of demonetizing the silver. This is not the case. Such a violent interference, with the natural properties of silver cannot be done with impunity. Silver has, over and over again, demonstrated its capacity to perform, if necessary, all the exchanges of the world, and the all but universal judgment of mankind, from the earliest records of our race, has been to the same effect. It was for hundreds of years the chief money of commerce, being used far more extensively than gold. Silver, as a medium of exchange, can do all that gold can do, and even a little more. Ricardo was of opinion that, on the whole, silver is preferable to gold as a standard. It is emphatically the people's money. And yet England and America practically forbid all from paying their obligations over the bank counter in silver. Nature never intended either of these noble metals to prejudice the other in their great work of enhancing the comfort and well-being of man, and in moving to and fro over all the earth the varied products of his industry. Price being such a flexible thing, it may be said of both the precious metals that nature has given us enough, yea more than enough. Unless the human mind undergoes some inconceivable transformation in its ideas of value, silver will continue, through all the ages, to occupy its proper place and work in its proper sphere along with gold; and the force of circumstances will, in the future, put all these matters to right. Where nature has provided two standards, there is no use in governments trying to deceive the people with the idea that there should be only one. But the people in general are so profoundly ignorant of monetary subjects, and give them so little thought, that, though handling money every day, they are ready to believe almost anything that comes to them with an air of authority. Now, the double or alternative standard is retained, according to law, in France, Belgium, Greece, Italy, Russia, and Spain. The single standard of silver is retained in Germany, Holland, and some of the northern states of Europe. The single gold standard is retained in England, Portugal, Turkey, and Brazil, and, since 1853, in the United States of America. Thus we see that there is anything but harmony in the views of the nations on this important subject, and that the condition of monetary affairs is far from satisfactory. The present system erects, to a certain extent, a barrier to free intercourse between nations, and, in some of them, requires the vast aggregate of retail transactions to be performed by a false standard. The nations using silver throw a certain barrier in the way of their intercourse with England, and England throws a barrier in the way of her intercourse with them. It is plain that those nations which persist in adhering to the standard which may, for the time, be on the descending scale, must come to suffer loss in their foreign trade as well as in some important domestic concerns, and that those which adhere to the metal which is becoming the more valuable will gain in their exchanges. It is testified before the Royal Commissioners by Mr. Behrens, a Manchester merchant, that it is only owing to the circumstance of several foreign nations having dropped the silver standard that England is not now a comparatively poor country; meaning by this, that if Europe, or the greater part of it, had adopted a single standard of silver, Britain would have been flooded with a currency of less purchasing power, and her merchants accordingly placed at a serious disadvantage in purchases and payments of foreign goods. I believe it is generally admitted that, of late years, there has been some slight change apparent in the value of silver as compared with gold. Mr. Behrens' testimony is startling, at any rate, and, so far as it goes, is evidence of the impolicy and danger of adopting a single standard of value, unless we can manage to banish the other out of existence altogether. The amount of silver now in circulation or in reserve, throughout the world, is too vast to be so dealt with. We are evidently in error when we attempt to establish a relation by law between two things which, in their very nature, cannot be yoked, and it is no less evident that we commit as great an error when, seeing that they refuse to be yoked, we degrade one from its proper place of service. The time will come when circumstances, and perhaps serious losses, will compel both England and America to reconsider the whole question of the silver currency, and to accept at last of what nature teaches on the subject. It is nothing against my arguments, but, rather strongly in their favour, that gold is practicall standard even in those countries where a double standard exists, for this only proves that the best value currency goes all to other people.

It needs no great acquaintance with monetary science to perceive that it is impossible for a nation to secure itself against anticipated losses by proclaiming only one standard of value and practically demonetizing the other. The rejected metal, whether silver or gold, has a power in such circumstances to take revenge, as it were, on the people who have placed discredit upon it. The influence may be slow and silent, but it will be very sure and powerful. The discarded metal may come to bleed that nation at every pore through its foreign trade and exchanges, and the evil will augment as foreign commerce and competition with foreign workmen increase. There may be a subtle but effective drain upon industry, and the secret cause of it all for a long time escape observation.

Is not the cure for these evils then, to be found in coining silver and gold wholly independent of each other—giving to each set of coins a different set of names—refraining from all pernicious proclamations about standards of value and legal tenders—ceasing to degrade the silver coin—and leaving all the rest to commerce and individual choice and convenience. If necessary, public proclamation might be made, as occasion required, of the relative values of silver and gold, as fixed by commerce itself. When paper is unknown, the bulk of the gold, as I have already hinted, may, perhaps, find its natural haunts on the seaboard of the leading nations and be mostly used in foreign commerce. People would then come to recognize the fact which nature teaches, that there *are* two standards of value, or rather instruments of exchange, and would deal accordingly. Most articles of consumption would require to pass through a stratum of gold and another of silver, and thus a constant natural equivalence of gold and silver would be maintained by commerce itself, the only true factor in the case. In the remote future, when commerce has but one language for its weights, its measures, and its coins, and when the true economy of money comes to be better understood, the nations may see the advantage of going back to the old system of strict relation between the monetary unit and the unit of weight.

Some plan, such as I have now indicated, may eventually be found necessary in carrying out a work of such great magnitude as the unification of the coinage of all the nations. I do not know whether these particular views have been moted before. Perhaps they have. It is with great deference that I throw them out as hints for the consideration of those who have made this branch of the subject their study. I believe, however, that it is difficult, if not impossible, to form anything like correct conclusions so long as the nations persist in discarding money and in constructing an artificial, false, and most destructive currency out of mere indebtedness. When the debt and paper systems are overthrown, and that new and beneficent system of commerce arrives for which the world is waiting, and for which all things are now in course of preparation, the silver and the gold will of themselves come to work in that sphere of usefulness out of which they have both been so long kept back by our own folly and inconsistency.

Mr. Sherman in a recent report on this subject to the Senate of the United States, uses the following striking language: "Nothing is worse than sectionalism within a nation, and nothing is better for the peace of nations than unrestricted freedom of intercourse and commerce with each other. No single measure will tend in this direction more than the adoption of a fixed international standard of value by which all products may be measured, and in conformity with which the coin of a country may go with its flag into every sea, and buy the products of every nation, without being disconcerted by the money changes." Mr. Sherman quotes the beautiful language of John Q. Adams, addressed to Congress in February, 1822: "This system (the kindred subject of uniformity of weights and measures) approaches to the ideal perfection of *uniformity* applied to weights and measures, and whether destined to succeed or doomed to fail, will shed unfading glory upon the age in which it was conceived, and upon the nation by which its execution was attempted, and has been in part achieved. If man upon earth be an improvable being; if that universal peace which was the object of a Saviour's mission, which is the desire of the philosopher, the longing of the philanthropist, the trembling hope of the Christian, is a blessing to which the futurity of mortal man has a claim of more than mortal promise; if the spirit of evil is, before the final consummation of things, to be cast down from his dominion over men, and bound in the chains of a thousand years, the foretaste here of men's eternal felicity, then this system of common instruments to accomplish all the changes of social and friendly commerce will furnish the links of sympathy between the inhabitants of the most distant regions; the metre will surround the globe in use as well as in multiplied extension, and one language of weights and measures will be spoken from the equator to the poles."

19. *Concluding Remarks.*

"All honest people if they were intelligent, would vote for the abolition of bank currency as well as the credit system, and all other modes of unduly increasing money. The system is so general, so extensive, that it vitiates the whole volume of trade and commerce; and however prudent, no individual can thoroughly protect himself from its *costly* and evil influence. * * * * When we take into consideration the greater expense of doing business, the immense amount of interest-money paid to the banks, and their immense profits, the frauds, the bankruptcies, the vice, the crimes, the general imprudence and demoralization which the system engenders among the people, the monetary panics, the losses from the involuntary idleness of the people, at intervals of longer or shorter duration, according to the extent of the derangement of commerce, &c.; and when we remember that *those who pay*, pay for the whole of this waste and loss, verily we cannot help repeating that were the people honest and intelligent, they would vote to abolish the whole system."—*R. Sulley.*

"The idea that a national debt can be anything else than a burden, a mortgage upon the property and industry of the people, is fortunately not an American idea. No such fallacy will ever be countenanced by the free and intelligent people of the United States."—*Mr. McCulloch, late Secretary of the United States Treasury.*

Although these words of Mr. McCulloch, in the circumstances in which they were uttered, may appear like a sarcasm upon the public financial policy of the United

States, yet they convey a warning and a lesson to all rulers. It would indeed be a great blessing to our people and to our children, were what is called *public credit* so thoroughly and completely destroyed, that our Government, instead of constantly looking to London and elsewhere for aid, should be compelled to pay as they go out of the resources of our own people. This, no doubt, would in certain quarters cause a wail of despair, but it would be the best symptom of true prosperity for our land—a symptom that we were about to leave at once and for ever the wrong road of debt, embarrassment, paper, and poverty, for the just and right road of cash, plenty, comfort and independence. There never has been a more fatal or dangerous delusion imposed upon the credulity of mankind than that national credit is the way to national wealth; and he can never be a truly great statesman who frames his policy on such an absurd and false supposition. Our youthful country, under wise counsels, may be made great and prosperous, but never under the growing burden of a national debt, and its close ally, a paper currency. A national debt for whatever purpose incurred, is only second in its evils to a paper currency. It is a source of feverish excitement and of much corruption to a nation, tending to reduce all labour to a state of bondage, and introducing two hostile elements in the persons of the few who hold the debt and the many who have to pay it, and in addition demoralizing society by the facilities it opens up for gambling on the most extensive scale. The stock and share markets, lawful and honourable in themselves, and, under *a money system*, a secure place of investment for the savings of industry and for the support of old age, become, under the *no money system*, a field where the worst characters can play their desperate game. Is there really any moral obligation resting at this moment on the working men of Great Britain to pay the interest of a debt contracted by the aristocracy of past generations for the purpose of carrying on continental wars? Is there really any obligation on labour that it should pay for all this bloodshedding and ruin?—that the ploughshare and the pruning hook should be for ever compelled to pay for the devastation wrought by the sword and the spear? We have the happiness or misery of many millions in our hands, and are, to a large extent, the trustees of the independence and prosperity of future generations. On our own heads will be the guilt of the wrong-doing, if we leave to this young nation only an inheritance of debt and mortgage to eat as a canker into the lifeblood of those who come after us, and to embitter all their toil.

No merchant, if he chooses to confess his own secret convictions, but must acknowledge that Mr. Sulley, in the passage I have quoted, is correct in what he says of this system as a whole. Hardly one of the class but has suffered the deepest mental agony and distress through his connection with it. Business itself is a pleasure, but it is the anxieties and burdens of business arising all out of this debt system, which has caused so many aching pillows and so many broken hearts. What countless multitudes during the last three hundred years, have gone down to bankruptcy and shame—what fair prospects have been for ever blighted—what happy homes desolated—what peace destroyed—what ruin and destruction have ever marched hand in hand with this system of debt, paper, and usury. Verily its sins have reached unto heaven, and its iniquities are very great.

What shall the end of these things be? God only knoweth. I fear the system is beyond a cure. All the great interests of humanity are overborne by it, and nothing can flourish as it ought till it is taken out of the way. It contains within itself, as we have at times witnessed, most potent elements of destruction which in one hour may bring all its riches to nought. It seems as if in the providence of God, it required but a national debt to settle down upon the American people, to bring all the traffic of civilized lands within the reach of these destructive forces; and there is, in the debt currency of all the nations, enough of inflammable material for the final conflagration. What if we are drawing near that period of stupendous interest in the world's history! The system has acquired its greatest strength and incurred its deepest guilt principally through the tolerance and connivance of Protestantism. The leaders of that faith nursed it into vigorous life in its earlier stages; and the followers of the same faith have never been slow, in more modern times, to justify and defend it all through, and even to fill the coffers of their Church with its unhallowed gains. Many a fierce battle was fought in olden times, between Church and State, over lending on interest, before the Roman Catholic mind, to a certain extent, gave way. That church, to her honour be it said, is the only one which has sought to restrain its exactions. In its modern features, as deriving almost unlimited power to do evil from its connection with paper currency, it forms a vast system of superstition as thoroughly degrading as any other wide-spread form of error, and not until it is entirely swept from the face of the earth will Christianity begin to exercise with power its great mission to our race. It affects all the daily transactions of life, has entered into every household, and has permeated into every rank and condition of society, and has thus reared up an obstacle to the progress of Christianity so vast and powerful that it seems as if its ultimate destruction were beyond the reach of human instrumentality. There is a striking picture given in the book of Revelation of a proud and luxurious city, oppressing all nations, deceiving them by her sorceries, and enriching all the merchants of the earth through the abundance of her delicacies and traffic; and of the sudden and terrible destruction which befell the city from the hand of an avenging angel. It becomes us to speak with reverence and caution in view of such a solemn scene. But, to say the least, there is far more analogy between this prophetic Babylon and the modern mercantile system than between those drawn in many of the fanciful interpretations of the Apocalypse. In fact, as we trace the eighteenth chapter of the Revelation of Saint John from verse to verse, clothed though it be, like the rest of the book, in strange and mysterious language and imagery, the conviction forces itself upon the mind that the whole is a vivid picture of the sudden and awful destruction of this vast system of oppression, of the weeping and wailing of the merchants and shipmasters which will accompany its final overthrow, and of the eternal silence and desolation which will succeed to its long career of guilt and crime, and that there is here delineated, as only the hand of inspiration can pourtray, the effects of a commercial panic so wide and desolating that it will cause every nation and every city to throb with fear, and fill the whole world with mourning and woe. The people of God are not to be found in heathenism, and yet they are to be found in mystic Babylon, for they are besought, in the language of affectionate entreaty, to come out of her that they be not partakers of her sins, and that they receive not of her plagues, and no Christian merchant can be guiltless how turns a deaf ear to such warnings and entreaties. The blood of millions "slain upon the earth" is in her skirts, and a terrible reckoning will doubtless be made for that blood through the collapse and ruin of the debts of the nations, incurred, as they have been, for the destruction of life and of the fruits of industry. The system stands on a foundation of sand, and holds its vast wealth, with all its public and national debts, by a most frail tenure; and it needs but the breath of suspicion to fan its own slumbering fires into a sea of flame so devastating and fierce that everything within it shall be utterly consumed. At the present day it sits as a queen, and says in its heart that it shall see no sorrow. Other systems of error have crumbled into dissolution by the gradual entrance of light and truth, but this has wrested the great economic laws of nature to its own destruction, and will make no surrender of its pretentions till overthrown, as in a moment, by divine power. It will come to a violent end, and will disappear as thoroughly from the face of the earth as the great millstone flung from the angel's hand. It has corrupted the commerce of the whole earth, it has placed its brand upon every product of man's industry, and literally none can now buy and sell without its mark and the number of its name. All the world wonders after it, and its deluded worshippers conceive of no termination to its reign. But its doom is written. The day of its final and terrible destruction draweth nigh, and its sceptre shall depart for ever. Heaven itself will then rejoice over its sudden and tremendous fall. Then shall LABOUR lift its head, and INDUSTRY be glad, and TOIL have its holiday, and WORK be free, and COMMERCE be wholly sanctified to the Lord. Then shall the earth yield her increase, and God, even our own God, shall bless us. Then, and not till then, shall the golden age of the world begin.