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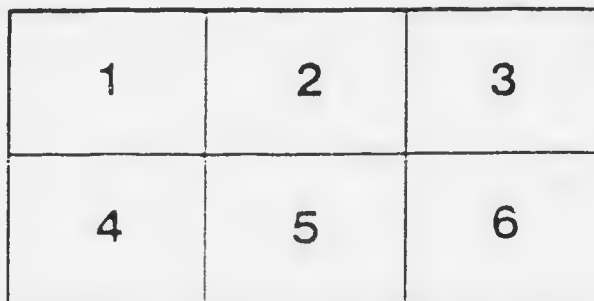
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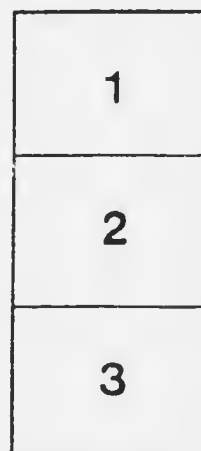
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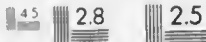
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# The ONLY WAY OUT

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## Extinguishable Legal Tender & Banking Reform

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If the Burden of Interest Charges are  
Removed Wages Will Be Doubled

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What We Have Lost by Borrowing in  
Other Countries

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By R. P. HALL

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## A WORD TO RETURNED SOLDIERS

You possibly do not fully realize what humanity has gained through your unselfish sacrifices.

Democracy has supplanted autocracy as ruler of the world and we are on the eve of reforms that will revolutionize the relationship of man to man.

No longer will the worker be compelled by force of circumstance to supply large and unnecessary incomes for the rich. The reward of his efforts will remain with himself.

A would-be paternal government will assist you to become farmers and house owners by enforcing an interest charge that will equal the original loan in 18 years and you will still owe the full amount. If you insist on an issue of extinguishable legal tender to provide the needed funds, the loan will be repaid with half the effort.

Join hands with us in demanding financial reform and money will be available as well for larger pensions and the assistance you may require in years to come, when the cumulative effects of your arduous campaigns are bound to be felt even if you seem in perfect health now.

Help us to get this book read by everyone.



## CHAPTER I.

### THE SITUATION.

Another revolution in the relationship of man to man is about due. There have been several more or less sanguinary, and in every case right and justice have triumphed over greed and oppression. Within the memory of many now living, human slavery, an institution as old as humanity itself, was definitely and irrevocably abolished. Some generations ago liberty of conscience was established in all progressive countries after years of strife, and as a result of still further agitation and a decisive war, the people as opposed to aristocracy came into possession of political power, and to-day in every civilized country the will of a majority of the electors is supreme.

Notwithstanding the triumph of these necessary and fundamental reforms, financial equality between man and man has still to be secured. Many individuals are in possession of wealth beyond all their legitimate or possible needs, while others are so poor they can barely support their families even after the most laborious daily toil, and yet the millionaire and laborer may not be intellectually at all unequal; compulsory education with cheap newspapers and books have seen to that.

As the situation appears to me, workingmen are not fully awake to the imperative need of financial reform, though possibly as much so as any other class. Looked at as a bluff, it is all right to demand increased wages and shorter hours, but economic conditions are not susceptible to such influences; only legislation can affect them for better or worse, and while the expenditure of

public money secured by borrowing may alleviate any situation temporarily, it is not a process that can be carried on indefinitely, and when such borrowings come to an end, as they must, we will be worse off than ever on account of the interest charges that must be paid out of the earnings of the very class the loans were supposed to assist, and who must also repay to the last dollar the principal sum, in the same manner that they supply the incomes the rich enjoy.

So far from being hopeless of the outlook, I am extremely optimistic, but reform must be fundamental and not a mere temporary expedient designed to let us become gradually accustomed to less wages and a lower standard of living by borrowing and using other people's money on public works, as a measure of relief for the time being, regardless of the need of laying the foundation for future welfare, deep and abiding.

We must not imagine that conditions will automatically improve or that they are better now than they have ever been. Activity caused by a state of war is only temporary, and should be entirely left out of our calculations concerning the future relationship of human beings to continually increasing aggregations of capital. The outlook at present is anything but encouraging. Capital is entrenched as never before and presumably feels sure of its profits and dividends, which of a certainty must be earned by those who do the work of the country; and in addition there is the interest on an enormous war debt that must be paid out of the earnings of someone, and as only toil creates wealth, whose toil it will come from is not difficult to guess.

Now that a League of Nations is assured, we must think of the world as an industrial whole and be prepared to face a competition, not of armaments and fighting

men, but of factories and production that will test to the uttermost, our skill and ability to protect our present high standard of living. Not only will we have to meet the competition of the carefully trained and cheap labor of Europe, but the still cheaper labor of Oriental countries whose capitalists are fully awake to the profits that may be made by manufacturing for the world's markets; and that native capital is sure to be increased by American and English gold whose owners will seek to exploit cheap labor to the limit. If reports are true, great progress is being made in manufacturing in India and Burma, as well as in Japan and China, and with the establishment of branches of Canadian banks in those countries, large importations of cheap goods will follow as surely as night follows day, unless labor consents to a material reduction in wages in an effort to keep them out, or, what is more likely, adopts heroic measures to protect itself against both cheap goods and the exactions of accumulated wealth.

The fundamental problem of mankind is to provide itself with food. But the introduction of labor-saving machinery and improved methods of cultivation have so increased the productive capacity of the individual agriculturist that a less proportion of all available labor is now required to produce the food of the people than at any other time in the world's history. On account of its perishable nature enough food is all that is needed. Not only would a considerable proportion of a large over-production be valueless, but over-production itself would have such a depressing effect on prices, that the producers would receive no adequate compensation for their labors in money or in other products. An income may usually be secured directly or indirectly from most forms of accumulated wealth, but no such returns could possibly

be expected from wealth in the form of accumulated supplies of food, even could it be preserved for any considerable length of time, as any attempt to obtain such returns in the way of interest charges would in a few years absorb the entire value. So we must conclude that in food production, labor can only be profitably employed in supplying what is required for immediate or almost immediate consumption.

As the productive capacity of the individual agriculturist increases, a larger proportion of the total population must necessarily become dwellers in urban communities where their energy will be directed towards the creation of other forms of wealth; and to see that this labor is sufficiently employed and adequately remunerated, will be the problem of the immediate future. Particularly will it be a problem that the workers themselves should be deeply interested in.

The indications are that agricultural machinery will continue to be improved from year to year and its use become universal. In other industries machinery will still continue to replace human hands, so that the readjustments of labor must be continuous. Food will be produced in abundance and with little labor as compared with the past, as will every other commodity, and the problem is to so regulate compensation and opportunity to work, that everyone may be able to enjoy their fair share of the total production. That this is not only possible, but inevitable, we must conclude when we consider that our workingmen seem determined to get a square deal from the financial and other interests that hitherto have absorbed the profits from natural sources of wealth, that should have been divided with some regard to equality, with those whose labor alone made them available for use and enjoyment.

Upheaval from the bottom has very often been necessary to reform and progress, but less effort is required now than ever before to bring about desired changes. As a matter of fact we enjoy the fullest liberty it is possible for a race or nation to enjoy. There is no power on earth that can prevent a majority of the voters controlling the Government through their elected representatives, and having such laws enacted as they desire. If any class of the community suffer from unjust laws, it is on account of their own ignorance of what they are entitled to have, and lack of organized effort to secure it.

Our last war loans have not yet been expended, and until they are, wages may not materially decrease as employment can be found for thousands of men on public works. But after that the deluge; not only of cheap foreign labor, but of cheap goods. By that time other countries will have their industries organized and running on a peace footing, and the millions who are precluded from agricultural employment will find but one avenue open for their efforts, and that will be in the production of forms of wealth other than food.

Every effort will be made by those who enjoy special privileges to befog the issue, but the situation should be clear to everyone of ordinary understanding. The interest charges on a huge war debt will have to be met as well as the usual expenses of government. Besides that, a large crop of millionaires or near millionaires has been made and added to those already in existence, as a result of excessive prices having been paid for munitions; and their money has undoubtedly been invested in such a way that under present conditions they will be sure of an income that will make it unnecessary for themselves or families to do a days' work in a year for their own support or the support of the Government. So that the

burden of everything will fall on the shoulders of the men and women who, through the force of circumstance must labor with hand or brain.

The number of people living on easy street will be larger than ever, the incomes of the rich will be greater with the expenses of government doubled, while relatively fewer workers must provide the money or secure by legislation such financial changes as will relieve them of the unequal burden. That it is possible to do so, I shall endeavor to show, and hope as well to convince those who are skeptical regarding the possibility of ever realizing ideal conditions of existence, that we may reasonably expect to so change the financial relationship of man to man, that all will share equally in the profits of well directed labor.

## CHAPTER II

### THE MEDIUM OF EXCHANGE. HOW THE DOLLAR VALUE IS STABILIZED

Great progress has been made in many directions within recent times, principally because it was profitable to be progressive; but where the reverse was profitable, archaic institutions and customs have continued to exist to the detriment of the vast majority of the people, without in any way arousing misgivings regarding the wisdom of sanctioning the operations of purely money-grabbing corporations, whose duties could just as well have been performed by the Government at a fraction of the cost to the public.

The banking system that we continue to tolerate without having the slightest excuse for submitting to its exactions, has never been subjected to the slightest attempt at real reform since paper money was first



issued; and we still believe that a gold reserve is necessary to "secure" the value of paper money, and that excessive bank profits only visualize the solidity of our countries' financial methods, as they certainly do our dense ignorance concerning financial matters.

Some generations ago, increasing population and business activity made it necessary to use some other medium of exchange in place of, or to supplement metal coins, and a resort was had to the notes of private banking firms who promised to redeem them on presentation; and there has been no improvement in the system from that day to this. Bank and national notes still bear the legend, "Will pay to bearer on demand" a certain number of dollars, which of course is understood to mean gold dollars, because gold is our standard of value.

The utter impossibility of paying all the notes in existence with gold on demand was so apparent, and any such demand being so likely to expose the ridiculousness of the pretence that they could be paid; caused the Canadian Government at the beginning of the war to pass an Order-in-Council making it unnecessary for banks to redeem their notes in gold, and nothing happened because no one wanted gold, which should have aroused the suspicions of someone in authority regarding the alleged necessity of having a gold reserve at all. A security for a note issue that you can get when you don't want it, but cannot possibly get when you do want it, is no security in any meaning of the term, and should be discarded for all time.

While gold may be used as a medium of exchange and pass from hand to hand, its principal utility is to measure values. When values are thus measured, paper money can be used to represent them, when the further circulation of gold will be entirely unnecessary.

Gold is made to measure values by the simple expedient of giving that metal an arbitrary value—twenty-five and eight-tenths grains equals one dollar—and keeping it at that value by all the nations of the world undertaking to accept and pay for at that price, any surplus production over the amount used in the arts and industries. Also undertaking to relinquish at any time, any needed amount in exchange for their own authorized issue of paper money. That such an arrangement will keep the value constant is easily understood if we imagine wheat, instead of gold, as the measure of values, with the price set at two dollars a bushel. The Government undertaking to purchase at that price and store any surplus over the ordinary requirements; and to release at the same price, whatever quantity was demanded. Under such circumstances no producer would get less than two dollars a bushel, and no one would have to pay more, regardless of the fluctuations in the price of other commodities; and the price would be unvarying year after year whether the production was large or small, as the amount in store would tend to continually increase on account of the high arbitrary value. That is just what happened to gold, and you can realize how its value has been stabilized, if you will think of what would occur to the price of that metal if government protection was withdrawn, and miners had to find their own market. On account of its limited utility for anything except personal adornment, if not used as money the price would probably be reduced one-half, and continually fluctuate according to production, as the prices of all other commodities do.

A dollar is an entity, an actual thing that necessity has compelled man to create for the purpose of measuring the values of his incessant activity, and it is represented

by a small amount of gold for no other reason than convenience, as it could just as well be represented by wheat. It is generally assumed that twenty-five and eight-tenths grains of gold sets the value on a paper dollar. But if a dollar is an entity, then the belief that gold sets the value is wrong, and the paper dollar of one hundred cents actually sets the exchangeable value on the gold dollar, and through the gold dollar, on all other products of industry. That this is true no one will doubt who, agrees that wheat could just as well be used to measure values, and it could be, but with much more trouble and expense for various reasons. If wheat was the measurer of values it could not be said that a half-bushel of that grain was a dollar, but it could be said to represent the value of a dollar, therefore a dollar is an entity.

It should be particularly noted that the value of gold has remained stationary during the war, while the prices of all other metals have increased materially and much activity been shown in producing them; but gold mines have reduced their production, and in some cases even closed down on account of the increased cost of labor and material. Which proves that the use of the paper dollar has prevented any change in the value of gold, and consequently our measure of values is just as stable as our measures of weight and length.

If a paper dollar is as valuable to the possessor as a gold dollar, there must be some reason for it, and surely that reason is not the puerile one so often given, that some paper dollars may sometime be redeemed with gold. Obviously a paper dollar is "redeemed" every time its temporary owner exchanges it for something he needs, and a particular note may be redeemed a dozen times in a day. Besides, in the last analysis all bank notes in circulation are borrowed notes, and at stated

periods must be returned when all necessity for redeeming them disappears. When we know the real reason why a paper dollar is as valuable as a gold one, we shall find that it is perfectly safe to issue as many paper dollars, at any time, as the exigencies of government require, which would remove the necessity for borrowing with the consequent saving of millions of dollars in interest charges each year, besides allowing public works to be undertaken whenever labor was in urgent need of employment.

One of the duties of the government of every country is to provide a medium of exchange. Ignoring coin, as having no bearing on my argument, it appears that paper money issued by a government, must in the first instance, be put into circulation by way of paying some part of the necessary expenses of government. Presumably whoever obtained it must have given an equivalent value, and would be little likely to part with it except on the same terms, which would stabilize its value so far as trade could do so. But the indisputable outstanding fact, that keeps a Government issued paper dollar as valuable as a gold dollar, is, that the Government demands its return several times each year in the payment of taxes and customs and other dues.

I can best illustrate the continual flow of the medium of exchange; the continual issue and redemption of its paper money by Governments, by giving the figures for Canada. Proportionally they would be very similar for all other countries.

To meet its expenses for 1919, the Government will require from every man, woman and child, at least forty-four dollars, and as the legal tender notes issued by the Government that are in denominations small enough for general circulation, is not over one-fourth of that amount

per capita, it follows that the people must pay into the treasury four times during the year, an amount equal to the value of such notes. It is this compulsory return and acceptance of its notes at their face value, that keeps a paper dollar as valuable as a gold one, and that always will. So that amounts of paper money equal to any peace time need, may be issued with absolute assurance that they will not depreciate a cent in a million dollars.

That being the case, a Government has no excuse for borrowing money and putting an interest burden on the backs of the people. Money must exist in amounts adequate to the needs of trade and industry, and the Government must provide it or delegate to others the power to do so, and it does not so exist when the Government itself must borrow in times of peace. An adequate supply of money will so stimulate production of all kinds that the requirements of Government will be easily met, and it is perfectly safe to create and use for public purposes as needed, an amount of paper money equal to the revenue that is likely to be received during a period of four years. One-fourth of that amount would be called in each year and redeemed, notwithstanding that the same amount was issued the following year.

In other years, particularly during a time of war, some governments have discriminated against their own issue of paper money, by refusing to accept it for certain dues and customs, demanding gold instead. That such paper money should depreciate in value was natural, and that fact is the stock in trade of everyone who opposes the use of paper money to its logical limit, and that limit is only reached when governments never borrow, but issue their own notes to any required amount, redeeming them in every meaning of the term, by accepting them at their face value in full payment of the liabilities, that

somehow or other, mere existence forces upon each individual. As a matter of fact, legal tender paper money can be issued to the same extent as it is considered advisable to issue bonds, with the consequent saving of immense sums in interest charges.

Besides the paper money issued by the Government itself, chartered banks have the right to issue legal tender notes to an amount equal to their paid-up capital stock. It is at once apparent that these notes can only get into circulation by being borrowed. They are always the property of the bank, loaned for longer or shorter periods for the purpose of facilitating business transactions; and it is equally apparent that both before they are loaned, and after they are returned, that no provision has to be made to redeem them. It is only the notes in circulation that could be considered redeemable. But as all such notes must be returned by the borrower on a definite date, the imagined need of the temporary possessor to have them redeemed with gold, is not as great as the actual need of the borrower to again obtain possession that he may return them to the bank. Had any of the loaned notes been redeemed by the bank with gold, the borrower must theoretically have obtained that gold before he could settle with the bank, which can be readily understood if we imagine that the loan consisted of the entire note issue; so that provision for gold redemption of bank notes is totally unnecessary. A medium of exchange that can only get into circulation by being borrowed requires no redemption fund, and gives every possible guarantee against depreciation. So much so that it is not necessary to further consider such a contingency, as there is no possibility of it ever arising.

The intention of the Government seems to have been that the people should, to a great extent, provide their

own circulating medium through the operations of a banking act that allowed groups of individuals to become incorporated with power to issue notes that were legal tender for all public and private debts. The fault that can be found with that policy is that it creates a virtual monopoly, and makes the cost of a medium of exchange excessive and burdensome to the business community, and encourages the accumulation of the country's liquid assets in the hands of a few wealthy corporations, that can, and do, control our activities for their own profit to an extent that was never contemplated, and that we should protest against until some redress is secured.

That the provisions of the banking act should be totally unknown to the working classes could have been expected, but that men who prided themselves on their intelligence and business acumen, should be just as unfamiliar with a law whose shortcomings vitally affected their pocket books is a matter of surprise.

That the banks have made excessive profits, and have accumulated unnecessary reserves that must have been taken from the pockets of their customers by the simple expedient of making unfair charges for services rendered, and that they can, and do, create financial depressions and hard times by refusing necessary and expected accommodation at certain times, is due primarily to faults in the banking act that might be easily remedied if there was no opposition. But the lack of sympathy for the public among general managers, their greed for profit, and utter disregard of the consequences to the community of their periodical outbursts of caution, is a more serious matter. And they will probably fight to the last ditch to retain the privileges they have so long and profitably enjoyed.

That the people whose industry and thrift have made

possible the splendid profits that the banks enjoy, are entitled to some consideration; that their interests are really of paramount importance even in comparison with the interests of the banks, will, of course, not be admitted at all by the institutions that have developed the most monopolistic tendencies, instead of remaining what they were intended to be—a public trust with a delegated authority to supply the community with a medium of exchange, that in this age, and under our condition of civilization is absolutely essential to progress and well being.

It must be apparent to everyone that the need of a circulating medium is so imperative, and its use so convenient and profitable in facilitating production and distribution of commodities, that by supplying its notes to individuals and firms who would have given security for their return, that the Government could have secured a large revenue in the form of interest, out of the various transactions. So large, in fact, that with its other revenues all expenses could have been met, when a resort to borrowing would have been unnecessary. No pretended gold security for the redemption of such loaned notes would have been needed, as the security for their redemption—which in this case would have meant collection and return to the Government—would have been given by the borrowers. Even had the loan been made for a term of years, whenever the notes were returned, they were by that act redeemed, and could have been destroyed if necessary and a particular transaction closed forever.

If the paper money so issued had been loaned, the security exacted would probably have been much greater than the value of the notes, which would have made their ultimate return perfectly sure; so that any amount of



money could have been issued and loaned that the productive and business interests of the country required, under which circumstances not a copper coin need have been borrowed in another country. What we would have gained had such a policy been pursued, will be shown in a following chapter.

### CHAPTER III

#### EXTINGUISHABLE LEGAL TENDER

As before stated, there are two sources of origin for our paper money; the Government and the chartered banks. In both cases the sole expense attached to the notes is the cost of producing them, which is only an infinitesimal fraction of their circulating value. It seems perfectly clear that their value as money depends not only on being made legal tender for all debts public and private by Government legislation, but as regards bank notes, by taking security that they will be returned by the borrower on a pre-arranged and definite date.

The banking act allows the creation for loaning purposes of an amount of paper money equal to the paid-up capital of a chartered bank. Presumably and probably actually, the capital stock of any bank incorporated within the last fifty years was paid with notes of banks previously in existence or with Dominion notes, in which case it requires a vivid imagination to regard the possession of such notes as sufficient security for the issue of an equal amount of new notes. A note that itself requires security cannot possibly be good security for another note. As the public owe the banks at all times, on account of their accumulations of reserve, considerably more than the value of all notes in circulation, it follows that the notes representing the capital of a new bank,

might be entirely withdrawn from circulation under certain contingencies, when the pledged wealth in property of the individual shareholders would necessarily become the capital in place of the paper money, and consequently the basis of the new note issue.

Interdependence is a mild word to express the possible complications that might follow such intimate relationship between banks; the notes of the first bank might become the capital of the second, while a part of the notes of both might pay for the stock of the third, and so on for any number of banks, with the result that a hundred millions of dollars of paper money could come into existence following the issue of one million by the first bank; which plainly shows that our whole financial structure is founded on the knowledge that civilized humanity must have a medium of exchange at whatever cost; and we have been very unwise in not acquiring a knowledge of the fundamental principles of finance, for it would show us that any community with a considerable population and wealth, had a greater moral right to the use of millions of dollars of legal tender paper money without other cost than the expense of printing, than what any combination of incorporated individuals could possibly have. The conclusion is irresistible that large centers of population that, for the sake of health and convenience, must instal expensive public works whose cost and interest charges are an almost intolerable burden on the taxpayers, have been very unmindful of their power to influence the Government, and of the privileges they should enjoy; in not demanding the use of legal tender paper money on the same terms that a group of incorporated individuals styled a bank can secure it.

If a few wealthy men can get authority to issue legal

tender paper money at no other cost than the expense of printing, why cannot the city of Toronto with real property exceeding six hundred millions of dollars in value within its limits, have the same rights and privileges and secure the money it needs for permanent public works from the Government without interest, on its promise to return it in amounts of five per cent. each year to be destroyed, so that at the end of twenty years not a dollar of the issue would be in existence; that would be extinguishable legal tender, the safest and most beneficial it is possible to imagine, as its use would save all interest charges, and thus materially reduce taxation that is now such a burden.

Large amounts of money are needed from year to year for the purpose of financing public works that are not revenue-producing, but that are of so much convenience and so necessary to health and comfort that we must have them regardless of the expense, and to expect and make the community pay for them twice by letting the interest charges double the first cost, is both unreasonable and an imposition, when a little effort would put any large community in the same position as a bank with the use of paper money interest free, on condition that a yearly amount be returned to be destroyed until the original issue passed out of existence.

The necessary public works that I refer to will occur to everyone. They are sewers, water supply, sidewalks, roadways, telephones and electric transmission lines. While a revenue may be derived from such works when in private hands, they are only a convenience to those who use them, and are not profitable in the same sense that improved machinery is profitable to a manufacturer or an agriculturist. My home may be connected to a sewer after I have used an outside convenience for years,

yet I earn no more on that account; I may have electric light installed to take the place of kerosene lamps, but my wages are no greater. A water pipe is run into my house and I fill up the old well without being able to increase my income to the slightest extent. A sidewalk and pavement is next laid down on the street and my taxes increased but I dare not make that an excuse for demanding higher wages. I order a telephone and have the pleasure of talking to friends over the wire. I ride on the street cars to my work instead of walking; but why enlarge the list, for I secure no financial benefit, and neither can I get more for my property than I would have to pay for another in as good a locality.

The things I have enumerated are good things to have, and add much to the comfort and enjoyment of life, but nothing to a man's earning power. We are entitled to have them and must pay for them, but there is no conceivable reason why we should pay double their actual cost, as we have to, when the municipality or a private company borrow the money to pay for construction on long time debentures at five per cent. If they were paid for in the first instance by an advance from the Government of the necessary amount of extinguishable legal tender, what would otherwise be only interest charges would pay the debt in twenty years, and after that only maintenance and operating expenses would have to be met.

That any of the principal cost of improvements is ever actually paid is improbable, considering that it is so easy to pay old debts by making new ones. That the total as well as the per capita debt is continually increasing is a better argument against the assertion that any of our improvements have ever been paid for except by borrowing money to pay borrowed money, than is the

existence of a sinking fund a proof that they sometimes are paid for.

It cannot be too deeply impressed upon the minds of the taxpayers that all improvements that add to the comfort and convenience of the people, should be paid for by extinguishable legal tender provided by the central Government and loaned without interest or other charges except the bare cost of printing and handling:—To provinces, cities and groups of municipalities that undertake to return it—for the purpose of being destroyed—at a rate of from 2% to 10% each year, according to the permanency and general utility of the improvement. Such works to include not only what I have enumerated, but all institutions required for the care of the sick and aged, and for educational and reformatory purposes, where such institutions could otherwise only be provided by issuing interest-bearing bonds.

We have only to recall that the annual interest charges on the indebtedness of the city of Toronto for public works is more than five millions of dollars, to realize what a great saving to the taxpayers—one hundred million dollars in twenty years—such a financial reform would effect; and I defy anyone to point out any weakness in the security that Toronto could give as guarantee that such extinguishable legal tender loans would be collected in proportionate amounts each year and returned to be destroyed. Were the reform in effect, the saving of interest charges would in a measurable length of time make us entirely free from debt.

The Dominion Government issues paper money on the security of the country as a whole. Particularly it retains the right to issue one and two-dollar notes, denominations that are so necessary for business transactions that we could not possibly get along without them.

Concerning these notes, security for redemption is an absolutely meaningless term as they must and do remain continually in circulation. Obviously the Government has the use without interest of such notes as it issues, and can utilize them for public works that when completed carry no burden except maintenance charges; so that I am only advocating an extension of a perfectly sound and accepted principle that I would make doubly safe by insisting that a proportion of the money used to finance local or national improvements, should be destroyed every year until a particular issue had passed out of existence.

It is perfectly plain that such extinguishable paper money would not be a permanent addition to the medium of exchange; and so would not interfere with or lower the interest value of money that must necessarily remain in circulation. But would relieve the taxpayer of much of his burden and make the financing of useful and necessary public works much easier, while furnishing an opportunity for the extension of institutions that would benefit to an incalculable degree everyone whose existence depends on the labor of his hands.

There can be no greater security for a paper money issue than the combined wealth of a virile and prosperous community. Banks cannot possibly show that they are possessed of any such security, or that they have any more inherent right to the use of legal tender paper money interest free, than has the municipality of Toronto or any other large urban community. Banks have no interest to pay on the note issue they lend for profit, then why should not vastly richer aggregations of individuals forming a municipality, have the same right to the use of interest-free paper money, especially as it would be used for public purposes, and proportionally surrendered

each year as it was returned to the treasurer in payment of taxes.

No possible objection can be raised to this method of financing public improvements that would mean getting them at half the present cost, except the puerile one that our grandfathers did not do things that way; but we are not obliged to walk in our grandfather's footsteps any more than our grandchildren will be obliged to walk in ours.

Extinguishable issues of paper money to pay for improvements whose cost must be spread over a term of years, through the inability of the citizens to pay for them out of one levy of taxes, must be destroyed as soon as the desired result has been attained by its use; because, through the annual payment of a portion of the amount of taxes that would extinguish the liability, the security that had made the paper money valuable has ceased to be a security for that particular issue, notwithstanding that other issues for similar purposes were continually in circulation.

Collective benefit for the people is the object of all reform, and the results that would follow a realization of the absolute security that real property offers for a money issue to finance public works and improvements—money that would be collected in the taxes and destroyed at the rate of 5% a year—is incalculable. It would end forever the interest charges that absorb such a large proportion of municipal and Government taxation, and could not be considered a debt in the ordinary meaning of the term—because the community and in a larger sense the nation, would owe to itself, what it had pledged its property to repay to itself. The meaning of the word debt, cannot possibly be stretched to cover the liability of a man to himself, or of a community or nation to itself.

The absurdity of considering an issue of paper money that was created for the purpose of financing necessary public improvements, and that was destructible in annual proportions of 5%—the ordinary interest charge—a debt; can be understood if we compare the yearly payments necessary to extinguish the issue, with the cost of keeping residential property in a state of repair and attractiveness. It costs money, but the property does not thereby become heavily incumbered with a debt due the owner; so that a community would not be in debt to itself because it monetized a proportion of the value of each individual's property to make more useful, convenient and enjoyable the property of them all, which would require a large initial expenditure, beyond their immediate means, but that could be met if they were privileged to turn in each year to the treasury a portion of an extinguishable issue of paper money.

The futility of a community or a nation ever expecting to get out of debt, or even to keep out of debt by any other method than that of issuing extinguishable legal tender for financing works of public utility, is shown by the constantly increasing debts of all growing and progressive communities, and the almost ruinous taxation that individuals continue to bear. That an annual interest charge of five per cent. precludes the possibility of the most industrious community or nation ever paying its accumulated debts, is proven by every human record that we possess, and the complete liquidation of the world's debts, unless interest charges can be avoided in the future, appears so far away that calculations concerning the date of their possible extinction, can only be made in terms that would be equally applicable to the date of the extinction of the sun's heat, or the end of human life on this planet. Such financing gives the



lie to the contention that it is "sound"; it is unsound in every meaning of the term, and a burden that those who actually create wealth should longer refuse to bear.

Modern ideas of convenience, comfort and well-being demand that full advantage be taken of increased human knowledge as applied to the utilities that can be commanded by the united efforts of the community, which secured, all may enjoy to a greater or less extent. That we should be denied such advantages through compulsory adherence, by law and custom, to medieval financial methods is intolerable, even though a few profiting unduly by its continuance, think it advisable in the interests of "sound finance." Such finance is not "sound" and will be revered only so long as it takes the people to acquire the knowledge that it is unnecessary and burdensome to an unbearable extent, and through united effort secure the legislation that will allow a saner system to replace an utterly discredited and unsound one, under which a burden of continually increasing debt is only avoided by being unprogressive and stationary.

Temporarily monetizing a portion of the value of real property to be used to create a form of wealth that would add to the comfort of the community, or increase the opportunities for the economical production and distribution of the necessaries of life, and that would be proportionately collected each year in the form of taxes and destroyed: would be to secure the value of paper money in a manner no less economical than it was safe, and would assist to bring about a condition of industrial stability and freedom from debt that would identify it as one of the greatest of financial achievements.

At a time when belief in signs and omens has well nigh disappeared; when old methods in medicine and in

the treatment of criminals and the insane have been frankly discarded; and when customs that exist without sense or reason are sharply criticized without fear of the consequences, it is not showing too much optimism to expect that old methods of finance will go the way of all obsolete, detrimental and oppressive institutions, especially since the public debt has become so burdensome consequent on an effort to afford the people the advantages that follow the utilization of the results that have flowed so abundantly from the unprecedented activity of the human mind during the last few decades.

There is a wide gulf between conditions as they actually are and as they might have been, had as much thought been devoted to improving financial methods, as there has been to proving by actual achievement the possibilities of progress in other directions; but now that such opportunities for collective well being have opened before us, there is no reason why we should not accept them, despite the selfish inclination on the part of a comparatively few individuals to grasp entire control of the profits and enjoyment of what, after all, others could enjoy with just as much satisfaction.

The creation of facilities for production and distribution may sometimes be so expensive as to make their use of but little benefit to the common people; especially is this the case when interest charges on the capital cost enables other people to exist without effort. Under such conditions it is apparent that the actual creators of wealth are utterly unable to prevent others absorbing a part of the results of their toil, but if the interest charges could be eliminated, it could not be otherwise than that the whole results would be left in their possession; so that public ownership of the facilities for transportation and communication, whether steam or electrical, cannot

be an entirely unmixed blessing until interest on the cost of construction will no longer be included in the scale of charges; and this can only be brought about by financing such works with an issue of extinguishable legal tender, guaranteed by the communities through or in which such works are constructed, and who would undertake to make up by direct taxation any sum unobtainable through their operation that was needed to redeem a certain proportion, say 5 per cent., of the amount each year for the purpose of destroying it. At the end of twenty years the works would be paid for without a cent going for interest; the money destroyed, and the only charge necessary to collect for their use would be the cost of operation and maintenance.

In order to get a true conception of the never-ending burden that interest charges can place upon transportation and other utilities, we will estimate that the expenditure of five hundred millions of dollars—a less amount than the assessed value of the City of Toronto or the assets of the Bank of Montreal—would furnish every farmer in the thickly-settled parts of Ontario with the opportunity of using publicly-developed electricity for power and lighting purposes with telephone connection and a trolley line in reasonable distance. The interest charges alone on that amount if the money was borrowed at five per cent., would amount to twenty-five millions of dollars a year. If we allow one thousand dollars a year as the average income of a workingman's family of five, then one hundred and twenty-five thousand people could live on that interest product without making the least mental or physical effort, generation after generation, indefinitely. An estimate of the total interest charges that the workers of this country are earning for the benefit of other people than themselves, shows the

most startling results, and I do not believe that placing such a burden on the backs of the industrious can be defended on any moral grounds, or that it is necessary to the stability of our financial system.

In the years to come the continent of America will be gridironed with publicly-owned electric railways; a light and power line will be run to every person's premises and every house will have a telephone; so that it becomes a legitimate question for discussion, whether such utilities shall be paid for in the old way by selling stocks and bonds that carry an interest charge that compels the first cost to be paid over and over again each twenty-year period, without in any way lessening the original debt; or should they be paid for with government-supplied and municipally-guaranteed extinguishable legal tender that would be proportionately collected and destroyed each year during a twenty-year period, when the work would be paid for and publicly owned.

The benefits that would result from such a method of financing public works are incalculable. Municipalities could combine and secure improvements that under our present financial system would be entirely beyond their power, and it requires little imagination to see the change that would be effected in the lives of those who are really the backbone of the country; who now have to put up with a condition of existence that drives their children and often themselves into the cities and towns for the advantages that might be brought to their doors. Making rural life more attractive and profitable can only result in increased benefit to manufacturing and business centers; and there is no reason in the world why a reformed method of financing public improvements should not be inaugurated just as soon as the taxpayers can be made to realize the great saving to themselves, the in-

creased efficiency of public service that would follow, and the absolute safety of such an issue of extinguishable paper money.

#### CHAPTER IV

##### LABOR'S BURDEN

Money is used continually as a means of facilitating the exchange of commodities or values; in this case, however, familiarity does not breed contempt; but the origin of that money excites no curiosity, and apparently no suspicion has ever entered the minds of those who use it, that the virtual monopoly of its production, as well as the control of its circulation by a relatively few individuals, has prevented the benefit of its use being equalized to the extent that is possible, as well as desirable, if the ambitions of the working classes for shorter hours and a larger income is to be realized.

So far as I can see, organized labor has signally failed to grasp the significance of "money." Their efforts seem to have been mainly directed towards securing by threats or an exhibition of force, small increases in wages with some improvement in working conditions. Desirable in every way, but falling far short of an ideal condition of society in which every one works according to their ability, and receives according to their needs; which would mean equal incomes for every head of a family, not excepting former merchant princes and bankers, with equal opportunities for comfort and recreation. The drain digger driving to his work in an automobile, and taking his family to the country for a holiday with just as much right as the rich man, who wouldn't be particularly rich under such circumstances.

The possibility of getting increased wages under present conditions is limited by the ability of the employer

to pay them. As long as cheap goods can be imported from other countries, the employer of labor is confronted with a situation that may require an absolute refusal to concede demands that might mean his own ruin, but that otherwise he would be only too willing to consider favorably; so that a larger view is needed than a mere local consideration of the possibility of getting a five or ten per cent. increase in wages, that after all may be more than absorbed by an increase in the cost of living.

It is true that every bank note in existence was issued without other cost than the mere expense of engraving and printing, and loaned to the business community and employers of labor at just as high a rate of interest as the traffic would bear; with the result that after paying dividends of from eight to twelve per cent., a surplus of profits has been accumulated that equals the original capital stock. And this created paper money as a rule, is loaned only to the recognized "big business" interests, which entirely precludes the possibility of organized labor operating their own factories with this capital; but they must carry the burden of the banks' profit as well as the profit of the employers of labor who use the bank's money.

Another burden that must be borne by the workers until the laws governing our financial methods are radically changed, are the interest charges on public debt. The amount of interest bearing debt that has accumulated as a result of the borrowings of the general government, and of states, provinces and municipalities, and of business and railway corporations is enormous, and the annual interest charges run into hundreds of millions of dollars; and it all has to be earned by human hands toiling in a thousand underpaid occupations.

The site value of land particularly in large centers of

population, amounts to many billions of dollars, and is all interest-bearing because business men will compete against each other for the use of choice locations, and thousands live in idleness on incomes from values that the public collectively create, and that should be taken for public uses. All real property that a man owns except what he occupies for his own purposes, produces an income either directly in the form of rents or indirectly through increase in value. Every industrial concern, all railway and other transportation and communication facilities pay interest on bonds, stocks and shares that represent their value; and all bank notes bring a revenue to their producers as government debts do to its creditors. When we realize the full significance of this first charge on the earnings of labor, we are appalled by the magnitude of the task that confronts us if we are to bring about a condition of financial equality between man and man. What organized labor has accomplished so far, should be looked at as only preliminary to the real contest. Its success has not in any way impaired the income of capital, and a family with a comparatively small fortune is assured of a greater yearly income—that allows them to live in idleness—than the cleverest mechanic can command through long hours of exhausting labor.

When a working man secures a few dollars more a week by demanding it on threat of a strike, it does not usually improve his position, because demands for larger wages only follow an increase in the cost of living. They are never made as a rule except for the most urgent reasons, and then only after they were long overdue.

The first charge on the earnings of labor is interest on recognized values that of course some one owns, and that may consist of every conceivable kind of property from imagined values that a franchise monopoly creates,

to values of the most substantial kind; and what remains after the exactions of wealth has been satisfied is all that business and labor has a chance to fight over; and it is little enough in all conscience to make them ashamed of their quarrel. Strange that labor can see no further than the man who employs it, and while some of them may be rich, many are having the most desperate struggle to keep their heads above water.

If I could influence organized labor in any way, I would advise political action, because I am convinced that it is the only way to secure substantial reforms, or, in fact, any reforms. But political action itself will avail little unless its aims are clear and distinct. I have seen a number of labor men elected to public office, but I don't remember that one of them ever proposed any essential reform. All they wanted apparently was increased wages from their employer, but how, being members of a city council or the legislature could help them get it, seemed past their understanding.

Whether a mere demand for radical financial legislation would have any practical result, is a problem no one could answer, but it would surely follow a successful political contest. With a comprehensive and reasonable programme, I believe that the ranks of those who take issue with capital and special privilege, would be swollen by a multitude of small manufacturers, business and professional men, for their prosperity is wholly bound up with the prosperity of the working classes.

If demands for financial reform are formulated, the acceptance by the Government of the principal of extinguishable legal tender paper money, should be the strongest plank in the platform. Such money to be supplied to states, provinces and municipalities—at no more expense than the bare cost of issuing it.—for the purpose



of financing public works of all descriptions with the object of saving interest charges. The money to be returned to the Government for the purpose of destruction, in annual amounts of from two to ten per cent., according to the permanency of the work that had been so financed.

It would also be necessary—if the proposition was to be extended to its logical conclusion—that the Government provide the same kind of money for the purpose of acquiring the stock of all railway, telegraph and telephone lines, that the burden of interest charges might in process of time be entirely eliminated, even though the direction of such enterprises remained in the hands of men who had previously controlled them in the interests of the shareholders. Furthermore, all debts due by the Government to its subjects or citizens and represented by interest-bearing bonds should be paid without delay for the same reason; that is, the saving of interest charges that otherwise would have to be earned and provided by the working classes, and for the convenience of the owners such payments might be held as current account to be checked against. At the same time, foreign liabilities should be extinguished by purchasing for shipment abroad and sale, whatever native products or manufactured goods were best adapted for that market, continuing the process until all interest charges due in other lands were wiped out, regardless of whether they were obligations of the Government or business corporations, destroying each year an amount of such paper money equal to what would otherwise be interest charges, so that when the debts were liquidated, the paper money would have ceased to exist.

The capital stock of basic industries might also be purchased by the Government with an issue of such

money, which would amount in effect to a twenty-year purchase without interest if the money was collected and destroyed at the rate of five per cent. annually; when the works would become public property, operated and controlled by the employees themselves under agreement with the Government regarding wages and working conditions. In addition, if the returns from the site value of land were appropriated for public use by taxation, the interest charges on billions of dollars of value would no longer have to be earned and handed over by the working classes, and wages would advance automatically, because the money not having to go in dividends or interest charges, would be available for such an advance. In any event they could be so advanced and placed on an equitable basis by the simple expedient of Government control of the selling price of native and imported goods as explained in the next chapter.

The acceptance by the Government of the financial reforms I have outlined, depend wholly on the influence that can be exerted in their favor by business, professional and workingmen. Monopoly will fight to the last ditch to retain its privileges, and might have some reason for doing so if men were horses; but being men, with the inestimable advantage of having been created in the image of God, and for some unaccountable reason subjected to compulsory education, they will just as relentlessly follow monopoly to the last ditch, as it will retreat to it. What else can be expected when we are compelled by the law of the land to become intelligent beings, and given a flood of cheap newspapers and magazines, public libraries and free books with night schools for the grown-up. Someone has sown the wind of free education and someone is just as surely going to reap the whirlwind of financial equality; and why not; why

should anyone aspire to be a millionaire if others must live a miserable starved existence because they are willing to do the hard work of the community. Human nature, perhaps—but human nature can change as quick as the law can change, and if we now show marked deference to a miserable specimen of humanity who by miserly habits and the neglect of every virtue of manhood has become possessed of enough to live on without work, it will not always be so, unworthy distinctions will disappear when law and custom make us all financially equal.

So far as real reforms are concerned, they are likely to be secured by any other class than the one who would most benefit. Women have secured political equality with men; not by their own votes, because they had none, but by the votes of men who were favorable to their aspirations. Some of the greatest political reformers, men who have fought the hardest for human rights, were distinctly in the capitalist class, for not otherwise could they have spent the time and money necessary to a realization of their political ideals. To-day the same thing is occurring, the men who are doing the most for human progress are those who are under no necessity to work for a living, and almost the greatest obstacle that confronts them, is the inertia of the great body of workmen who are almost too poor to afford a few weeks' sickness.

Universal suffrage has been secured but lately; a glorious political reform which means that women will take a part in making the laws under which we live, and it is the probability that they will demand equal representation in the legislative bodies of the country, that gives an opportunity for another reform whose effects will be equally far reaching, so that not only will the woman's vote be adequately represented, but various

shades of political opinion as well, which will mean the death of partyism, and there will be no mourners.

Proportional representation would seem to be necessary under the circumstances, and its simplest and most effective form is a constituency returning four members with each voter having one vote. A legislature elected under such a system would assuredly be composed of at least one-fourth women, one-third labor representatives, the others being farmers, with a sprinkling of business or professional men.

With such a legislative body our future would be safe. Graft, monopoly and special privilege would meet with sudden death. We could draw a breath of relief satisfied that the uphill climb had ended with the goal in sight; and that only details remained to be worked out when we would enjoy a condition of well being that has been longed for ever since man was capable of feeling hope or disappointment.

## CHAPTER V

### HOW WAGES MAY BE INCREASED

A multi-millionaire once said that he could eat no more than one of his men, could neither wear more clothes or sleep longer, and in all probability would occupy no more space in the city of the dead; and that he would have been much better satisfied could he have passed his life in a society so organized that every one was given work that he could perform, and every family assured of an income proportionate to their needs.

If that was a true conception of ideal conditions of life, then everyone, while doing the work he is best fitted to do, should be paid according to the needs of himself and those dependent on him; and this desirable condition

can only be brought about by every worker being paid equal wages for equal hours of employment regardless of occupation, with an extra allowance for dependents, from the public treasury. This distinction should be rigidly insisted upon, for the man who is bringing up a family of boys and girls to uphold the honor and freedom of his race and country, is clearly entitled to more money than the one who neglects the first duty of the patriot, and besides he needs it and the other man doesn't. The earnings of a community is strictly limited, and under present conditions is entirely appropriated, so that if one class is to have a larger proportion of the combined earnings through increased wages, another class must necessarily get less; there is no other solution.

Assuming that one man's need for food, clothing, shelter and recreation is just as great as another's, and that it is just as necessary to have drains dug and houses and roadways built as it is to have governors of States and Provinces, or Mayors of cities, then there should be equal pay for equal hours of service. This contention is not as utopian as it may seem on first thought. It is a foregone conclusion that the Government must in the future intervene between employer and employee to an extent never before thought necessary. Profits and selling prices of native and imported goods must be controlled so that the worker's standard of living cannot be lowered by any kind of competition, whether of labor or cheap foreign products. With this control in operation no difficulty would be encountered in raising wages, and because it takes two to make a bargain, mutual concessions would probably regulate them to the satisfaction of everyone. Even if the compensation was the same for governor and hod-carrier, there would be no lack of candidates for the more exalted position and neither

would the harder task be sought by any great number of aspirants for a soft job. The proportion of men engaged in the various occupations would probably remain the same as they are now, but the comforts and enjoyments of the working classes would be increased to an incalculable extent. The truth seems to be that if every one was assured of an adequate and certain life income from the performance of their recognized duties, an income that neither misfortune or ill-health could deprive them of, that there would not be such frenzied efforts to get rich. It is that lack of assurance, the fear of misfortune and poverty, that prompts so many to look out for themselves regardless of the rights of others. Remove that fear by state-wide organization and the enactment of equitable and protective laws, and everyone would loyally do their duty by their fellow man, insisting on having no more than their just rights and depriving no one else of theirs.

It is the knowledge that honest but laborious work is too poorly recompensed to afford a satisfactory living for an intelligent family, that impels so many to resort to every means of getting something away from somebody else in hopes of enjoying greater comfort. With equal pay for equal hours there would be no odium attached to any necessary occupation and our native citizens would do the work that Europeans of all kinds and even Asiatics are now imported to do; and that very longing for better conditions of life—that compulsory education intensifies beyond conception—is responsible for the so-called race suicide that makes it inevitable that in the future other races should increase on this continent out of all proportion to their capacity for appreciating our institutions and assisting in their further development.

Competition has outlived its usefulness and co-

operation should succeed it without delay. The majority in any state have a power that is unlimited, and can carry out any policy it decides upon. It can rigidly regulate wages in every industry and prevent harmful foreign competition in its own markets by means that will presently be explained, without in any way hampering foreign trade. It can revolutionize politics, finance and trade; and the moral is, by argument and persuasion, by explanation and logic, let practical reformers become the majority as soon as possible.

It will be contended that our dearly prized liberty implies the right of anyone to purchase goods wherever he desires. But there are limitations to every person's liberty of action. No one is allowed to buy a slave to do his work, and it is not unreasonably extending that prohibition if he is prevented from dealing in the products of slavish labor; and a human being with an immortal soul is only a slave if he must work till the end of his life for a bare existence that others may roll in wealth, as so many have been obliged to do in other countries. If it would be injurious to our condition of civilization—and it is so recognized by our Government that strictly prohibits it—to allow employers of labor to import men under contract to work for wages that would practically mean slavery, it is just as injurious to the well-being of our working classes to allow the importation of the products of that labor. We are endeavoring to create a condition of civilization better than the world has ever known, and are entitled to protect ourselves during the process by forbidding anyone to endanger its success on the plea that we are interfering with his liberty, entirely unconscious that he proposes for his own profit, a greater interference with the liberty of others than they do with his. If an individual wants the liberty to follow his own

money-making instincts, how much greater right has a nation or community to the liberty of promoting the well being of all its individual members.

It is a waste of time to talk about individual liberty. Even a policeman must obey rules and regulations and a magistrate can no more break the laws with impunity than can anyone else. A person has no inherent right to buy in the cheapest market and sell in the dearest. If he benefits by what he has to sell, others of his countrymen should benefit by what he must purchase.

The regulation of wages on the basis of equal pay for equal hours of work, regardless of the nature of the occupation, can only be brought about by Government control of profit and selling price, with the consequent control of importations of goods manufactured in countries that do not protect their labor from exploitation. This might seem to mean that foreign trade would be impossible because, on account of a high rate of wages, our natural and manufactured products would be too expensive for other countries to purchase, in other words, they could get them cheaper somewhere else; but that does not necessarily follow. Goods made by a dollar-a-day workman in Europe would sell for as much here under Government control of prices, as would similar goods that had been made by our ten-dollar-a-day man, and the proceeds would enable the purchase of Canadian products, at the established prices, that could be exported without loss, notwithstanding that the selling price in Europe was much less than in this country. Utility would be exchanged for utility regardless of the cost of production in each country, and foreign trade would in no way be hampered or made impossible.

Where it is considered advisable to establish a high rate of wages for the deliberate purpose of improving the



condition in life of the working man, Government control of the selling price of imported goods is absolutely necessary, for the reason, that a free importation of cheap goods would benefit only one party to the transaction. In the first place, it would prevent employment in similar production, and prevent as well, an even exchange for our products that actually cost more to create than what they would be worth in a country of cheap prices; but if the prices of the imported goods were enhanced through Government control, then the exchange could be made with mutual benefit.

The process of fair trade between countries where one has established a high wage scale, and the other allows free competition in labor, can be illustrated by imagining that bacon is sixty cents a pound in this country and only twenty cents in England, while some varieties of cloth is twenty cents a yard there and sixty cents here. Obviously a pound of Canadian bacon could be sold in England for one-third the price that prevailed in this country, if the proceeds were invested in cloth that would be three times as valuable when brought here. Under these conditions there could be no unfair competition or flooding of the market of either country; only an equitable exchange of goods as they were needed for use or consumption; with the possibility of an established rate of wages, in this country at least, high enough to put the humblest worker so far above penury that he wouldn't recognize himself.

Cheap goods imply cheap labor unless they result from labor-saving inventions, in which case the more the merrier, as both production and wages can be increased to the benefit of everyone. But cheap goods made by cheap labor can only mean a low standard of living for a considerable part of the population, and cannot in any

way be defended unless it is assumed to be a natural law that the many must toil for the benefit of the few. In the final analysis trade is always an exchange of goods for goods that is financed by the banks in each country, and if a Government seeks to benefit its working classes by controlling the scale of wages, it must control the selling price of imported goods, or its control of wages will be ineffective and more harm result than good, on account of the certainty of foreign goods flooding such a market with no possibility of native manufacturers meeting such competition; but the importation of goods that must be paid for by an exportation of native goods of the same exchangeable value, would not affect trade or labor in any way, except that employment might be of a different nature, each country producing what its natural resources made it the most profitable to produce.

My argument requires some reference being made to gold on account of an arbitrary value having been set on that metal by all nations in order to make it a measurer of values. If gold was wanted by an importer of foreign goods, he should obviously be paid for his importations in that metal at their value in the country of origin, plus freight, and not at the selling price in this country, the difference in value going to the Government; but as no profit could be expected by demanding gold in payment on these terms, while it might be expected from an exchange of goods, very little gold would be exported except as the producers wanted a market.

It will be contended that arbitrarily raising wages would be of no benefit to the Workingman as the prices of all consumable products, as well as the cost of permanent improvements and communication would be raised in the same proportion, and he would be no better situated than he is now with a smaller wage; which might be true

if raising wages was all there as to my proposition, but it is not. My proposition is that everyone from the governor down, be paid the same wage per hour of employment, with an extra allowance for dependents unable to support themselves, which is quite a different thing and means in effect, that as the earnings of the community are absorbed as it is, and little or no per capita increase can be expected on account of a tendency to shorten the hours of labor, that those who receive most should divide with those who receive least; both being assured by the Government against poverty caused by ill-health or misfortune.

As labor produces enough for all, and the problem simply one of equitable division, then an equality of wages for all who sell their labor would ensure enough for everyone; so it is not true that the workingman would be no better circumstanced if the Government arbitrarily raised the scale of wages to an extent that gave to each one his proportionate share of the total production. Leaving to those who employed themselves the same freedom of action that they have at present.

Every workingman feels very strongly that his family can enjoy, and has every right to enjoy, the same pleasures as the rich man's family. But as it is impossible for everyone to be rich, the solution is not taxation to the extent of confiscation; but a new start, with every man who sells the labor of his hand or brain for regular wages, having equal earnings under Government supervision. Enough is all anyone needs, and as enough is produced, if everyone secured his full earnings, great accumulations of wealth by any class would be impossible; particularly if most of the industrial capital was supplied by the Government as I have elsewhere suggested. Absorption of wealth can only be accomplished by de-

priving others of a part of what they earn, or if it is the result of an increase in land values, by depriving the community of what their presence creates and of the income that they are entitled to use for public purposes.

No one need think that business or industry would suffer unless we had millionaires. The wealthy usually have their estates managed by some efficient employee or agent, and such a man could just as well manage public or Government funds that financed the employment of large numbers of men, so that the capitalist in the final analysis is not needed at all, and is only an unnecessary burden on the back of the toiler. There is not a factory or business in existence that could not be conducted just as economically and successfully by the office, selling and production staff, if the capital was provided by an issue of extinguishable legal tender, as it is when it is provided by shareholders who have no real control over it or who delegate that control to others.

If there was not the least possibility of becoming excessively wealthy in any business or industry, on account of profits being divided among the workers; no man's energy or aptitude for business would in any way be impaired; everyone would do as they do now, the best they could. And the fact that there were no millionaires and none distressingly poor, would be so satisfactory that we could be forever bragging about our high standard of Christian civilization.

That men who now hold public positions would refuse to perform the functions of their office for the same wages that the workers receive, is not conceivable, as otherwise they might have to take a pick and shovel themselves; and as the pleasure to be derived from following the two occupations is in such contrast, we need never fear a strike on their part.

There is no foundation whatever for the belief that men who occupy public positions are a superior race of beings. As a matter of fact, they probably know less and are much less competent than the majority of business men who must face the keenest competition in their everyday affairs, and the reason is, that public positions must be filled by some one and it usually happens that the man out of a job, the man who is too incompetent to run a business of his own, but who is immediately available; or the most persistent seeker after something soft, gets the position, regardless of solid qualifications, and stays there till he dies. Elected officials enjoy a momentary popularity, but let one of them be out of office for a few years and he couldn't get elected pound-keeper. As a rule, one man knows as much as another, but our occupations are so various, and our early training and environment have been so different, that any comparison of inherent capacity is extremely difficult; so that while some succeed under present conditions, where others fail, the fault may not be with the individual. We cannot possibly all be leaders as only a few are required, but we can all insist on having the same financial rights as the leaders, and should have them, as outside of family relationship the relation of man to man is purely financial.

## CHAPTER VI

### CONTROL OF COMMODITY PRICES NECESSARY. THE FRENCH WAR DEBT

Continual repetition of arguments is the best way of emphasizing the need of essential reforms, and essential reforms are the only ones on which our energy should be concentrated. Palliatives not only delay the realization

of just conditions, but give the forces of reaction an opportunity of employing counteracting measures, that may to a great extent render such half-way reforms useless.

It should be understood at the outset, that food production will require the efforts of a continually decreasing proportion of the population as long as improvements continue to be made in labor-saving agricultural implements. Enough food is all that is needed now or ever will be needed, so that a greater percentage of workers will necessarily be employed in creating relatively permanent forms of wealth, and as there is also a limit to human needs of such wealth, it follows that in process of time fewer workers will be required unless a reduction in the hours of employment should give an opportunity for everyone to have a fair share in the production of such wealth. The alternative being charity for many, or useless production for the pleasure of the extremely wealthy.

Assuming that a reduction in the hours of labor becomes the settled policy of the workers, obviously there would be less produced for each one to enjoy; therefore an increase in wages would be impossible under present financial conditions that makes interest on accumulated wealth in land and other property the first charge on the earnings of labor. Accumulated wealth will become greater with each succeeding year, and consequently the interest charges will be a heavier burden with an increasing number of wealthy idlers.

The only way to prevent such a condition becoming intensified to the disadvantage of every worker, is to eliminate interest charges as soon as possible and in as great an amount. Workingmen do not realize the insidious and successful demands that interest on other

people's property make on their earnings. Absolutely a proportion of the price of everything they purchase ultimately gets into the pockets of some one as interest received on the value of some kind of property. How great the amount is, that is taken imperceptibly from the wages of labor, is easily calculated from the figures representing the national wealth and the number who actually produce wealth as distinguished from the number engaged in gainful occupations. A man who makes his living trading horses, or preaching, may be engaged in a very lucrative and gainful occupation, and not be a producer of wealth in any meaning of the term, so that it has been calculated, that if interest charges on property of every kind, including debts, could be eliminated, wages could be immediately doubled, or if they remain at the present scale, that hours of labor could be reduced one-half.

If the principle of extinguishable paper money be accepted by a majority of the voters and put into practical effect, interest charges would rapidly disappear, because the money needed for Government, municipal and collective use to finance public utilities and basic industries, would not be interest-producing, and the amount thus saved would be available for an advance in wages, or if not so used, would justify a reduction in the hours of labor.

While the use of extinguishable paper money to obviate the payment of interest charges by Governments, and to finance all public undertakings, as well as for furnishing working capital for industries controlled by the workers themselves; would justify a doubling of the present rate of wages, or a material reduction in the hours of employment; it might not have that effect unless a rigid control of the sale of imported goods came into effect at the same time. The free importation of goods

made in a country where labor was not protected, and where men worked for starvation wages would more than offset the advantage gained, because to meet such low prices labor would have to accept wages that were only as much higher than in other countries as what freight and custom duties would permit; otherwise the foreigner would have the whole market, with our workers dispersed through the country getting a bare living from the soil, with the consequent reduction in prices of agricultural products to a profitless basis.

But if the Government controlled the selling prices of all goods, both domestic and foreign, there would be no such danger. I have before pointed out how trade could be carried on between countries that established a high wage scale for the benefit of its workers, and those that left them open for exploitation by capital. Perhaps further explanation would make it more understandable. During the war the Government did control the selling prices of some commodities with considerable resulting saving to the people; such control could be made permanent and extended to all kinds of goods. When we stop to think of it, prices are controlled now, but by individuals or combines for their own profit. One instance is milk. Every six months the prices are set by agreement between the producers and distributors, and in no case do they vary during those six months, which is in every way more desirable than would be continual dickering, therefore let an elected Government board set the wholesale and retail price on everything. Continual fluctuations in values is of no benefit to anyone except, perhaps, a few middlemen. With the wholesale and retail prices controlled, and groups of workingmen financed by the Government with extinguishable paper money, that they might receive the full returns from their labor,



foreign manufacturers could not possibly control our market by underselling our own producers.

It is true that the foreign manufacturer would get a larger amount of Canadian money for his goods than he would under free competition, but it would be useless to him unless he changed it for Canadian goods at the price that our scale of wages necessarily placed upon them. That he could do so at a profit is quite understandable, because the decrease in the selling price when removed to his own country, would be offset by the enhanced value of his goods in this country as a result of Government control of selling prices. Thus trade between nations would be possible and profitable notwithstanding that the conditions that governed existence in one country were immeasurably better than in the other.

If all workers were prosperous and contented, with leisure to enjoy life in a manner that had always before been denied them, every professional man and woman would benefit equally with the worker. Doctors, Lawyers, Dentists, Artists, Writers, Inventors, Teachers and numbers of other professions that it is needless to enumerate, would find that no interference in their affairs was contemplated, and that they would be more prosperous than ever. Not being employed by others in profit-making enterprises, and not being paid wages in the general sense, they would be as independent in their activities as they are to-day; therefore they should support, and assist in securing every reform that the workers ask for, and in all probability will do so.

The proposition to create paper money in the same way it is at present being created, but in larger amounts, as a prerogative of Government for the purpose of financing the operation of the working classes with the intention of saving them the money that is now taken from their

earnings to pay interest charges, and that would then be available for increasing wages, will arouse a chorus of disapproval from a great many, and perhaps none will make more noise than the person who profits to the extent of three dollars a year from some small deposit in a bank. As regards business men, it is safe to believe that they will raise no objections, because it is from business operations that they make their livelihood and the cheaper money can be secured, and the less interest, they have to pay, the better satisfied they are likely to be; besides, the greater the purchasing power of the community, the greater their business and profits. The financial reforms I have outlined would not in any way interfere with the operations of business men. Wages might be doubled, with shorter hours, that's all. If money is available for business purposes, and the competition of cheap foreign goods is made harmless by Government control of prices, business men would welcome a higher rate of wages and a higher standard of living. The working man whose wages are small is a poor purchaser and a poor consumer of manufactured products. If, by financial reform interest charges can be eliminated to a great extent, there will necessarily be more money available for labor out of the combined earnings of the community, and employers would pay high wages with more satisfaction than they now pay small ones.

Opposition to financial reform would of course be voiced by those who are now living, and expect to continue to live, without work; and we will be accused of proposing to rob the widow and fatherless; but there is no proposal put forward to wrong anyone. Not a cent of accumulated wealth would be taken from anybody, but wealth would not produce the interest returns it does now, unless the owners became engaged in some business

or undertaking; if that was impossible, and the capital that had previously produced a revenue that supported the owner without the necessity of working, was used up in living expenses, no one would suffer, because old age pensions, and pensions for the sick and helpless, would then be as possible as they are now impossible, under present financial conditions.

We have only to contrast the proposition for an extinguishable paper money issue, and Government control of prices with the consequent doubling of the rate of wages, with hours of employment so arranged that work would be available for anyone, at any time; with the Single Tax proposition, to realize how equable it is. A tax on land sufficiently great to take its full rental value would confiscate half the wealth of the world. And while it might be beneficial to the community as a whole, it is impossible of realization on account of its manifest injustice. Even if a person paid no more taxes on his house and lot under the Single Tax system than he does now, half the selling value would be wiped out beyond recovery. His house would be worth no more than it would cost to build another one, but his land would be worthless while carrying a tax equal to its rental value. That such a proposition should have received the support of many of the most intelligent men simply shows that their judgment was overwhelmed by their whole-hearted desire to improve the condition in life of the working people. With an issue of extinguishable paper money the capital value of land might gradually be acquired by the municipality, when it would be possible to deed such land to builders on their undertaking to pay its rental value as set from year to year, the im-

provements, of course, being tax free; which would give us the benefit of a single tax without doing injustice to anyone.

The war debt problem of the allied nations is a serious one. The situation in France is perhaps worse than in the other countries, and with the persistence of antiquated financial notions grave unrest is likely to exist until some fundamental reform is put into practical effect. Before the war the total French wealth, including land, was about sixty billions of dollars, approximately fifteen hundred dollars for each man, woman and child. The total annual income was seven billions of dollars, about two hundred dollars for each person, while the Government income was one billion of dollars. The present budget proposes a collection from the people of three and a half times that amount, or half the pre-war income of the whole nation. The issue of paper money has been increased until now it is six billions of dollars, one dollar in ten of the national wealth, or one hundred and fifty dollars to each individual. Obviously an amount altogether too small under the circumstances. Property is universally considered good security for half its value in money, therefore a further amount of paper money equal to the interest-bearing debt due to its own citizens, and used for the purpose of paying such debt, could be issued without the least misgivings arising as to it retaining its normal value as a medium of exchange, providing always, that it was an extinguishable issue, with a proportionate amount destroyed each year. The result that would follow the payment of the French domestic debt in this manner would be, that the possessors of this money who previously lived on the interest payments from the Government would become active members of society, putting their money to use in em-

ploying themselves or others. The money would naturally gravitate back to the Government as a result of the compulsory payment of taxes, and in twenty years would have ceased to exist, and with it would have disappeared into limbo the huge French war debt.

The most unaccountable views regarding the value of paper money as a medium of exchange, are held by people who should know better. It is believed that large issues result in depreciation, but it never does unless the Government that issued it passes out of existence, or what is worse, repudiates its own money by refusing to accept it for some form of dues and taxes, demanding metal instead. As long as it is accepted at its face value for all debts due the Government, it will never depreciate, although its interest production will be much less than when there is a scarcity, which would be a blessing in any way you look at it.

If any country created legal tender paper money equivalent in amount to two thousand dollars for each individual, it would ultimately be possessed by the people in sums running from a few hundred dollars up into thousands, and have we any reason to believe that anyone would then have more than they needed for business purposes, or to provide against sickness and old age? I do not think we have. Unless money exists in sufficient quantities, it is utterly impossible for everyone to save enough to protect their old age against the hardships of penury, and neither is it possible for the people through their Government to be as charitable to the old and unfortunate as their profession of civilized Christianity imposes upon them. In the case of France, if two thousand dollars in legal tender per individual were created, it would amount to eighty billions of dollars, nearly three times the actual war debt; so that an issue of enough

extinguishable paper money to pay the loans raised in their own country, and to stimulate the productive activities of the people, is in every way necessary and desirable if the workers are to have an opportunity of returning the money in proportionate annual amounts to be destroyed, while working for wages that will supply all the comforts of life.

The producing power of the workers is limited by their physical strength; no one can work all the time, and if interest charges on a huge war debt absorb more of the earnings of labor than was expected, then wages will fall below the level of pre-war times. There is no other possibility, regardless of what the workers wish or threaten. But if the interest charges can be eliminated by paying the debt with an issue of extinguishable legal tender—holding it for the owners to check against if necessary—then out of the national earnings money will be available to pay higher wages. With higher wages the debt is proportionately less and easier paid, and, of course, is not paid until the last dollar of that particular issue is collected and destroyed. In the case of the Allied Nations, such collection and destruction of the money that paid the war debt might be extended over a period of fifty years, which would be at the rate of two per cent. a year; some contrast to accepted financial methods, that, paying five per cent. yearly for sixty years would pay the original debt three times and still owe the whole amount.

If our present financial system is adhered to, and wages drop as they must, the debt becomes proportionately larger and more of a burden on the workers with seething discontent that bodes ill for everyone; so that the conclusion becomes irresistible that radical financial reform is necessary and inevitable if we are to success-

fully cope with the problem of the allied war debts, and prevent as well such an exhibition of force to bring about reforms as we see in Russia, where the misery caused the innocent and helpless overbalances any good that can possibly flow from it.

## CHAPTER VII

### THE PROBLEM OF THE NATIONAL DEBT

The following letter was printed in a Toronto paper and illustrates better than could words of mine, the utterly hopeless attitude that Government officials take towards the public debt.

"Replying to yours of the 31st ultimo . . . I hope that not only journals such as yours, but the people at large, will keep in mind the following facts: Before the war our national debt was \$330,000,000; one year after the war it will be between one and a half billions and one and three-quarter billions of dollars. Before the war our revenue was \$150,000,000, which took care of the general business of the country and provided a reasonable amount for public works; after the war it will take at least \$300,000,000, and probably \$350,000,000, to carry on the country alone, including interest on the public debt and pensions."

"Perhaps you would like to write an article pointing out to the government from what source this additional one hundred and fifty to two hundred millions of dollars is to be derived, and then I would also like to have your opinion as to how far the Government would be justified in borrowing money in large quantities, upon which further interest would have to be paid, in addition, of course, to that upon the present debt."

F. B. CARVELL.

The Hon. Minister of Public Works says, in effect: "Our financial needs are great; the people now know the worst, and will have to supply the money, leaving us to do the best we can with it." That's all; nothing about blazing a new trail, nothing about improving financial methods that may have been satisfactory generations ago, when the common people were mere hewers of wood and drawers of water; instead of being as they are now, full partners in a national enterprise designed to secure the comfort and prosperity of even the humblest citizen.

If the Hon. Minister of Public Works is puzzled over the financial outlook, he is possibly no more so than others, who must somehow or other bring order out of the chaos caused by the unstinted and often extravagant war expenditure of the various countries. And these views on the problem of national debt, are offered in hopes that they may throw some light on a situation that is complicated and unsatisfactory; but that will press for solution with increasing force as the great war recedes into the past, and the demands of the toiling masses for the total results of their labor become more insistent and menacing.

On the Government of every country devolves the duty of providing a medium of exchange for the use of its citizens. We have seen that our own Government provides a part of the needed amount by coining gold and silver, and issuing its own promises to pay, in notes of various denominations, while delegating to groups of incorporated individuals the power to issue still more paper money; to be put into circulation by loaning it to the business interests at a profit, which last year (1918) amounted to some fifteen millions of dollars net.

Assuming that the larger amount mentioned by the Hon. Minister of Public Works, three hundred and fifty



millions of dollars, will be needed to carry on the business of the country and pay interest charges and pensions, it follows that the greatest activity will be necessary on the part of everyone, if that amount is to be earned and provided over and above our living expenses and the other fixed charges that we have been carrying for so many years. And to that end a scarcity of money must not be allowed to hinder the employment of labor in any industry or undertaking. If there is not enough available for everyone who needs it for productive purposes, then more must be created in just the same way as what we now have has been created; and if the banks will not meet every demand for loans on the usual security, then the Government must itself do so, by creating paper money in the same manner as heretofore, and lending it on the same conditions that the banks impose as regards security for its return.

No one doubts the security that the country offers for its bonded indebtedness; and had the war continued longer, that indebtedness might have been doubled without the least suspicion being voiced that the security for its payment was not in every way ample. That being accepted as true, it must also be true that a money issue of the same amount would have been just as well secured; therefore an increased money issue to discharge the public debt, and thus save interest charges, is in every way warranted by the circumstances.

During the war very little building was possible, partly on account of high prices for material, but principally because it was almost impossible to secure loans, as the result of so much money having been advanced to the Government for patriotic reasons. Inquiry shows that the scarcity of money for building loans is just as acute as ever, which suggests the thought that if a con-

siderable part, or even the whole of the domestic loans were repaid by an issue of government legal tender paper money, that the situation would be much relieved, and that money would be available for many enterprises besides building. Every consideration points to the fact that it would be advisable to retire all domestic loans by an issue of government money, even if as much as six months' interest bonus had to be given, because the money would seek investment, and that investment would mean industrial activity, and industrial activity would mean greater ability to provide the money that it is admitted the Government must have; and the Government would owe no more in the form of notes than it does in the form of bonds, with a considerable saving in interest charges, which means that the people would have more money for business purposes, and less would be required from them in the way of taxes and other dues.

Assuming that all loans raised in this country were paid by an issue of extinguishable legal tender, there would remain only the foreign loans to take into consideration; and because foreign loans are always paid by a shipment of manufactured goods or natural products, that are sold and the necessary foreign money secured to liquidate the loan at the place of origin, then all foreign loans could be paid by the Government purchasing our natural and manufactured products and selling them in the country where the loan was to be paid. It needs little imagination to foresee the great industrial activity that would follow the inauguration of such a policy; and if an amount of this Government legal tender money equal to five per cent. of the national debt, just the interest charges that we now have to pay, were

destroyed each year, not only the entire debt, but the entire issue of money that paid it, would have totally disappeared in twenty years.

Anyone who objects to a Government issue of legal tender equal in amount to its debts, for the purpose of paying them, and saving interest charges of ninety millions of dollars a year; will have to show that the security behind such an issue is not just as great as behind a bond issue, and if they are unable to do so there is nothing more to be said. But perhaps the objection will be that to issue an amount of paper money would result in severe depreciation. Let us see if it would or would not.

The debt being, say, one billion and eight hundred millions of dollars, and the population eight millions, it works out at two hundred and twenty-five dollars for each person; but as the debt could not conceivably be paid except over a period of some years on account of the necessity of paying a considerable portion of it with exportable goods, no more than possibly a hundred and twenty-five dollars in Government money per each individual would have to be provided, an amount so relatively small, that to fear depreciation in its value would be idiotic, especially as it would be legal tender for all debts, public and private, with everyone anxious to redeem it with something they had to sell. Besides the Government would demand that they be paid back during each year three hundred and fifty millions of it, or forty-four dollars from each man, woman and child.

If people really knew what caused depreciation in the value of paper money, it could not be made such a bogey by those who oppose any financial change through fear of losing some pecuniary advantage that the present system affords them. Ordinarily, depreciation means that while the standard of value remains constant, every-

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thing else has become dearer. People with steady incomes know this only too well, their money is not nearly as valuable as it was five years ago; in comparison with the value of some articles of every-day use, its purchasing power has depreciated one-half. But depreciation in its worst form, is the result of the government that issued the money disappearing from the face of the earth; as witness the southern confederacy. Between the two extremes of a relative depreciation following a variable increase in the price of commodities as the result of war, and total valuelessness because a government has collapsed, is the depreciation caused by a government that, while perfectly solvent and able to weather the storm of war, has entered into obligations that necessitates the use of gold to pay for importations, and therefore refuses to accept its own notes in payment of custom and other dues, thus compelling its own citizens to supply it with the metal, to their individual and collective loss of an amount equal to the premium that becomes attached to gold. No such possibilities face us. No nation in the world has fewer enemies or a more patriotic population, while our natural resources are so abundant that only an adequate amount of the medium of exchange, and relief from an unnecessary interest burden is needed to make us the most prosperous country in the world.

Why anyone should object to our debt being paid in the only way possible, and in a way that would incite the greatest industrial activity, is not understandable; but then I don't know that anyone will object. So far as objection to the proposition is concerned, the insurmountable obstacle that will have to be overcome by the objector, is my contention that the security back of the present bond issue, that on all sides is admitted sufficient, would be just as effective behind a money issue; par-

ticularly as such a large part of it must be returned to the Government each year in the form of taxes and other dues.

The Hon. Minister of Public Works invited suggestions from a weekly journal regarding the sources from which an increased revenue of two hundred millions of dollars a year might be derived. Obviously there is no other source than the people. They must earn the money and hand it over as the result of a multitudinous number of petty exactions on matches, toilet articles, medicines, tobacco, etc. There is no possible escape. The people who work will have to pay to the last dollar. Even if a business tax secures millions from the employers of labor, it will only be farming out the taxes, as in the last analysis the worker is the one who pays; and as he must pay, the only fair thing is for the Government to see that no industry languishes and no opportunity for employment is lost, through the lack of sufficient medium of exchange to make possible the desirable and necessary activity.

Did the Hon. Minister ever think that a few millions of revenue might be secured by lending to the business community government notes that were issued for that express purpose, and additional millions, if the savings deposits were removed from the custody of the banks, as they should be, and the profit from their use retained by the Government. While that would not meet the increased needs it would help some, especially as the Government is not above imposing a tax of one cent on articles in common use.

The Directors of the Canadian Government Railways require ninety millions of dollars for extensions and improvements, which offers a good opportunity to prove the absolute soundness of an issue of extinguishable

paper money to finance public works, and to be destroyed at the rate of five per cent. a year until it passes out of existence. If it is not done, another interest charge of four millions of dollars a year will be added to the people's burdens, for the benefit of men who now have more than they need, and, as usual, it will come out of the pockets of those least able to afford it.

## CHAPTER VIII

### BORROWING "MONEY" IN OTHER COUNTRIES

Money as a means of facilitating the exchange of commodities has been in existence from the earliest times and apparently its use could not be dispensed with. So necessary is a medium of exchange that its destruction would paralyze every industry except food production, and it would remain paralyzed until facilities for exchange were again restored. Not only must a medium of exchange exist, but it must be of sufficient volume to meet each and every demand for its use. It must not be liable to monopoly or control by any corporation or class of citizens, so that an artificial restriction of its use would amount in effect, to a reduction in the indispensable quantity without which stable and healthy industrial conditions cannot exist.

No one denying the need of a medium of exchange, it becomes impossible to deny the need of having enough. The criterion by which we can judge whether our Government and the various incorporated financial institutions that have the power of creating "money," have provided enough, will be found in the fact of whether or not, business men or corporations, municipalities and even the Government itself, can secure in our own country, the

funds for temporary or permanent investment necessary to finance business enterprises and public improvements for the purpose of trade and the development of natural resources, without the need of borrowing in other countries and creating a burden of interest charges that are both oppressive and unnecessary.

The creation of an adequate amount of money or medium of exchange is not impossible. The mere fact that so many people believe that money may be borrowed in other countries and brought here, shows that they unconsciously recognize that the government of the country in which they believe it possible to borrow, has been wise enough to create sufficient money, not only to facilitate the production and distribution of commodities that keep their own people usefully employed, but have in addition, created a surplus that may be loaned in other countries to their consequent advantage. I repeat, they ascribe such financial wisdom to the rulers of other countries unconsciously, because if they were conscious of the actual meaning of the measures of financial relief they expected to secure by borrowing abroad, they would be up in arms, at the gross and unforgivable negligence of their own Government in not providing as much money as conditions of production and distribution required; thus not only saving to the people the immense yearly interest tribute—for which we receive in return only an acknowledgement on a scrap of paper—but providing at the same time, the means of increasing production and consequently distribution and consumption to such an extent that lack of employment would be unknown throughout the length and breadth of the land.

A widely prevalent belief that the moon was made of green cheese would be no more ridiculous and silly, though incomparably less harmful, than is the actual and

almost universal belief that money can be borrowed in other countries and brought here to be used; thus increasing by that amount the volume of our currency. Money borrowed in other countries cannot be brought here to increase the amount in circulation and never is. The money created by other governments is not a legal tender in this country, and there would be no way of getting it into general circulation, as the public would refuse to use it through unfamiliarity with its value. It is goods, natural and manufactured products, not money, that is really borrowed in other countries, and the borrower secures the money as a result of the imported goods being sold; the transaction being financed by the banking interests. The Hon. Thos. White, Canadian Minister of Finance, has declared that we borrow goods, not money, and only a man whose head is solid ivory would dispute the statement he made in this connection before the Montreal Canadian Club, on Dec. 14, 1914.

He said: "Now it must be borne in mind that if a nation borrows it must import. You can either say that you borrow by way of import or that your importations represent your borrowings. Otherwise you would import your borrowings in gold which no lending nation would permit you to do. Canada has borrowed nearly three thousand million dollars in Great Britain, four times the amount of gold in the United Kingdom. The conclusion clearly is that to obtain your borrowings you must import commodities."

This great amount, three thousand millions of dollars, is not to be understood as having been borrowed by the Canadian Government alone. It represents the total indebtedness of the people of this country to the people



of Great Britain, that is, the borrowings of the Dominion, Provincial and municipal governments, and of railway, financial, manufacturing and trading corporations.

Having abandoned the belief that is deep-rooted in the minds of everyone, that we can and have borrowed money in other countries and brought it here to be added to the amount previously in circulation, we may perhaps realize that there is a financial problem and that on its correct solution depends the well-being of the common people. If we can find the solution, then means can be taken to bring our government as well as our financial institutions to a realization of their duties to the public, which, after all, is the source from whence is derived their power as well as profits, and who cannot in fairness be considered as having no interest in the matter, though, unfortunately, they have so far shown little.

Of all the millions of dollars in money the Canadian people have so implicitly believed was being borrowed and brought to this country to finance the production of wealth from our forests and fertile lands, from our fisheries and mineral areas, it turns out as a matter of fact, that it was not money, but millions of dollars' worth of goods that was borrowed, and that goods, not money, were imported as a result of that borrowing; goods that might better have been made here unless they were to have been paid for by an exportation of our own products of an equal value. The utter absence of British money from store or workshop and factory, from railway construction and lumbering camps, even after large borrowings had been announced, should have excited suspicion, but apparently did not. So we continued to borrow goods that we should have made, but could not, because our medium of exchange was not abundant enough to finance the production of sufficient wealth to keep us

continuously employed as the result of its creation and circulation being controlled by a group of banking institutions that by utterly unsound but plausible arguments, so hoodwinked the producing and distributing interests that they allowed a virtual monopoly to be made of our medium of exchange, and without protest saw such profits as 18% being made by the banks.

The following is a choice sample of the utterly misleading statements that have too often been accepted as true on account of the position held by the person making them. In this case it was the general manager of one of the larger banking institutions who said in his annual address to the shareholders not five weeks after the memorable declaration of the Finance Minister on Montreal: "We were confronted in August last by an unprecedented situation, being suddenly thrown upon our own resources by the stoppage of the flow of foreign capital. Until this flow is resumed, it is evident that we must live within ourselves. The problem is, can we do it? I think it is possible."

There can be no doubt whatever about this being a deliberate attempt at deception and an effort to cover up the delinquencies of his own bank by placing the blame for an apparent shortage of money where it didn't belong, and because foreign capital is outside Canadian control, he got away with it; and the people weren't wise enough to turn the searchlight on the sources of native capital whose utilization might to some extent be controlled by public opinion, so his bank kept in its vaults the millions of dollars it had withdrawn from circulation during the short period of six months.

Such a false and unfair statement should never have been made by a man in his position. He could not plead ignorance, because, being a banker, he knew just as well

as the Finance Minister did, that there had never been a flow of foreign capital. The only flow there had ever been was one of foreign goods that were sold here by the borrowers and the proceeds used in their various enterprises. It was the only way they could get hold of Canadian money, and the importation prevented the production of three thousand millions of dollars worth of Canadian goods, besides leaving the country in debt an equal amount with an interest charge of one hundred and fifty millions of dollars a year. And to say that since the flow of borrowed goods had stopped that we must live within ourselves until the flow resumed, was superlative nonsense as harmful as it was purposely idiotic.

That our banks might make excessive and unreasonable profits they have restricted the creation of our medium of exchange to such an inadequate amount that its loanable value is much greater than it should be, so that large business concerns and even our governments resort to borrowing at the cheaper rate prevailing in Great Britain. The amount borrowed being advanced by Canadian banks until British goods were brought here and sold, with the inevitable result that the "borrowed" goods take the place of goods that would have been made here had enough "money" been created in this country to finance private and government activity. And there is absolutely no reason why enough "money" should not have been created to supply every demand. We have gold, silver and paper in abundance, and it would have been created except for that unholy greed for profit that actuates our financial institutions.

Our financial position is far from satisfactory; our indebtedness to other countries through borrowing increases over three hundred millions of dollars a year

with no prospect of its ever being reduced unless financial reform can be brought about by a united demand from the people whose activities are adversely affected by a continuation of the present system.

If, in the ordinary course of trade, other countries had sent us manufactured goods and raw material, we could have matched their values with the food products and lumber we sent them, and we would equally have profited by the transaction. But we could not make such equitable exchange of goods while handicapped by an insufficient amount of medium of exchange that caused indecision and loss of time, and often unprofitable undertakings, with periods of stagnation and unemployment that in the aggregate meant a loss equal to the amount in which we became indebted through the unwise financial system for which our banks and government were responsible.

Had there been an adequate supply made of the medium of exchange, activity would have been unrestrained and accumulations of natural and manufactured products—yes, accumulations, for it is only by accumulating wealth that a nation becomes wealthy—would have awaited a fair exchange, and we could easily have provided from our profits whatever money was necessary for expenses of government and public works.

If one will give the subject even the most superficial consideration, it is at once apparent that money can never be transferred from one country to another except in negligible amounts, for the reason that it is not a legal tender in any country except that in which it originates, and, besides, no country could very well spare any of its currency for there is little enough anywhere to

make possible the almost numberless daily exchanges of commodities, unless the lending nation was prepared to resort to barter.

When our Government or a municipality, a railway or business corporation borrow money in other countries, the money is not brought here, but pays for goods that are brought here and sold, so that the proceeds of the loan is received in Canadian money that was actually here before the loan was negotiated, but in the round-about process of getting the money, goods are brought into the country and take the place of goods that otherwise would have been manufactured or produced in our own factories by our own citizens, and to the extent of the value of the loan or rather importation of goods, the transaction has prevented production and caused unemployment. And the heralded borrowing that was to be such an aid to the development of our country turns out to be a delusion and a snare, and never added a dollar to our circulating medium. The money that paid the wages of the laborer on railway construction work was Canadian bank or Government notes. And for every man who got a job with pick and shovel, two were kept out of work in field or factory by that unwarranted importation of goods that we could just as well have made or, if the importation had come in, in the ordinary course of trade, would have been paid for by an exportation of our own goods of an equal value, which of course would have afforded our working men the same amount of employment.

Any actual transference of so-called "money" has always been in the form of bullion which, as a product of labor, seeks a market the same as any other commodity, whether it be wheat, pork, lumber or any other tangible result of human activity. But gold, for reasons that

anyone can understand, is more convenient to use in settling trade balances between countries, whenever such settlements are considered desirable, than is any other commodity. And such a transference of gold is a transference of "goods," not "money." From a country like ours, so much in debt that its total annual gold production would not begin to even pay interest charges, the exportation of gold is simply the exportation of so much raw material.

Undoubtedly objection will be taken to my argument that the importation of "borrowed" goods prevents to that extent the production of Canadian made goods, and the claim will be advanced that the proceeds of the sale of "borrowed" goods will pay for other work that is just as necessary as would be the production of the native goods, that would take the place of "borrowed" goods. This is a fair statement of the arguments of those who support the policy of borrowing and would merit consideration if it was true, but the facts are, that if a little money could be created in this country, enough could just as well have been made; when the work could have proceeded without the necessity of borrowing in other countries at all; and had the goods still been imported, they would have been paid for with Canadian goods, with the result that twice as much employment would have been afforded Canadian labor, as would have been afforded had the importation represented borrowed money, and we would have been saved the interest charges that we must continue to pay for an interminable number of years; for railway, municipal and government indebtedness have never shown any signs during my existence that they would ever become less.

If it were possible to bring borrowed money here and keep it in the country, much of the objection to borrow-

ing abroad would disappear because then whatever goods were imported would have to be paid with the goods we produced, and in time the accumulations of borrowed money would be sufficient to finance any projected enterprise or public work, when borrowing abroad would automatically cease. But when borrowed goods on which interest will have to be paid for an unknown number of years are brought here, there is no increase in our circulating medium, so that no great accumulations of capital are possible, and the process of borrowing goods must be continued indefinitely, which means less production of wealth, less prosperity, and less ability to pay taxes.

Of course, the excuse is, and always has been, that the people could not pay enough in taxes to support the Government and provide the necessary public works, and, in addition, supply the money to develop the natural resources of the country, so that a resort to borrowing "goods" became necessary. If that is true, how and when did they become rich enough not only to provide the Government with three hundred and fifty million dollars a year for public expenses, and in addition pay one hundred and fifty million dollars a year interest on borrowed goods, and pay as they are expected to pay and will have to pay, three thousand million dollars due as principal. If the security the people of Canada can offer for the repayment of three thousand million dollars' worth of borrowed goods is considered satisfactory, would not the security have been just as satisfactory, for a money issue by the government or by the banks for any required amount up to three thousand millions, for the development of the country and the use of individuals in facilitating the exchange of what they produce? It certainly

would, and if the money had been issued, the interest on the "borrowed" goods would have remained in the country, and the "borrowed goods," had they still been imported, would have been paid for necessarily by the production on our part of three thousand millions worth of goods, that under the circumstances we did not produce. And had they not been imported, the production of that amount of extra wealth would still have been necessary, and under those conditions of industrial activity, the prosperity and comfort enjoyed by the humblest citizen would have been without precedent.

It was, and still is, the duty of our government to purchase the total gold production of Canada, with a considerable part of the silver production, and pay for it with a legal tender issue, until the accumulations of money in the country becomes so large that no outside borrowings will be necessary. The issuing of legal tender to pay for an accumulation of gold would be a permanent addition to our medium of exchange. While the hoarding of gold and silver would not be absolutely necessary, as the wealth of the country is security enough for any needed amount of medium of exchange, it is nevertheless, advisable on account of the feeling of security it would create in the minds of the people, and the government might as well have the metal as not have it. A money issue without a gold reserve, is just as safe as a bond issue without a gold reserve, and it is true that as long as a bond issue can be sold at par, the interest being the prevailing rate of interest, legal tender to the same amount can be issued with perfect safety, and used for purchasing supplies, paying for services rendered or loaning on industrial or business security.

If the wealth of the inhabitants of Canada is good security for a debt of three thousand millions of dollars



owed abroad, it is just as good a security for a money issue of that amount by their government, the greater part of which would necessarily have had to be loaned to individuals and railway enterprises that were developing the country, and from which an income would have been received, so large that little or no taxation would have had to be imposed on the people.

The advantages of a money issue over a bond issue, by a government that desire to become possessed of needed supplies and materials, and to pay for services rendered, admitting that there is the same security for redemption in both cases, which no one can deny; is plainly in the saving of interest payments that would be necessary on a bond issue; which is a saving to the people, who would have to pay the interest as they have to pay all other expenses of government. As between individuals who become possessed of bonds or money, the advantages are all on the side of the money holder. The bond holder receives less interest than the money holder could get by lending his money, and real estate security is just as good as government security. If an owner of bonds wants to sell, he must be to the trouble of finding a purchaser and will possibly have to sell at a discount, while the owner of money has no such difficulty. His money is legal tender for anything he wants to purchase, and is redeemed every time he pays taxes or other dues to the government; in fact, every time he exchanges it for something he needs it is redeemed so far as he is concerned.

Our financial methods are radically wrong. The paramount duty of the Government is to protect the individual in his right to provide himself and those dependent on him with the necessaries of life, unhampered by unjust conditions that would rob him of any of the results

of his toil. And that duty is not performed unless an adequate amount of the medium of exchange is provided to facilitate the production and exchange of commodities.

Canadians individually should be as wealthy as any people in the world, great wealth or extreme poverty should be unknown, and unemployment unheard of. But such desirable conditions must wait on a change in our financial system. A halt should be called to this eternal borrowing. We must pay as we go, even if we cannot immediately begin to reduce our liabilities in other countries. Financial methods must be studied, so that the advocates of sound and sane finance may be able to refute the arguments of those who, through lack of knowledge or because it is profitable to themselves, uphold a system that is unwise, inequitable and unjust to every toiler, business man and agriculturist in the land.

We know that people in other countries have invested money in Canada because they thought it profitable to do so, and if good judgment was used in making the investment, an income has been enjoyed in their homes in other lands, that was earned by human hands toiling in the fields or mines and forests of Canada.

That is supposed to be developing the country with foreign capital and is likewise supposed to be very beneficial to the country. But if the Government and the banks had provided sufficient money, and had encouraged industrial development wherever the employment of labor was profitable, or wherever labor was available and wanted employment, there would have been no opportunity for the investment of foreign capital, and all the profits would have remained with us. And the results would be seen in better homes, in better and more congenial surroundings, and a higher standard of living and comfort.

But British and foreign capital is no more brought here for investment than is British or foreign money after it is borrowed. In both cases they come here by way of importations of goods, that have to be sold and changed into Canadian money—though not in such a slow manner as a recital of the fact would seem to indicate, for the volume of international trade is so large and the system of adjustments adopted by the banks so efficient, that an apparent importation of money can be effected with little delay—which in every case pays for the labor and material used in the industry being developed. And in every case, as I have before pointed out, the importation of these goods as a loan or investment prevents the production here of goods of equal value.

Newcomers to our country can bring us nothing that we should need except themselves. Everything else we have or ought to have in abundance. We have agricultural and pasture lands, mineral areas and forest regions, water powers and fisheries, which we could not borrow from other countries even if we wanted to. They are here, the sources of our present and future wealth and coming greatness, and the profits from the production, distribution and utilization of that great wealth should all be ours. No hundred and fifty millions of dollars a year should go, virtually a gift, to people who live in other countries, simply because we have too long allowed ourselves to be deceived by plausible but wholly unsound arguments. We should not continue this unnatural tribute any longer than the time required to change our financial methods and liquidate that enormous debt of three thousand millions of dollars in the way and manner I have elsewhere described.

The belief is almost universal that to bring in outside money to assist in developing the resources of our country is in the highest degree a work of patriotism. I have

endeavored to make it plain that money from other countries is never actually brought here. I do not ask you to believe it on my unsupported assertion. The highest authority in Canada, the Finance Minister, has declared that no country would allow its money to be exported, and that when we borrow, we borrow goods. If you would not accept my statement as being true, you certainly will accept his.

All a citizen of another country can do with his money to help develop our country is to exchange it for ours, which plainly does not add a dollar to our circulation, but does result in an importation of goods of the same value without any of the advantages of a counterbalancing exportation. But if instead of money, he brought horses and cattle, farming implements and household effects, and an actual increase in the wealth of the country to that extent become apparent, it would have no bearing on the question I am discussing. Even if the population was greatly increased in that manner, there would be no greater individual earnings or individual wealth while financial conditions remain as they are.

The importation of three hundred millions of dollars' worth of borrowed goods each year, which is about the amount of our supposed borrowing of "money," on which interest to the amount of about fifteen millions of dollars has to be paid annually, shows a serious condition of things. For it must be remembered that the interest on what we borrow this year will be doubled by next year's borrowings. In cold type the figures are: Interest this year, 15 millions; next year, 30 millions; next year, 45 millions; next year, 60 millions; added, of course, to the 150 millions we are already paying on previous borrowings of goods as loans or investments. The enormity of the problem makes it almost overwhelming, and requires that heroic measures be taken if the Canadian people

are to enjoy that degree of prosperity and comfort, that their intelligence and industry, coupled with the almost limitless resources of the country, entitle them to have and enjoy.

The prosperity of the United States can be largely accounted for by the determination of that government to be financially independent of other countries to as great a degree as possible, and the consequent large amount of medium of exchange it provided by purchasing enormous quantities of gold and silver bullion, and paying for it with certificates of small denomination which were made legal tender. And providing as well through its banking laws for the creation by local banks of whatever amount of medium of exchange a community required. Though I by no means believe that their banking laws are so much better than ours, that we should copy them.

The great majority of the people appear to be utterly oblivious of the fact that large and unexpected importation of goods caused by an actual though wholly artificial need for borrowing money in other countries, may and often does cause unemployment, even though the annual consumption of goods is as great as ever; for a family must eat even though nothing is being earned, and the charitable must pay the bill. During the idleness of any considerable part of the population, food and other goods are consumed, so it is not simply a question of no addition to the combined wealth being made for a time, or of standing still, but of previously created wealth being consumed or destroyed. And there may be a greater loss of wealth, through unemployment caused by borrowing than is created through the supposed beneficial effects of that borrowing.

The addition of intelligent, healthy and industrious individuals to our population should be heartily wel-

comed and encouraged. And our government should be so alive to its duties and responsibilities that no lack of money should hinder or prevent an immediate application of their energies to the object they had in view at the time of their arrival.

As soon as possible we should end forever this pernicious system of getting deeper and deeper into debt to other countries. Getting in debt is no more profitable to a country than to an individual. When the time comes that liabilities equal assets, how rich is an individual and how rich would be a country? The wealth would still exist, but the income would go to others and we could only enjoy it if we repudiated our debts and retained it by force.

The situation is one that requires the deepest and clearest thought on the part of every patriotic Canadian, who should forever relinquish the defence—if he does defend it—of financial methods that are detrimental to the best interests of the country, even though their continuation benefits him personally. Remember that one hundred and fifty millions of dollars worth of Canadian goods—not money—sent out of the country every year to pay the interest on borrowed goods, with a probable increase of fifteen millions of dollars in interest charges each succeeding year on more borrowed goods, will amount to three thousand millions of dollars in about 18 years—without anything having been paid off on the principal sum, which by that time will have grown to a debt of five thousand and seven hundred millions—with an interest tribute so vast and exacting that it is no wonder business conditions are unsatisfactory or that we have periods of depression and unemployment, and our Government unable to secure enough revenue to meet current expenses.

