that when government possesses the monopoly of issuing paper money, and carefully limits its quantity, and both receives and pays it out at par, it may keep an inconvertible paper at par, or even by sufficiently limiting its quantity carry it above par. But this truth does not make an inconvertible paper a good money, because it does not make it a self-regulating money, and because government is not wise and firm enough to fix and maintain a proper limit. Though Parliament intended in successive acts to confirm to the Bank of England the monopoly of banking by enacting that no partnership of more than six persons should take up money on its own bills, yet the common law assured to private persons and smaller partnerships the right to do this; and private bankers multiplied after the suspension, since they were allowed to pay their notes in Bank of England notes. Thus the quantity of paper money gradually increased till in August, 1813, the Bank of England notes were at 30% discount in gold.

The United States, both as Colonies and as a Country, have had varied and instructive experience with inconvertible paper Money. We will glance at two or three specimens only. The first issue of Treasury Notes, commonly called Greenbacks, given by Congress the quality of legal tender for all debts, public and private, except duties on imports and interest and principal of the national bonds, was made in April, 1862, and was justified in Congress and out solely as a war measure. An aggregate of $450,000,000 was put out in all, of which $87,000,000 were afterwards taken in, and the balance was still circulating in 1890. In one month after the first issue of $150,000,000, these greenbacks began to droop in value as compared with gold; in four months, when the second batch of $150,000,000 was authorized, their depreciation was already marked and firm; and in nine months, when President Lincoln

reluctantly gave his approval to the third issue of the same amount in order to pay off the soldiers and sailors, he uttered a solemn protest against the policy of thus inflating the current money, which, he said, "*has already become so redundant as to increase prices beyond real values, thereby augmenting the cost of living to the injury of labor, and the cost of supplies to the injury of the whole country.*" In March, 1863, $50,000,000 of paper promises for fractions of a dollar were authorized, redeemable in sums of not less than three dollars in greenbacks, and receivable for all dues to the United States less than five dollars, except for duties on imports. Subsidiary silver coins have since taken the place of these fractionals. In July, 1863, the greenback dollar had lost one-quarter of its nominal value; in July, 1864, it had lost almost two-thirds of its nominal value, as its lowest point was reached in that month, namely, 35 cents as compared with the gold dollar; in July, 1865, it had risen to 70 cents; in July, 1866, it stood at 66 cents, just two-thirds of a dollar proper; and from that time it slowly rose, with many fluctuations, till New Year's, 1879, when it became legally and actually redeemable in gold and silver. Its variations for the sixteen years, however, cannot be counted by the number of years, nor even by the number of days; for they were numerous on each business day, and, as Comptroller Knox says, "*can only be numbered by tens of thousands.*" What a Measure of Services that was!

Between 1863 and 1879 the Bills of the new national Banks were redeemable in the greenbacks only, that is to say, one species of national promises-to-pay were paid on demand by another species of similar promises, both alike inconvertible into coin; and, as a natural consequence, the bank-bills bobbed up and down in value in servile obedience to the inconvertible legal tenders.

Massachusetts Colony was the first constituent of the present United States both to mint silver, and to issue irredeemable promises to pay it. Under the false impression that only Money made inferior to Sterling would stay in the Colony, Massachusetts began to mint in 1652 silver shillings and sixpences and threepences purposely debased in weight (including seigniorage) 22% below sterling. The silver for these coins came in mostly from the trade with the West Indies, to which were now shipped peltry, fish, various forms of lumber, beef, pork, pease, cattle, and horses, for which they took mainly sugar, molasses, rum, and silver. "*They would have brought more silver and less rum and other merchandise, had the first been in greater request at home.*" (Bronson.) John Hull, the mint-master took out 15 pence out of every £ for his own pay, and grew rich by the process. That was over 6%. In 1662, a twopenny piece was added to the series, and the mint existed (sometimes idle) for over 30 years, but all the pieces coined bore the dates of 1652 or 1662. This paucity of dates is commonly and perhaps properly accounted for on the ground that coining in the colony was contrary to the prerogative of the Crown; but it is to be added that John Hull was not a man to get new dies so long as the old ones would answer his purpose. The law forbade the exportation of these pieces under the penalty of thereby forfeiting one's whole visible estate; because, though this money was much worse than sterling, there was a worse money than this circulating in the colony, and Gresham's law began to crowd it from the first, and to some extent it was both smuggled out and clipped down. But it furnished a sort of standard, nevertheless, and tended to keep the later money within distant sight of the silver, and became the reason why in New England there were six shillings to the dollar. The Spanish pillar dollar,

which was the standard in the West Indies, was worth 4*s.* 6*d.* sterling; and in 1672 a law was passed in Massachusetts allowing these dollars to circulate at 6*s.* provincial, which was a discount on the home pieces of 25%. Ever after there were six shillings in a dollar in New England. Hull's money is called the "pine-tree" coinage, and was the only coin money minted in the country till after Independence.

Also in 1690 Massachusetts set the first example, which was imitated 20 years later by the other New England Colonies and by New York and New Jersey, of issuing "Bills of Credit" to meet the expenses of the two disastrous Expeditions against the French in Canada. Those Bills were not made legal tender in private payments, and pains were taken to keep up their credit, but they were depreciated from the first, and came to be very much depreciated. Massachusetts and Connecticut made their bills receivable for taxes at a premium of 5%, laid special taxes for their redemption, and from time to time called in portions of the issues. In 1718 Connecticut enacted that a debtor tendering these bills should not be liable to legal execution on his estate or person for the payment of that debt, an expedient, as we have seen, resorted to by England in the great Bank restriction of 1797–1821. These early New England bills bore no interest, were not loaned out by the colony, and were a convenient though dangerous means of anticipating the income of future taxes; but after 1712 a paper money scheme originating in South Carolina came into favor in the colonies, which was, to open loan-offices for the issue of colony bills on the mortgage of land, the interest on which helped to pay the colony expenses, the principal of which at first, and on being paid back and re-loaned, furnished a capital to borrowers, while the bills themselves furnished a money for the people. Pennsylvania had the best luck with this

scheme of all the colonies which tried it: as early as 1729 Benjamin Franklin became thoroughly possessed of John Law's notion, that paper money may be "based" on land or other valuables, saying in a pamphlet of that year that "*bills issued upon land are in effect coined land*": Pennsylvania bills nevertheless were at 46% discount in 1748. Some of the later colony bills bore interest, some were of a "new-tenor," so-called, designed to take up the old ones, — Virginia in 1755 made hers a legal tender for debts, — some were issued in bounties for Indian scalps and for various manufactures and fisheries, but all ran one road of depreciation and gave birth to one set of results. Connecticut managed her issues the best of the colonies, and yet Bronson says of the state of things in that colony in 1749, "*Trade was embarrassed and the utmost confusion prevailed: no safe estimate could be made as to the future, and credit was almost at an end: no man could safely enter into a contract which was to be discharged in money at a subsequent date: prudence and sagacity in the management of business were without their customary reward.*"

John Law, a shrewd Scotchman, born in Edinburgh in 1671, son of a goldsmith, with an innate talent for finance and well educated, was the first to give scientific form and color to the false theory that paper money *represents* commodities of some sort, and may be issued to an amount equal to the value of these. "*Any goods that have the qualities necessary in money may be made money equal to their value. Five ounces of gold is equal in value to* £20, *and may be made money to that value; an acre of land is equal to* £20, *and may be made money equal to that value, for it has all the qualities necessary in money.*" The fallacy in these words of Law is patent enough to any one who will stop to think a moment about the *nature of Money*. Because land, for example, has value, it does not

follow that it has "*all the qualities necessary in money*"; and, as a matter of fact, it lacks the precise quality necessary in money, because, though it has purchasing-power, it cannot from its very form and nature become *a generalized and current* purchasing-power. Money is indeed a valuable thing, but that does not prove that all valuable things can be money. With this radical vice of Law's view was wrapped up another, namely, that there may be in any country as much paper money as the sum of the values of all its valuable things. Now, we have learned perfectly, what escaped the acute intellect of John Law, that Money is only a valuable *measure* of all other salable Services; and therefore, that the amount of it that can be made useful at any one time and place is strictly limited, and bears very little relation to the sum of the values present at that time and place.

Scotland fought shy of Law's idea when he published it there in 1705, and so did Paris the first time he visited that city, in which and in other cities he gambled successfully and talked finance to princes and statesmen fascinatingly; but when he returned to Paris in 1715 with his ill-gotten fortune, he gained the ear of the Regent Duke of Orleans, who permitted him to found a bank there, in which were incorporated some sound principles of monetary science as well as the prime fallacy of his system. The bank bought a portion of the State Debt, just as the Bank of England had done, and laid in also a fair stock of coin, and thereupon issued a paper money. For a couple of years, or so, the bank surpassed all hopes, for Law had touched a spring till then but little known in France, the potent spring of Credit. But his whole thought, meditated on for years, could not be expressed through a private bank. The State should be a banker; it should collect all its revenues into a central bank, and attract the money of

individuals to it as deposits; besides, the State has public property of vast value, on the strength of which paper money can be emitted and made legal tender; and thus the State, instead of borrowing, should lend to all on easy terms and the profits thus accruing would lessen or abolish taxes. Nor was this all. The State should also be a merchant; the whole nation should form a commercial company, a body of traders, whose common treasury should be the State bank. Commerce by individuals creates great wealth; why should not the organized commerce of a State make everybody rich? The discounts of the bank, and the profits of the trade, would surely provide for the public service without taxation. These vast ideas were actually carried out. Law's bank became the Royal Bank, issuing a paper money guaranteed by the State and resting back upon the value of all national property. The money was receivable in taxes, nominally redeemable in coin, and made a legal tender. It actually bore at one time 5 and 10 % premium over gold and silver. People were anxious to exchange their coin for notes. Meanwhile a commercial company was formed in connection with the bank, to which the State ceded at first the monopoly of the commerce of Louisiana and of the Canada beaver trade for twenty-five years, and the soil of Louisiana forever; under the auspices of which NEW ORLEANS was founded, and named from the Regent, the patron of the grand system; and in succession, the monopoly of tobaccos, the rights of the Senegal Company, of the East India Company, of the China Company, and of the Barbary Company; until, having almost all the commerce of France outside of Europe in its hands, it entitled itself the COMPANY OF THE INDIES. Its shares rose from a par value of 500 francs to 10,000 francs, more than forty times their value in specie at their first emission. To support such speculations, which completely turned the heads of all classes of the people, the amount of paper money reached at last the sum of 3,071,000,000 francs, 833,000,000 more than had been legally authorized to be emitted. The collapse of this most gigantic bubble of history was terrific. Before the close of 1720, the shares of the Company could be bought for a louis d'or, or twenty shillings sterling, and the paper money of course became worthless.

The ghost of John Law reappears gibbering and chattering in some human shape once in a generation or two in all civilized countries. In March, 1890, Senator Stanford of California, himself reputed to be worth $30,000,000, propounded the question in the Senate of the United States, whether it were not advisable for the Government to issue legal-tender notes on the basis of the real estate of the country. His interrogative argumentation implied, (1) that there was a scarcity of Money causing great hardship to individuals and depression to business, (2) that if national bank bills are properly issued on government bonds it is equally proper to base legal tenders on real property, (3) that there is no natural and strict limitation to the amount of Money in a country at any one time, and (4) that as far as he knows there may well enough be as much money in amount as the estimated value of the real estate. All this is John Lawism pure and simple. All this utterly ignores the nature of Money as a valuable measure of all other Services. It also ignores the truth, that an advancing country needs less rather than more Money in amount as it advances, because cheques and other forms of non-money Credits are constantly increasing both absolutely and relatively. It is because this Senator's monetary notions seemed to correspond with those of a majority of the Senate, that it is perhaps proper to give them here a moment's attention.

These supposed legal-tender notes would be secured by a government lien on land and buildings, and by the direct credit of the Government as well; just as the national bank bills are secured by the bonds of the nation held in reserve for that purpose, and also by the direct image and superscription of Cæsar upon every bill. People holding mortgaged real estate could accept a non-interest bearing government lien instead of a 6% or 8% private mortgage, that is, could pay off their mortgages with the legal tenders given them by the Goverment, the latter taking the lien or new mortgage; and people owning real estate clear could, if they chose, execute a perpetual mortgage to the Government, that is, give up the fee simple to their lands, and receive legal-tender notes to the full amount in return. This would at least relieve the "scarcity" of Money! The volume of national Money at that moment was in round numbers $1,400,000,000; the assessed valuation of the real property of the country was at the same moment at least $15,000,000,000; so that, on this scheme, perhaps $10,000,000,000 of additional legal-tender Money could be issued! Here is paternalism and socialism and John Lawism all combined. Here is a Government of strictly limited and carefully enumerated powers, under a written Constitution as precise as language can make it, containing the solemn declaration that all "powers not delegated to the United States are reserved to the States respectively or to the People," owning or soon to own not only the railroads and the telegraphs but also the major part of the lands of a free country, and going into the mortgage business on the heroic scale!

If this honorable Senator and his like-minded colleagues were tolerably familiar with the financial history of their country, and perhaps they were, they would have known that this precise scheme had had a practical trial in Rhode

Island, just before the adoption of the national Constitution. The Legislature authorized the issue of $500,000 in scrip-money based upon the value of the real estate of the farmers of the Colony. The law required a mortgage for twice the amount of scrip-money based upon it, and it was therefore supposed the money would be as good as gold or better. But somehow or other the merchants of the towns could not see the matter in that light. The depreciation of the scrip-money began at once, and the prices of wares ran up in a way that should have set business in active motion, according to all the views of the "scarcity" school. It was therefore enacted by the Legislature, that anybody who refused to accept the scrip at its face value should be fined $500 and lose the right of suffrage! They made it a legal tender! But business refused to boom. The merchants shut up their stores, the farmers could not market their crops, and idleness and rioting set in all over the State. Then the farmers organized a boycott against the towns, and food became scarce. Meanwhile the mortgage legal tenders would not pass at the best for over 16 cents to the dollar! There was more of "enforcing" legislation, and appeal to the courts, but nothing could boost the mortgage-money. The chief result of the experiment was, that Rhode Island gained in this way the title of "Rogues' Island."

No matter how good the cause, how patriotic the People, an inconvertible paper money is sure to run down at the heel. In June, 1775, one week after Bunker Hill, the Continental Congress voted to emit $2,000,000 in "Bills of Credit" issued on the faith of the "Continent." Eleven separate Colonies, New Hampshire and Georgia issuing none, began about the same time their revolutionary issues of the same sort, amounting in all during 1775–83 to $209,524,776. The vice of such irredeemable scrip is,

there is no economical limitation of the Supply. The middle of 1777, when Burgoyne was prosperously advancing from Canada towards New York, saw a general fall of the notes both Continental and Colonial, and of course and in consequence a universal rise of the prices of other products. At the close of that year, the average depreciation from silver was not far from 3 to 1; at the close of 1778, it was not far from 6 to 1; at the end of 1779, it was about 28 to 1; the Continental press then rested, after $200,000,000 nominally had been put out, but actually about $40,000,000 more than that, a usual if not universal accompaniment of such issues. When the stuff dropped out altogether in the spring of 1781, the country found no more lack of silver for Money than Massachusetts had found in 1749, when and after she redeemed her outstanding bills of credit at 11 for 1 in sterling silver, £138,649 of which, the share falling to her from the capture of Louisburg, was shipped to the Colony in coin, and she became for the next 25 years the "Silver Colony." Assuming that only $200,000,000 Continental had been issued, Thomas Jefferson carefully estimated that the Nation realized from them $36,367,720 in specie value, or 18% of the nominal value.

14. Whether the Money of any Nation be coin or paper or both, when once it is in the hands of the People, Government has properly nothing to say *about the rate of interest at which one person loans this money to another.* Usury Laws so-called, prohibiting the lender from taking more than a prescribed rate % for the use of money loaned, under penalties sometimes of the entire interest and sometimes of the entire debt have disfigured the statute-books of all Nations and of all the States of this Union. Such laws cannot justify themselves for a moment in the light of sound principles of Political Economy. Their origin may

be explained by a reference to two false views, now happily exploded.

(a) The laws of Moses forbade to the Israelites the taking from one another any *interest* on money loaned, but at the same time it allowed them to take such interest freely of strangers; the permission in the one case going to show that there is nothing in the taking of interest that is unjust or sinful, and the prohibition in the other being readily explainable from the general purpose of the municipal regulations of Moses, which was to found an agricultural and not a trading commonwealth, in which every family was to possess land that could not be permanently alienated or sold, in which it was a great object to maintain the personal independence and equality of these families, in which the law for the recovery of debts was very summary and effective, lessening the risk of losing the principal, and which was to be and was sedulously separated in its usages from the surrounding nations. It has been well understood for a long time that the municipal code of Moses was local and peculiar, not necessarily applicable at all to the circumstances of other States, and in no sense binding on the conscience of legislators; and yet there doubtless sprang from the prohibition referred to a prejudice against interest, and this prejudice was perhaps deepened in the Middle Ages and onwards by the conduct of the Jews themselves, who, in addition to their sin of persistently growing rich in spite of the endless disabilities laid on them by the people of Europe, always demanded, in accordance with the permission of their great lawgiver, a good rate *per centum* of interest from those strangers to whom they became money-lenders. The Jews were everywhere hated, and consequently the usury which they practised was hated also. The fundamental absurdity of forbidding in trading communities the taking of interest on

sums loaned to a borrower which he was at liberty to use for his own profit, deterred the nations from going to the length of prohibition, unless it might be in the case of the hated Jews. There is a clause of Magna Charta, interesting as showing how early the children of Abraham became the money-lenders of Europe, to the effect that, during the minority of any baron, while his lands are in wardship, no debt which he owes to the Jews shall bear any interest.

(b) Governments formerly deemed themselves competent to determine and fix the *general* purchasing-power of their own money. Even the Constitution of the United States uses this language: "to coin money, *regulate the value thereof, and of foreign coins.*" There was formerly, and there is still to some extent, a curious and harmful confusion in the public mind in respect to this term, "the value of money." In the only proper sense of the term the *value of money* means its power of purchasing services in general, and the value of money is *high* when a given sum of it will purchase much of general services, and *low* in the contrary case; and a high or low value of money in this true sense depends on a very distinct set of causes from those which determine the high or low rate of interest on money loaned; nevertheless, so long as governments supposed that they could regulate the former, it is very natural that they should also suppose that they could regulate the latter; and although all intelligent governments have given over the idea of being able to regulate the general value of the money they furnish to the people, many of them still adhere to the notion, equally false with the other, that they *are* able to regulate the loanable value, or the rate of interest, at least to prevent any more than their prescribed maximum rate from being taken. A few simple considerations will sufficiently condemn all usury laws.

(1) It is at once needless and invidious to deny by law

to money-lenders, who offer just as honorable and useful services to society as any other class of men, the privilege of selling *their* service for what it will bring in the market, while other men in every department of business are allowed to exchange their services on the best terms they can make without interference or control. Let us see precisely the nature of the transaction when one man loans money to another. It is a clear case of value. The lender does a service to the borrower, and for this service justly demands a compensation. The service is this: The lender might himself use the money to gratify his own desires. It is his money; he may use it, as he pleases, for his own gratification. Or he may himself employ it productively, and, at the end of the period, receive back his principal with the customary rate of profit. If he surrenders this advantage to the borrower, if he passes over to him the right to use this money, say, for a year, he practises what we call in Political Economy *abstinence*. For this abstinence he has a right to claim a reward, precisely as the man has a right to claim a reward who foregoes working for himself in order to work for another. This reward of abstinence is *interest*. The money-lender foregoes an advantage. He performs a service for the borrower; and, therefore, the right to interest stands on just as unassailable ground as the right to wages. Moreover, the loanable value of money varies under Supply and Demand just like other values; there are always those who want to borrow, and always those who want to lend; both parties must be assumed to know their own minds, and to be equally competent to make their own bargains; it is a case of mutual exchange for a mutual benefit, like all other trade; and the current rate of interest is determined at any one time by the actual free exchanges between borrowers and lenders. Now for any government to try to compel a lender

by law to take only 6% when his money is worth 8, is a direct violation of the rights of property. It is a forcible and pernicious interference with the freedom of contracts. It is based on the false premise that the loanable value of money is uniform, and that government is competent to determine what it is. No value is uniform. And no government is competent to determine even the maximum price of money loaned, any more than the maximum price of commodities.

(2) Usury laws are almost uniformly *disregarded*, both by the governments which make them and by the people for whom they are made. Indeed, such laws cannot be enforced in a commercial community. Common sense is outraged by a law which requires a man to part with his property at less than the actual value; and when common sense is against a law, it stands a slim chance of observance. If the legal rate be six, and the actual worth be eight, who lends at six? Not the banks. They require deposits of their customers, the use of whose money shall make up to them the difference between the legal and the actual rate. The modes of evasion are various, but they are adequate and universal. Besides, governments themselves have shown a noteworthy inconsistency in this matter, which incidentally proves the unsoundness of their whole action. While announcing pains and penalties to those who take more than a given rate, they are careful never to bind themselves down to any given rate. Governments are always more or less borrowers, and if usury laws are necessary in order to help borrowers in a pinch, there ought to be a clause in the organic law of every country, forbidding the government to pay and its lenders to take any more than a certain rate per cent. There is no such clause in any organic law. Governments wisely follow the natural market, and borrow low when they can, and pay high when

they must. In the last months of Mr. Buchanan's administration, the United States paid 12% on a public loan, and could get but little at that. Sauce for the goose is sauce for the gander, and if usury laws are good for the citizens, some solid reason ought to be rendered why they are not good for the government. The truth is, they are not good for either, since natural laws are perfectly competent to regulate the rate of interest, and do regulate it substantially in spite of a factitious, impertinent, and mischief-making interference.

(3) If Usury laws were *not* disregarded, they would be even worse in their effects than they are now. We must suppose that their aim is to aid borrowers, and make it easier for them to contract loans. But are borrowers, as a class, any more deserving of the fostering care of government than are lenders? Even if it could make its interference effective, as it cannot, is there any reason why government, leaving these borrowers to make all other bargains, sales, and transfers according to their best skill and judgment, should rush to their rescue only when they propose to borrow money? If they are competent to do their other business for themselves, government pays their capacity a poor compliment in undertaking to help them in the single matter of making loans; and the borrowers in turn have reason to pray to be delivered from their friends, since they, of all others, would be the men especially injured if all the lenders obeyed the usury laws. Suppose that a borrower is in great need of a loan, and that for some reason his credit is now a little weak. Many men would be willing to loan him at 9%, which affords a margin for the extra risk, but at 6, which we will suppose the maximum allowed by the law, he cannot borrow a dollar, because his credit is not quite equal to the best. If, therefore, the lenders obey the law, he, and such as he, must

fail. And because it is unlawful to take over 6% he will be obliged to pay those who are willing to violate the law 10 or 12, to compensate them for the risk and odium of such violation, while, under freedom, he could borrow at 8. Moreover, if the loanable value of money at the time be actually 9, while the law only allows 6, many men will attempt to use their own capital productively, who would otherwise loan it, in order to realize the high rate; and this action of theirs still further restricts the loan-market and makes it more difficult to borrow. If, then, the purpose of government be to aid borrowers, no means could be more unskilfully chosen for that end than to pass usury laws, since such laws, so far as they are obeyed, have necessarily the opposite tendency; and even when violated redound to the disadvantage of borrowers, so long as the laws themselves are popularly regarded as of any legal or moral force.

In 1716, the Bank of England, as a great loaning institution, was exempted from the operation of all usury laws: why the bank only, and not other people as well, the Act of Parliament does not state. In 1867, the State of Massachusetts repealed all its usury laws, though 6% is to be understood in the absence of special agreement, and the result has been entirely satisfactory to all classes of the people. Rhode Island had done this previously, and Connecticut did it subsequently, and both have experienced equal satisfaction in the result. Other States will soon follow in their lead; and this relic of ignorance and prejudice will pass away. Adam Smith left the Wealth of Nations disfigured by the concession that governments might properly enough pass usury laws; but it is gratifying to be able to add that he was convinced of his error in that by Bentham's book on Usury, and fully acknowledged his conviction in the spirit of a genuine lover of truth.

We conclude, then, that usury laws are needless, since interest, like all other prices, will perfectly adjust itself. They are disregarded, since lenders will loan or withhold their money according to their own keen sense of interest. They are pernicious, since they infringe the rights of property, and tend to prevent weak borrowers from having a fair chance in the market.

The present writing is at midsummer, 1890; and, in order to complete the entire discussion so far as this country is concerned, it is needful to add, that, between 1878 (when specie payments were resumed) and 1890, the circulating medium of all kinds is proven by official statistics of the highest authority to have increased from $805,793,807 to $1,405,018,000, or more than 57 *per centum*. This circulating medium consists of six formal kinds; namely, gold, silver, greenbanks, bank-bills, gold-certificates, and silver-certificates. Each of these differs in important respects from each of the rest, but all come alike under our fundamental classification of Moneys, as either an intermediate merchandise or promises to render it. This increase is way beyond any increase in the population of the country, and way beyond any apparent or proven increase in the national business; while at the same time the banking facilities of the country, which always spare the use of Money by substituting cheques therefor in the wholesale business and in a large share of the retail business also, have been increasing in equal measure. The number of national banks, especially in the West and South, has been multiplying. The use of cheques has been enlarging in every commercial community in the land. Yet up to the present time all of this vast volume of Money has been kept at par with gold, and consequently at the highest state of efficiency for commercial purposes.

What about the immediate future? Science is not

prophecy except in a quite subordinate sense. Congress is loudly threatening at this very moment to more than double the enforced monthly coinage of silver dollars at the public expense for the sole benefit of a comparatively few miners of silver. If this threat be executed upon a long-suffering people of tax-payers, who will have no one to blame but themselves if they tolerate the outrage, Science is willing to venture the prediction, that the monetary standard here will drop from gold to silver within a twelvemonth or two; that general prices will rise much beyond the appreciation of money implied in that drop, though they will be illusory and gainless; that prudent debtors will hold high carnival for a time at the expense of their creditors; that the country will become as empty of gold as a contribution-box is of other money between Sundays; that foreign trade (soon to be explained), already in a sickening decline, under restrictions and prohibitions, will hasten to a practical demise; and that the United States, at once the laughing-stock and the victim to the superior intelligence of other nations, will come through alternate fever and chills to a position of common sense and ultimate recovery.

CHAPTER VI.

FOREIGN TRADE.

WONDERFUL is the continuity in the growth of any great Science, and equally so the persistency of any radical error that once gets fairly imbedded within it. As we saw fully in the last chapter Money is nothing in the world but a convenient, intermediate, equivalent, and easily measurable merchandise; but almost as soon as men began to analyze Sales and to generalize from their data, a notion nestled way down in their work, that Sales against Money were somehow or other different from Sales against other merchandise; and thence sprang up, particularly among the Romans, what we have called the Bullion Theory. The broad and the true view was held indeed from the beginning, and was maintained even among the Romans, as we learn from an interesting passage in the Roman Law, — "*Sabinus and Cassius think Value can dwell in another thing than money too, whence is that which was commonly said, Buying and Selling is carried on in the exchange of goods, and that view of purchase and sale is very old; but the opinion of Procullus has deservedly prevailed, who says, Exchange is a particular kind of transaction different from Selling.*"

Science has indeed sloughed off this old and vital error, and most of its sequels; but Public Opinion in many countries is full of it still; and Legislation, in our own country at least, is all the time trying or threatening to