

not, indeed, on a large scale, but in numerous instances. The advantages of this scheme, illustrated by many examples of at least partial and temporary success, will be found stated in the work under the title, *Profit-Sharing*, by Mr. Sedley Taylor. Fresh literature on the subject is now almost daily appearing in newspapers, magazines, pamphlets and official reports. The matter is one of economic and administrative detail, too minute to be treated in an elementary work of this character.

The object sought is to interest workmen in increasing production and in reducing waste and breakage, through a payment to them of a portion of the employer's profits. It is, also, held that this system would have the effect to promote good feeling between master and man, and to diminish the resort to strikes and labor contests, although, in fact, it has not always served, when tried, to prevent the workmen concerned from joining others of the same trade when such contests have once begun.

The difficulties of profit-sharing are found (1) in the smallness of the amount which can thus be distributed among the workmen, without unduly diminishing the employer's interest in production; (2) in the suspicions likely to arise regarding the employer's good faith in declaring the amount thus subject to distribution, unless the workmen, or a committee of them, are to be allowed such access to the employer's books and accounts as few business men would willingly concede, and (3) in the perplexing question, what shall be done, under such a system, in the not infrequent cases where the employer realizes, not a profit, but a loss.

The last of these difficulties is, perhaps, the greatest. The employer is, not unnaturally, disposed to hold that, if the workmen share in his gains, they should also share in his losses; or, at least, that his gains and losses, through a considerable period of time, should be set off against each other, and that only the balance of gain for such a period should be subject to the rule of distribution. Such a postponement of the dividend, however, taken in connection with the smallness of the amount which, at the most, could thus be divided,

would reduce the interest of the workmen in the system, to such an extent as to practically deprive the arrangement of nearly all influence over their actions, if it did not lead to its early abandonment.

III.

POLITICAL MONEY.

439. Inconvertible Paper Money is, by Distinction, Political Money.—In all modern societies, money is at once an economic agent and a political institution. The selection by the State of a money metal, the adoption of denominations and devices for its coinage, the establishment of a standard of purity in the coin, and the conferring of the legal-tender property upon the money pieces so formed, are acts of legislation or administration which give to all forms of money with which we are familiar something of a political character.

But there is one kind of money which owes its existence and acceptance as the common medium of exchange so completely to legislation or to the act of the ruler, that it may be called, by eminence, political money. This is the inconvertible paper money of which we wrote in Chapter 5, Part III. In comparison herewith, the other forms of money known to modern commerce may be regarded as having so little of a political character as to justify their being called economic money.

The essential difference between what we here call economic and what we call political money, is that the supply of the former, under free coinage, is limited by natural conditions of production, while the supply of the latter is released from all such conditions, and is made to depend upon law or the will of the ruler. It requires more labor, in general twice as much labor, to raise two thousand ounces of gold or silver from the mine as to raise one thousand ounces, to be coined into money; but it costs no more labor to print two million dollars of paper money, or ten millions, or fifty, than to print one million. To multiply the amount of such money, it is only necessary to print the word fifty, or ten, or two, instead of the word one.

By some, this capability of increase at will, independently of the expenditure of labor or capital, has been regarded as a prime advantage, and such money has been denominated by these advocates of government issues, political money,—that character being attributed to it as meritorious. It is, then, from the friends of such money that I borrow the term. Accepting the challenge contained in this title, let us proceed to inquire further regarding government paper money, applying to it the test to which all political institutions and arrangements are rightly subjected.

440. The Favorable Possibilities of Political Money.—I have already, with a frankness that has, on other occasions, been severely blamed, admitted that government paper money may, for a time at least, irrespective of redemption, pass in circulation without depreciation; performing perfectly the function of a medium of exchange, registering the comparative values of the several commodities in the market with all the facility and accuracy that could be desired, and serving as a standard of deferred payments well or ill according as its own amount is regulated. Prof. Jevons states that between 1789 and 1809 the value of gold fell 46 per cent.; that from 1809 to 1849 it rose 145 per cent.; while between 1849 and 1874 it fell at least 20 per cent. It is certainly conceivable that paper money might be so regulated in amount as to fluctuate less in value than did gold during the eighty-five years covered by Prof. Jevons' computation.

441. The Liability to Evil Inhering in Political Money.—In the case of every proposed political institution or arrangement, however, we are bound to investigate, not its possibilities only, but also its probabilities. It is not enough to show that it might conceivably be so established and maintained as to yield results of good. It must also appear that its successful working does not depend upon an exercise of prudence, virtue and self control, beyond what is reasonably and fairly to be expected of men in masses, and of rulers and legislators as we find them; and the consequences of its possible perversion or abuse must be weighed against the advantages which might be derived from its legitimate application and employment.

Paper money, then, as a political institution or arrangement, must submit to this test. The man who advocates government issues, without being prepared to show reasonable ground for believing that they will not be so abused as to accomplish more of evil than of benefit, is not entitled to be listened to. After the experiences of the past hundred years intelligent men rightly refuse to take the trouble even to discuss political schemes which assume an impossible virtue, or which disregard the actual conditions under which alone they could be set to work.

In the case of government paper money the liability to abuse is found in the tendency to over-issue; to this end the fiscal exigencies of government (par. 444) are likely to combine with a popular craving (par. 445) for a money of diminishing value.

We have already (par. 220) shown that the smallest degree of depreciation, even, as Mr. Bagehot says, the mere liability to depreciation without its reality, may unsettle the exchanges between the paper money country and those with which it trades, in a degree to work very injurious effects. But what we have here to consider is the liability to extensive over-issues, with an altogether new series of consequences to trade and industry.

442. Two Motives Operating to Produce Expansion.—This liability arises from the fact that, where the principle of inconvertible paper has once been adopted, two powerful motives tend to produce expansion, with no adequate restraining force in operation. When once the traditional fear of paper money is worn off, the only safeguard against over-issue is found in far-reaching, conscientious, disinterested and courageous statesmanship. All the selfish interests that make themselves felt, all the passions of the hour and the appetites that clamor for indulgence, favor expansion. There is an unremitting pressure on that side, which now and then rises to furious impulses against the frail barrier that withstands inflation.

How far is it wise for any moderate advantage to call into being forces which are only to be kept from becoming in the

highest degree destructive by being constantly watched and unremittingly opposed? Is it good policy—is it consistent with ordinary common sense—to invoke, for the accomplishment of a definite and at the best not considerable good, agencies respecting which it is confessed that the least relaxation of vigilance, a momentary indulgence of human weakness, one false motion, will lead to serious, perhaps irreparable disaster?

443. Time no Safeguard.—Nor does the liability to over-issue diminish with the lapse of time. Moderation in the issue of government paper money does not form a political habit which becomes a security against abuse. On the contrary, the longer the *régime* of inconvertible paper money lasts, the greater the danger. The popular mind becomes accustomed to the sight and the thought of it; the fear of it is worn off; a generation comes upon the stage that has not known metallic money, or bank money convertible into coin on demand.

In 1690, the Colony of Massachusetts issued paper money to pay the charges of the disastrous expedition of Sir Wm. Phipps. At first, over-issue took place and depreciation set in; but by prompt action the excess was called in and redeemed, and the notes brought to par. They so remained for nearly twenty years. When, however, in 1710, the second expedition against Canada took place, the colony fell, without an apparent struggle, into the gulf of irredeemable paper; the money of Massachusetts became a weltering chaos; trade was brought into the utmost confusion; production to the utmost weakness. From this miserable condition the colony did not emerge for nearly forty years, till, in 1749, the paper was bought up at 11:1 in silver and burned.

Russia first issued paper money in 1768, and for nearly twenty years kept her notes at par, only to fall at the end of that period into an abyss of discredit and depreciation from which her trade and finances have not yet recovered.

Twice since the Revolution of 1848 Austria has stood on the very verge of specie payments, only to be thrown backward into insolvency by the imminence of war.

The danger of over-issue never ceases to threaten inconvertible paper money. The path winds along the edge of a precipice. Vigilance can not for a moment be relaxed. The prudence and self-restraint of years count for nothing against any new onset of popular passion or in the face of a sudden exigency of government.

444. The Fiscal Motive.—The exigencies of the public treasury constitute, perhaps, the most formidable of the two dangers which menace the integrity of a paper money circulation.

"Real money," said Edmund Burke, "can hardly ever multiply too much in any country, because it will always, as it increases, be a certain sign of the increase of trade, of which it is the measure, and consequently of the soundness and vigor of the whole body. But this paper money may and does increase, without any increase of trade, *nay, often when trade greatly declines*, for it is not the measure of the trade of the nation, but of the necessity of the government. It is absurd and must be ruinous, that the same cause which naturally exhausts the wealth of a nation should likewise be the only productive cause of money."*

The two most marked instances of continence in the issue of irredeemable paper are those afforded by the Bank of England during the period of the Restriction, and by the Bank of France in 1848, and again in 1871. No one can question that the prudence and self-restraint here shown were due mainly to the fact that, in neither case, would the profit of fresh issues have inured to the benefit of the government. At the same time, it would not be candid to omit to mention the loyal observance by the Congress of the United States of the pledge it gave the country in 1864, that the greenbacks should not exceed \$400,000,000.

* In the same vein, Alexander Hamilton: "In great and trying emergencies there is almost a moral certainty of its becoming mischievous. The stamping of paper is an operation so much easier than the levying of taxes, that a government in the practice of paper emissions would rarely fail to indulge itself too far in the employment of this resource."

445. Scaling Down Debts.—In all free governments, or governments much subject to popular impulses, a second danger of over-issue arises from the appetite which is engendered in the masses of the people for further emissions for the purpose of scaling down debts, "making trade good," and enabling works of construction and extensive public improvements to be undertaken, for which taxation could not easily provide the means.

The intrusion of the debtor class into the legislature with their impudent demands for issues to scale down debts is a familiar spectacle. Even the sterling virtue of early New England did not save those primitive communities from the fiercest impulses of political dishonesty, when once the paper money passion had been aroused. "Parties," says the historian Douglass, "were no longer Whigs and Tories, but creditors and debtors. Governors were elected and turned out as the different interests happened to prevail."

The same feature appeared early in the history of the French Revolutionary paper money. We have seen it in our own country during the present generation, an active, aggressive, vehement, virulent force, engendered by the desire of paying debts, wiping off scores, raising mortgages, in depreciated money.

Paying debts is always a disagreeable necessity. For one man who would steal to acquire property, in the first instance, a score will do that which is no better than stealing, in order to retain property which has passed into their hands and which they have come to look upon as theirs, though not paid for.

It is the view of not a few sound economists* that a grad-

* Thus M. Chevalier says: "Such a change will benefit those who live by current labor: it will injure those who live upon the fruits of past labor, whether their fathers' or their own. In this it will work in the same direction with most of the developments which are brought about by that great law of civilization to which we give the noble name of progress."

And Mr. J. R. McCulloch declares that "though, like a fall of rain after a long course of dry weather, it may be prejudicial to certain classes, it

ually progressive depreciation of metallic money, from age to age, might be advantageous to society as a whole, both relieving industry in some measure from the weight of burdens derived from the past, and giving a certain fillip to industrial enterprise.

But here the injury to the creditor class is not the work of man, but of God; like the death of a miserly bad man which brings his wealth into the hands of a generous, philanthropic, public-spirited heir, at which change of ownership men may properly rejoice. But had the heir procured the death of the miser, the aspect of the case would have been entirely different. No plea of public spirit or benevolence in the disposition of the wealth could compensate society for that deep and damning wrong.

A reduction in the burden of obligations, accomplished by the act of a legislature, in the issue of paper for the purpose of enabling the debtor to pay in a depreciated money, has no virtue in it to promote industry or encourage enterprise. It carries with it the sting of injustice and fraud. It draws after it retributive agencies which curse the people and the age. Having reference exclusively to economic interests, we may confidently say that the man who advocates the scaling down of debts, for the sake of encouraging trade and production, shows himself so ignorant of history as to be a wholly unfit adviser as to the present and the future.

IV.

PAUPERISM.

446. The Impotent vs. the Able-Bodied Poor.—The relief of the impotent poor, whether by private or by public charity, is, so far as political economy is concerned with it, a question relating to the consumption of wealth. It is so much a matter of course, under our modern civilization, that the very young and the very old, the crippled and deformed,

is beneficial to an incomparably greater number, including all who are actively engaged in industrial pursuits, and is, speaking generally, of great public or national advantage."