

EQUALITY, NO. I.

LORD! who shall abide in thy tabernacle?
Who shall dwell in thy holy hill?
He that walketh uprightly and worketh righteousness,
He that doeth no evil to his neighbor,
He in whose eyes a vile person is contemned,
He that putteth not out his money to USURY.—*King David*.¹

THE BANKING SYSTEM.

WHEN a certain number of persons desire to be incorporated as a banking company, they petition the legislature of the state in which they reside, praying for such privilege. If the prayer be granted, they are incorporated; and the amount of their capital is fixed in the act of incorporation. This sum is divided into shares; public notice is given; books are opened for subscription; and individuals subscribe for as many shares as they desire, and are able to take. The subscribers are called *Stockholders*, and the shares are called *Stock*. When the necessary amount has been subscribed, the stockholders meet, and choose, from their number, certain persons to conduct the operations of the bank who are called *Directors*. The Directors then choose from their own number, a *President*, and some person, not of their number, to be *Cashier*. Upon the President and Cashier (under the control of the board of Directors) the active duties of conducting the affairs of the bank depend.

¹ Psalms 19:15

Banks prevent competition among Capitalists.

So far all is clear: but certain consequences follow necessarily whenever a bank is established;—what are these consequences? Answer for yourself, reader! Would not the stockholders, if no bank had been established, have remained individual capitalists, competing with each other in the market? Would not this competition have had the effect of depressing the rate of interest? But now, through the establishment of this bank, these capitalists, by uniting their interests, have escaped competition, and all its attendant effects. The capitalist is unquestionably benefitted; but he appears to be benefitted at the expense of the borrower. At first sight, therefore, it would appear that banks are established for the exclusive benefit of the lenders. Let us examine this matter, however, a little more carefully. Competition is natural to man. Every blow aimed at competition, is a blow aimed at liberty and equality; for competition is but another name for that liberty and equality which ought to exist in every manufacturing and commercial community. In the natural order, the borrowers compete with each other, and thus raise the rate of interest; meanwhile the lenders, by competition among themselves, depress that rate. By the establishment of a bank, the lenders prevent competition among themselves, and thus prevent a fall in the rate of interest; it is evident, therefore, that the borrower could obtain money on better terms if the bank did not exist.

A laborer who has no tools, no raw materials to work upon, can bring little, or rather nothing, to pass, no matter how industriously he may follow his calling; he seeks therefore, first of all, to obtain tools and the raw material; that is, he endeavors to find some capitalist who will lend him the money requisite for the purchase of these things. The capitalist, on the other hand, finds his money to be of little use to him so long as he cannot lend it out at interest;—his machinery and raw material will spoil on his hands if he can find no laborer who will make them available for useful purposes. The capitalist and the laborer are mutually necessary to each other; and, for this reason, they are always seeking each other. Banks (according to the true theory of such institutions) ought to be established for the purpose of bringing together the borrower and lender, the laborer and the capitalist. Whoever has anything to lend, ought to be able to go to the bank, and there lend it, provided there is some person in the community who desires to borrow; and borrowers ought to have like facilities. So much for theory; what is the fact?

Banks organize inequality between the borrower and the lender.

Banks are instruments whereby the lenders escape their fair share of the general competition: they are instruments whereby a certain number of lenders are enabled to bring an immense, combined, and crushing force to bear upon every person who does not belong to their number. A bank is a model equality, a model community, a model fraternity, if we consider the stockholders only; but it is a horrible inequality, if we consider it in its relations to the mass of the people.

Banks confer exclusive privileges upon a certain class. Every unprivileged member of the community operates in his own strength; but the stockholder in a bank operates with the whole strength of the corporation. These stockholders mutually insure each other; for, when the bank makes a bad speculation, the loss is equitably divided among all. There is equity among themselves; but woe to him that is on the outside! The unprivileged individual lies awake nights, thinking of his liabilities; he labors hard to bring his affairs to a prosperous issue. The stockholder in the bank folds his hands, and sleeps soundly; he is insured from loss, and has hired the officers of the bank to think and be anxious for him. If operatives combine with each other, because they find competition bears too strongly upon them, and strike for higher wages, they may render themselves legally liable to severe punishment: but, if capitalists combine to prevent competition among themselves, and thus prevent a fall in the price of the commodity they have to offer in the market, the legislature applauds their action, and grants them a charter to enable them to accomplish their purpose more easily and effectually. It is affirmed, nevertheless, that we live in a country of equal laws. If it is for the good of the community that laborers should compete among themselves, it is equally for the good of the community that the capitalists should compete in like manner; at least, so it would appear.

Banks of Discount.

Banks of Discount obtain profits (1) *from interest on notes discounted*. This is the great source of their revenue. You go to the bank and offer your note, payable after a certain lapse of time; if the bank considers you, or your indorsers, good, and believes the note will be paid, the officers will give you the money borne on the face of your note, deducting from it interest for the time the note has

to run. This deduction is called the discount. All this appears very fair. We have seen, however, that in the natural order, the borrower and lender meet on equal terms, since they are equally necessary to each other:—You are obliged, nevertheless, to ask the bank to grant you a discount as a *favor*; you are liable to insult from the bank officials if you happen to be a poor man; you will oftentimes get no discount if you do not belong to some particular political party, or, perhaps, to some particular social clique, or attend some particular church. You will oftentimes be required to leave on deposit in the bank, ten per cent, of what you draw; thus you will be forced to pay illegal interest. The bank has the advantage of you in every way; for you are dealing with a hundred stockholders, who, by combination, have escaped all the effects of competition among themselves, while you stand in your unassisted individual strength;—and your strength is evidently weakness. The bank decides on your claims arbitrarily, and you have no remedy. On your part, you are subject to human feeling; the conduct of the bank toward you may give rise in your heart to hope, fear, joy, or mortification; but, on the part of the bank, there is the insensibility of a body without a soul.

Banks separate between the borrower and the lender.

We have said that banks ought to bring the lender and borrower together; but they never perform this office; and here lies the greatest evil of the whole system. It is the stockholder who is the lender; the bank officer is but an agent. The borrower comes to the bank, his mind filled with anxiety; he is thinking of his wife and children, and is depressed in consequence of reflection on the state of his business; he knows he can give good security for all he wishes to borrow, but fears his offer will be rejected. The lender, instead of meeting this trembling, anxious human being on equal terms as a human being, sends the remorseless engine which is called a bank, to transact the business for him, and in his stead.

Deposits.

Banks of Discount obtain profits (2d) *from deposits*. You deposit your money in a bank, and the bank lends your money, and receives interest upon it. All interest received in this way is divided among the stockholders; no part of it is given to you, although you ought to have the whole, (except so much as would

pay the officers of the bank for their trouble,) since you bear all the risk. Thus banks obtain profits by receiving interest on your money; they make it at your expense and at your risk.

Exchanges.

Banks of Discount obtain profits (3d) *from exchange*. But it is difficult to see how any money can be made in this way if no recourse is had to fraud. The rate of exchange can never rise above the cost of the transportation of specie, including the insurance: if the bank charges more than this, with perhaps a slight addition to pay for the trouble, it charges too much. But banks sometimes make money by the following method:—You go to the bank and ask a discount on your note: you are answered that the bank cannot spare any money, but that you can have a draft on some specified city: you know that exchange is against that city, and that you will be obliged to sell the draft at a loss if you take it: nevertheless, you take it, because you are pushed for money. Thus the bank charges you interest to the full amount, although it knows the draft to be not worth what it purports on its face to be worth. Perhaps the bank refuses to discount for you if you do not consent to pay some artificial rate of exchange. Perhaps an agent of the bank follows you into the street, and buys back the draft at a discount, so that no transaction in exchange really takes place at all.

Banks enable certain persons to live without producing.

Banks can add nothing to the capital of a country; though they may augment the private fortunes of those interested in them. Banks enable lenders to live without working. If there were no banks, the capitalist would become acquainted with the laborer to whom he lends money: he would be obliged to understand the order of business: he would naturally seek out and encourage industrious and honest laborers, giving them facilities; for thus he would increase and secure his own income. By being interested in a great many operations, he would become capable of giving advice and instruction to artisans and mechanics, and thus he might render himself the most useful member of the community; thus all would be enabled to labor to a more effectual purpose. If there were no banks, the (mere) capitalist would unfold his hands, would become human, would have a feeling for common accidents and infirmities: he would no longer isolate himself from

mankind; he would no longer feel that no evil could come near him; he would no longer make it his pride to cultivate a patrician haughtiness. calculated to give him an immediate ascendancy over all who approach him. But the (mere) capitalist is now so secure, he is so well protected by the banking system, that nothing can come near him without his permission. He has no favor to ask of any one, and every body has favors to ask of him. His merit is considered so great by the human race, because he accumulated a fortune in some past time, that he receives (what Socrates demanded for himself) a support at the public expense. He is never called upon to spend a dollar of the fortune he accumulated; he is never called upon to raise his hand for any useful purpose; he is never called upon to exert his mind to look narrowly after his affairs; on the contrary, an arrangement is made by which the public indirectly pay the officers of a bank for furnishing him semiannually, without trouble or anxiety to himself, with a certain amount of money, in a fixed proportion to the fortune he is not called upon to spend; and he lives upon the money which he thus receives, so long as he condescends to exist among men upon the surface of the earth.

We think we are justified in drawing the conclusion that banks operate, practically, to enable the few to bring the many under tribute. So far as the community is concerned, banks do, in practice, cover nothing but conspiracies and combinations to defraud the public. No: the word *defraud* is too severe; for the stockholders in the banks are as honest as the common run of men; nevertheless, we know of no other English word which properly characterises the practical operation of the banking system.

Banks of Circulation.

But to proceed with our remarks: a bank may issue bills to the amount of its whole capital, and the bill-holders be perfectly safe. Indeed, they may be doubly secured. First, there is specie enough in the vaults of the bank to redeem all the bills, and, secondly, the bills were issued in exchange for notes by which responsible individuals bound themselves to pay sums of money to the bank, equivalent to the value they received in bank bills. No bank bill can honestly get into circulation, except in exchange for a note binding the person who receives it from the bank for its amount. Now it is found that a bank can issue bills to a far greater extent than the value of the specie in its vaults, and still redeem every bill, at sight, in specie. For, while one person presents a bill and demands specie,

some other person will probably be depositing specie in the bank: besides, it is almost impossible that the bills would all require to be paid at the same instant. From these reasons combined, it is evident that the bank may, without violating its obligation to redeem in bills in specie at sight, issue a larger amount of them than it contains specie in its vaults. Every bank which thus issues its bills to an amount greater than that of the specie in its vaults, is called a *Bank of Circulation*. If it keeps within the amount of the specie it has on hand, it is not a bank of circulation, for its bills are mere specie checks. Banks in Massachusetts, that have a capital of \$100,000 are empowered to issue bills to the amount of \$125,000: and other banks may issue bills in the same proportion to the amount of their capital. They are permitted, also, by law, to loan money to the extent of *double the amount of their capital*.

All this, again, presents a very fair appearance, as indeed everything does connected with the system of banking; but what are the facts? First of all, the banks seldom have more than one fifth part of their capital on hand in specie; and therefore they would find it impossible to fulfill the solemn promises borne on their bills, if there should be a run upon them for specie, for a single day. But this is a very common place criticism; let us examine the matter more carefully.

Bank Bills drive the precious metals out of circulation.

Money is a commodity whose value is regulated like that of every other commodity, by the ratio of the supply to the demand. Gold and silver possess a value which is determined by the relation of the supply of the precious metals to the demand for them in the market of the world. When gold and silver become scarce in any country, the demand for them increases; their price rises; a given quantity of the precious metals will buy more of other commodities than it would have done before the rise; that is, the prices of other commodities fall. Merchants, finding the prices of commodities to be less at home than abroad, will export their goods, exchanging them for the precious metals: thus gold and silver will be imported, and this importation will continue until the currency of the country is restored to the level of the currency of the world. The cheapest commodity is always exported; if the precious metals are cheapest, merchants exchange their goods for them, and send the specie to some market where it will command a better price; and there they exchange it for commodities which command a good price at home. *Where there is no tampering with the currency,*

the balance of trade takes care of itself. But if some of our banks once issue bills to an amount beyond the amount of specie in their vaults, the dollar immediately falls in value, because there is more than the proper amount of money in the country. Money becomes the cheapest commodity, and is of course, immediately exported. But what sort of money is it that is exported? bank bills?—Not at all. Bank bills are worth little or nothing in the market of the world. It is the gold and silver, therefore, which is exported. As soon as a quantity of specie is exported sufficient to cause a reinstatement of the value of money, the banks issue more bills, and a further exportation of specie takes place. At last, the currency of the country is composed entirely of paper, with the exception of the small quantity of gold and silver which is requisite for the purposes of making change. The banks are careful always to have bills enough in circulation to keep money plenty; that is, to keep gold and silver cheap. Thus the banks protect themselves against all foreign competition; for the foreigner cannot afford to bring his silver dollar into a market where it will at once depreciate in value. Do you say, that we go too far, that we affirm a power in the banks which they do not possess in relation to this exclusion of foreign competition? Do you say that the value of money is determined by the rate of interest it bears, and that the debasement of the currency, by the issue of bank bills, does not therefore exclude foreign competition? We ask, then, what explanation you give of the remarkable fact that capitalists obtain only two and three per cent. interest for their money in Europe, while they might receive six per cent. for it here, and yet that they never enter our market in competition with the banks? The foreigner, it is true, sometimes invests money in our banks; but does he ever compete with them? We confess that the discount the foreigner is obliged to pay, when he brings his dollar into the market, is not directly charged, and that the process of the extortion is not evident at first sight. The foreigner brings his money, if he brings it all, in gold and silver, and loans it out at six per cent. interest, say on six month's notes. As soon as the money goes out of his hands, it leaves the country, because specie is at a premium for exportation. When the six months expire, his debtors pay him all they owe him, with the interest; but in what do they pay him? in gold and silver? Not at all: they pay him in the local currency of the country; they pay him in the bills of the banks of issue; and these banks, from that moment forward, grind him between their millstones, even as they do the rest of the community. He has a large claim against the banks; he presents it, and demands specie: if the banks are alarmed by the amount of the claim, they

suspend specie payments. The sympathy of the public is altogether on the side of the banks; for was not the suspension brought on by the necessity of contending against *foreign capital*? The people are innocent, and believe whatever the banks tell them. They seldom reflect that every dollar brought into the country creates the competition among capitalists, thus raising the rate of wages, and benefiting the working man. Specie payments are however, seldom suspended to protect the banks against foreign capital; for the foreigner knows his own interest, and is too wise to exchange his specie for paper promises.

The way the system works.

Let us sum up the results of our investigation. 1. Capitalists, by combining with each other to form a bank, destroy competition among themselves. 2. Through the power of their organization, they bear with their united weight upon every individual with whom they have dealings. On the side of the bank, there is a small army, well equipped, well officered, and well disciplined; on the side of the community, there is a large, undisciplined crowd, without arms, and without leaders. Society is a contest between a large number of sheep who are entirely disconnected with each other, and a small number of wolves who meet every Saturday afternoon to confer upon the internal affairs of the common lupine interest. 3. But the capitalists are not satisfied yet; they have protected themselves in every possible way against competition among themselves; but they are afraid that some one will come in from without to compete with them and lower the rate of interest. They therefore petition the legislature, and obtain permission to exert a power which ought never to be exercised by the government itself. Do they ask permission to coin money? No; they are not so modest as that: they ask permission to create paper money that shall be equivalent to specie; they ask the privilege of having it recognised that a piece of paper coming from their hands, shall be worth as much as a silver dollar coming from the hands of any other person. After thus debasing the currency, they have no longer anything to fear from competition.

Now the banks have everything in their hands. They make great issues, and money becomes plenty; that is, all other commodities become dear. Then the capitalist sells what he has to sell, while prices are high. The banks draw in their issues, and money becomes scarce, that is, all other commodities become cheap. The community is distressed for money, individuals are forced to sell

property to raise money—and to sell at a loss on account of the state of the market: then the capitalist buys what he desires to buy, while everything is cheap. The banks have control over every dollar in every private man's pocket; for, by a large issue, it can make money plenty, and thus diminish the value of money throughout the community. The capitalist trades for the dollar which is in the pocket of the private man, and receives it from him at its depreciated value. Immediately the bank draws in its issues, and the value of money is increased; but the dollar is now in the hands of the capitalist, who sells it to his former owner at its increased value. The operation of the banking system is evident; it is said, nevertheless, that banks are established for the convenience of the community!

THE USURY LAWS.

ALL usury laws appear to be arbitrary and unjust. The rent paid for the use of lands and houses is freely determined in the contract between the landlord and tenant; freight is settled by the contract between the shipowner and the person hiring of him; profit is determined in the contract of purchase and sale: but, when we come to *interest on money*, all principles seem suddenly to change; here the government intervenes, and says to the capitalist, "You shall, in no case take more than six per cent. interest on the amount of principal you loan. If competition among capitalists brings down the rate of interest to three, two, or one per cent., you have no remedy; but if, on the other hand, competition between borrowers forces that rate up to seven, eight, or nine per cent., you are prohibited, under severe penalties, from taking any advantage of the rise." Where is the morality of this restriction? So long as the competition of the market is permitted to operate without legislative interference, the charge for the use of capital in any of its forms will be properly determined by the contract between the capitalist and the person with whom he deals. If the capitalist charges too much, the borrower obtains money at the proper rate from some other person. If the borrower is unreasonable, the capitalist refuses to part with his money; and money can always be invested somewhere, for there is always a demand for capital. If lands, houses, bridges, canals, boats, wagons, are abundant in proportion to the demand for them, the charge for the use of them will be proportionally low; if they are scarce, it will be proportionally high. Upon what

ground can you justify the legislature in making laws to restrict a particular class of capitalists, depriving them invidiously of the benefit which they would naturally derive from a system of unrestricted competition? If a man owns a sum of money, he must not lend it for more than six per cent. interest; but he may buy houses, lands, ships, wagons, with it; and these he may freely let out at fifty per cent., if he can find any person willing to pay that rate! Is not the distinction drawn by the legislature arbitrary—and therefore unjust? A man wishes to obtain certain lands, wagons, &c., and applies to you for money to buy them with; you can lend the money for six per cent. interest, and no more; but you can purchase the articles the man desires, and let them out to him at any rate of remuneration upon which you mutually agree. Every sound argument in favor of the intervention of the legislature to fix by law the charge for the use of money, bears with equal force in favor of legislative intervention to fix by law the rent of lands and houses, the freight of ships, the hire of horses and carriages, or the profit on merchandise sold. We conclude, therefore, that legislative interference fixing the rate of interest by law, is both impolitic and unjust.

Effect of the Repeal of the Usury Laws.

But let logic have her perfect work. If one arbitrary act of the legislature is impolitic and unjust, every other similar legislative act is equally impolitic, equally unjust. Suppose the usury laws were repealed to-day, would justice prevail to-morrow? By no means. The government says to me, "I leave you and your neighbor to compete with each other; fight out your battles among yourselves; I will have nothing more to do with your quarrels." I act upon this hint of the legislature, I enter into competition with my neighbor:—but I find the government has lied to me; I find the legislature has no intention of letting us settle our quarrels between ourselves; far from it; when the struggle attains its height, behold! the government quietly steps up to my antagonist, and furnishes him with a bowie knife and a revolver. How can I, an unarmed man, contend with one to whom the legislature gratuitously furnishes bowie knives and revolvers? In fact, I enter the market with my silver dollar, while you enter the market with your silver dollar, my dollar is a plain silver dollar, nothing more and nothing less; but your dollar is something very different, for, by permission of the legislature, you can issue bank bills, to the amount of one dollar and twenty-five cents, and loan money to the extent of double your capital. I tell my customer that I can afford to

lend my dollar, if he will return it after a certain time, with four cents for the use of it, but that I cannot lend it for anything less; you come between me and my customer, and say to him, I can do better by you than that; don't take his dollar on any such terms, for I will lend you a dollar, and charge you only three cents for the use of it. Thus you get my customer away from me. And the worst of it is that you still retain another dollar to seduce away the next customer to whom I apply. Nay, more, when you have loaned out your two dollars, you still have twenty-five cents in specie in your pocket, to fall back upon and carry to Texas, in case of accident; while I, if I succeed in lending my dollar, must go without money until my debtor pays it back. Yet you and I entered the market, each with a silver dollar;—how is it that you have thus obtained the advantage over me in every transaction? The *banking privilege* which the government has given you is a murderous weapon against which I cannot contend.

The Usury Laws are necessary under present Circumstances.

A just balance and just weights! Very well; but if we have an unjust balance, is it not necessary that the weights should be unjust also. A just balance and unjust weights give false measure; and just weights with an unjust balance give false measure in like manner; but an unjust balance and unjust weights may be so ad-just-ed as to give true measure. Under our present system, the lender who is not connected with the banks, is oppressed; but the usury laws (unjust as they are when considered without relation to the false system under which we live) afford some protection, at least to the borrower. They are the false balance which, to a certain extent, justifies the false weights. In our opinion, it would be well to have a just balance, and just weights: that is, it would be well to repeal the usury laws, and to abolish the power possessed by the banks of issuing paper money. But it will not do to put new wine into old bottles; nor to mend old garments with new cloth. When you lend me two dollars, while you own only one, you get twice the interest you are actually entitled to, on the capital you own. Insist, if you will, upon retaining your peculiar privileges, but consent, in the name of moderation and justice, to let me protect myself by the usury laws; for they are not very severe against you after all. The usury laws confine you to six per cent. interest on whatever you loan; but as the banking laws enable you to loan twice as much as you own, you obtain twelve per cent. interest on all the capital you really possess. You cannot complain that in your case the usury laws violate the

right of property; for you own only one dollar, and yet receive interest, and transact business, as though you owned two dollars. *The usury laws are necessary, not to interfere in your right to your own property, but to limit you in the abuse of the unjust and exclusive privileges granted you by the legislature.* We look upon the antagonism between the usury and the banking laws, as a division of Satan against Satan, and trust that through their internal conflict and opposition, the infernal kingdom may one day be brought to destruction.

Argument in Favor of the Repeal of the Usury Laws.²

But let us now examine the great argument in favor of the immediate repeal of the usury laws—an argument which, according to those who adduce it, is in every way unanswerable. It is said that all the above considerations, though important, and certainly to the point, ought to have very little weight in our minds, and that for the following reason:—*Men do*, notwithstanding the present laws, take exorbitant interest; and, whatever usury laws may be passed, *they will continue so to do*. If it be acknowledged that it is wrong to take too high interest, that acknowledgment will not help the matter; for, though we acknowledge the wrong, we are impotent to prevent it. The usury laws merely add a new evil to one that was bad enough when it was alone. Without a usury law, men will take too high interest; for they have the power to do it as credit is now organized; and no legislation can prevent them: *with a usury law*, they will continue to take unjust interest, and will have recourse to lies and fraudulent proceedings to evade the law. If the taking of too high interest be an evil, is it not a still greater evil for the community to demoralize itself by evading the laws? to demoralize itself by allowing individuals to have recourse to subterranean methods to accomplish the end they are determined to accomplish at all events,—an end which they cannot accomplish in the light of day, because of the terror of the law? Thus argue the advocates of immediate repeal—and with much show of reason. There are a hundred ways in which the usury laws may be evaded, of which the following may serve as an example:—A borrower is willing to give twelve per. cent. per annum for the use of money; so he agrees to give \$112 at twelve months credit for stock worth in the market only \$100. A broker finds a lender who has money but no stock, and manages the negotiation. The borrower buys the stock from the

² Compare Edward Kellogg, *Labor and Other Capital* (1849), 225-229.

lender, and gives for it his note for \$112, payable in twelve months. The reader will perceive that the real existence of the stock is not at all necessary in this transaction. For a further description of this method of taking illegal interest under the cover of a purchase and sale, the reader is referred to the eighth letter of Blaise Pascal to a Provincial, where it is treated under the name of contract Mohatra. Such transactions are evidently illegal, but cases rarely occur in which an appeal is made to the law. The opponents of the usury laws say that all this bears hard on the borrower, who has not only to pay the broker for his services, but also to pay the capitalist for the risk he runs in entering into an illegal transaction; they say that the borrower has to pay also for the wear and tear of the lender's conscience; and, according to them, all these conditions go to raise the rate of interest. As for the immorality of such transactions, as for the immorality of the state of society in which such transactions are inevitable, as for the wear and tear of conscience, we freely admit it all; nevertheless we are not prepared to acknowledge either the necessity, or the propriety, of the immediate repeal of the usury law.

Power of Capital in the Commonwealth of Massachusetts.

We think few persons are aware of the power of capital in this Commonwealth. According to a pamphlet, published a year or two ago, containing a list of the wealthy men of Boston, and an estimate of the value of their property, there are 224 individuals in this city who are worth in the aggregate, \$71,855,000: the average wealth of these individuals would be \$321,781. It is generally supposed that this estimate is below, rather than above, the truth. In this pamphlet, no estimate is made of the wealth of any individual whose property is supposed to amount to less than \$100,000. Let us be moderate in our estimates, and suppose that there are, in all the towns and counties in the State (including Boston), 3000 other individuals who are worth \$30,000 each; their aggregate wealth would amount to \$90,000,000. Add this to the \$71,855,000 owned by the 224 men, and we have \$161,855,000. These estimates are more or less incorrect, but they give the nearest approximation to the truth that we can obtain at the present time. The assessors' valuation of the property in the State of Massachusetts in 1840, was \$299,880,338:—we find, therefore, by the above estimates, that 3,224 individuals own more than half of all the property in the State. If we suppose each of these 3,224 persons to be the

head of a family of five persons, we shall have in all 16,120 individuals. In 1840, the State contained a population of 737,700. Thus 16,120 persons own more property than the remaining 721,580: that is, *three persons out of every hundred*, own more than the remaining ninety-seven: to be certain that we are within the truth, let us say that six out of every hundred, own more property than the remaining ninety-four. These wealthy persons are connected with each other; indeed they are organized by the power of the banks; and we think (human nature being what it is) that their organization would be brought to bear still more powerfully upon the community if the usury laws were repealed. These persons might easily obtain complete control over the banks. They might easily so arrange matters as to allow very little money to be loaned by the banks to any but themselves; and thus they would obtain the power over the money market which a monopoly always gives to those who wield it,—that is, they would be able to ask and obtain, pretty much what interest they pleased for their money. There would then be no remedy: the indignation of the community would be of no avail. What good would it do you to be indignant? You would go indignantly, and pay exorbitant interest, because you would be hard pushed for money. You would get no money at the bank, because it would be all taken up by the heavy capitalists who control those institutions, or by their friends: these all get money at six per cent. interest, or less; and they would get from you precisely that interest which your necessities might enable them to demand. The usury laws furnish you with some remedy for these evils; for, under those laws, the power of demanding and obtaining illegal interest will be possible only so long as public opinion sees fit to sanction the evasions of the law. As long as the weight of the system is not intolerable to the community, every thing will move quietly; but, as soon as the burthen of illegal interest becomes intolerable, the laws will be put in force in obedience to the demand of the public, and the evil will be abated to a certain extent. We confess that it is hard for the borrower to be obliged to pay the broker, to pay also for the wear and tear of the lender's conscience: but we think it would be worse for him if a few lenders should obtain a monopoly of the market. And, when the usury laws are repealed, what earthly power will exist capable of preventing them from obtaining this monopoly? But here an interesting question presents itself: *What is the limit of the power of the lender over the borrower?*³

³ This section begins with an uncredited borrowing from Kellogg (1849), 110. The pamphlet is apparently *Our First Men* (1846).

*Actual Value and Legal Value.**

Let us first explain the difference between legal value and actual value. It is evident that if every bank bill in the country should suddenly be destroyed, no actual value would be destroyed— except perhaps to the extent of the value of so much waste paper. The holder of the bill would lose his money; but the bank would gain the same amount, because it would no longer be liable to be called upon to redeem its bills in specie. *Legal value is the legal claim which one man has upon property in the hands of another.* No matter how much legal value you destroy, you cannot by that process banish a single dollar's worth of actual value; though you may do a great injustice to individuals. But if you destroy the silver dollars in the banks, you inflict a great loss on the community, for an importation of specie would have to be made to meet the exigencies of the currency, and this importation would have to be paid for in goods and commodities which are of actual value.—When a ship goes down at sea with her cargo on board, so much actual value is lost. But, on the other hand, when an owner loses his ship in some unfortunate speculation, so that the ownership passes from his hands into the hands of some other person, there may be no loss of actual value, as in the case of shipwreck; for the loss may be a mere change of ownership.⁴

The national debt of England exceeds \$4,000,000,000. If there were enough gold sovereigns in the world to pay this debt, and these sovereigns should be laid beside each other, touching each other, and in a straight line, the line thus formed would be much more than long enough to furnish a belt of gold extending round the earth. Yet all this debt is mere legal value. If all the obligations by which this debt is held were destroyed, the holders of the debt would become poorer by the amount of legal value destroyed, but those who are bound by the obligations (the tax-paying people of England) would gain to the same amount. Destroy all this legal value, and England would be as rich after the destruction as it was before, because no actual value would have been affected: the destruction of the legal value would merely cause a vast change in the ownership of property, making some classes richer, and, of course, others poorer to precisely

* The reader is requested to notice this distinction between actual and legal value, as we shall have occasion to refer to it again.

⁴ See Kellogg (1849), 38.

the same extent. But if you should destroy actual value to the amount of this debt, you would destroy about thirteen times as much actual value (lands, houses, products of labor, &c) as exists at present in the State of Massachusetts. The sudden destruction of \$4,000,000,000 worth of actual value would turn the British Islands into a desert. Many persons are unable to account for the persistency of the government of England. That secret is as follows:—The whole property of England is taxed yearly, say three per cent., too pay the interest of the public debt; the amount raised for this purpose is paid over to those who own the obligations which constitute this legal value. The people of England are thus divided into classes: one class is taxed, and pays the interest on the debt; the other class receives the interest, and lives upon it. The class which receives the interest knows very well that a revolution would be followed by either a repudiation of the national debt; this class knows that the nation would be no poorer if the debt were repudiated; it knows that a large portion of the people look upon the debt as being the result of aristocratic perversity in carrying on aristocratic wars, for the accomplishment of aristocratic purposes: when, therefore, the government wants votes, it looks to this privileged class; when it wants orators and writers, it looks to this same class; when it wants special constables to put down insurrection, it applies to this same class. The people of England pay yearly \$120,000,000, the interest of the debt, to maintain a conservative class, whose function it is to prevent all change, and therefore all improvement, in the condition of the empire. The owners of the public debt, the pensioners, the holders of sinecure offices, the nobility and the established church, are the bands of Spartans who rule over the English Laconians, Helots and Slaves. When such powerful support is enlisted in favor of an iniquitous social order, there is very little prospect left of any amelioration in the condition of the people.⁵

The Matter brought nearer Home.

But let us bring the matter nearer home: the assessors' valuation of the property in the State of Massachusetts in 1790, was \$44,024,349. In 1840, it was \$299,880,338. The increase, therefore, during fifty years, was \$255,855,989. This is the increase of actual value. If now the \$44,024,349, which the State

⁵ Kellogg (1849), 38-39.

possessed in 1790, had been owned by a class, and had been loaned to the community on six months' notes, at six per cent. interest per annum, and the interest as it fell due, had itself been continually put out at interest on the same terms, that accumulated interest would have amounted in fifty years to \$885,524,246 This is the increase of the legal value. *A simple comparison will show us that the legal value would have increased three times as fast as the actual value has increased.* We must deduct, however, from this increase, the cost of the subsistence, for the mean time, of the holders of legal value: but we have no means of estimating this total cost. Let us make this matter, therefore still plainer by an illustration:—⁶

Suppose 5,000 men to own \$30,000 apiece: suppose these men to move with their families, to some desolate place in the State, where there is no opportunity for the profitable pursuit of the occupations either of commerce, agriculture or manufacturing. The united capital of these 5,000 men would be \$150,000,000. Suppose now this capital to be safely invested in different parts of the State. Suppose these men to be each of them, heads of families, comprising, on an average, five persons each; this would give us in all, twenty five thousand individuals. A servant to each family would give us 5000 persons more, and these, added to the above number, give us 30,000 in all. Suppose, now, that 5,000 mechanics—hatters, shoemakers, bakers, butchers, &c., should settle with their families in the neighborhood of these capitalists, in order to avail themselves of their custom. Allowing five to a family, as before, we have 25,000 to add to the above number. We have, therefore, in all, a city of 55,000 individuals, established in the most desolate part of the State. The people in the rest of the State, have to pay to the capitalists in this city, six per cent. of \$150,000,000 every year: for these capitalists have this amount out at interest on bond and mortgage, or otherwise. The yearly interest on \$150,000,000, at 6 per cent. is \$9,000,000. These wealthy individuals do no useful work whatever, and, nevertheless, levy a tax of \$9,000,000 per annum, on the population of the State. This tax is paid in this way:—some money is brought to this city, and some produce; the produce is sold for money to the capitalists; and, with the money thus obtained, added to the other; the debtors would pay the interest due. The capitalists have their choice of the best the State produces, and the mechanics of the city, who receive money

⁶ Kellogg (1849), 109-110; "The Progress of Wealth in Massachusetts, from 1790 to 1840," *Hunt's Merchants' Magazine and Commercial Review*, May 1847, 435-444.

from the capitalists, have the next choice. Now, how would all this be looked upon by the people of the Commonwealth? *There would be a general rejoicing over the excellent market for produce which had grown up in so unexpected a place; and the people would suppose the existence of this city to be one of the main pillars of the prosperity of the State.* Meanwhile, each of these capitalists, after one or two years (for he would first be obliged to pay for his house, &c.,) would receive yearly \$1800, the interest on \$30,000, on which to live. Suppose that he lives on \$900, the half of his income, and lays the other half by, to portion off his children as they come to marriageable age, that they may start also with \$30,000 capital, even as he did. This \$900, which he lays by every year, would have to be invested. The men of business, the men of talent, in the State, would see that it was well invested for him. Some intelligent man would discover that a new rail-road, canal, or other public work was needed: he would survey the ground, draw a plan of the work, and make an estimate of the expenses; then he would go to this new city, and interest the capitalists in the matter. The capitalists would furnish money, the people of the State would furnish labor: the people would dig the dirt, hew the wood, and draw the water. The intelligent man who devised the plan, would receive a salary for superintending the work, the people would receive day's wages, and the capitalists would own the whole—for did they not furnish the money that paid for the construction? Taking a scientific view of the matter, we may suppose the capitalists not to work at all; for the mere fact of their possessing their money, would insure them all these results. We suppose them, therefore, not to work at all; we suppose them to receive, each of them, \$1,800 a year: we suppose them to live on one-half of this, and to lay up the other half for their children. We suppose new married couples to spring up in their proper season out of these families, and that these new couples start also each with a capital of \$30,000. We ask now—Is there no danger of this new city's absorbing into itself the greater portion of the wealth of the State?⁷

Suppose, when Virginia was settled in 1607, England had sold the whole territory of the United States to the first settlers for \$1,000, and had taken a mortgage for this sum on the whole property:—\$1,000 at 7 per cent. per annum, on half yearly notes, the interest collected and re-loaned as it fell due, would

⁷ Kellogg (1849), 91-93

amount, in the interval between 1607 and 1850, to \$16,777,216,000. All the property in the United States, several times told, would not pay this debt.⁸

If the reader is interested in this matter of the comparative rate of increase of actual and legal value, let him consult the treatise of Edward Kellogg on "Labor and other Capital," where he will find abundant information on all these points.⁹

How many farmers are there who can give six per cent. interest, and ultimately pay for a farm they have bought on credit?

The answer.

What answer, then, shall we return to our question relating to the power of the lender over the borrower? We are forced to answer that the borrower is *virtually*, according to appearances, under the complete control of the lender. A considerable time may elapse before this control is actually as well as virtually established; but as the ship in the eddy of the maelstrom is bound to be ultimately engulfed, so the producer of actual value (if no change is introduced in our social relations) is bound to be brought into ultimate complete subjection to the holder of legal value.

EQUAL LAWS AND EQUALITY BEFORE THE LAWS.

IT is right that all persons should be equal before the law: but when we have established equality before the law, our work is but half done. We ought to have EQUAL LAWS also. Of what avail is it that we are all equal before the law, if the law is itself unequal.

When two men compete with each other, and one receives a personal privilege from the legislature, thus obtaining an advantage over his competitor, these men are unequal *before* the laws. If the legislature grants an act of incorporation to a *company*, and in that act gives the company special privileges, the legislature establishes an unequal law, though it does not make men unequal

⁸ Kellogg (1849), 115.

⁹ *Labor and Other Capital* includes numerous tables showing the workings of interest in the accumulation of wealth. Kellogg's writings, and a close comparison of his Safety Fund with Greene's Mutual Bank, will be collected in a later volume in the *Blazing Star Library*.

before this law. Men are not unequal before this law, because they are all equally free to purchase stock in this incorporated company, and because they may all compete for a share in the privilege granted by the legislature. The laboring man, who earns a dollar a day, has a *right to buy this stock*, though the shares cost \$1000 apiece: his right to buy is equal to that of the capitalist who has *the ability to purchase a share*. But the legislature determines, by this act of incorporation, that a privileged class *shall* exist, that inequality *shall* be established, though it leaves admission into the favored class open to free competition. Thus all are equal before the law; but the law itself is unequal, since it establishes inequality. What right has the legislature to turn God's footstool into a lottery, even though it give a ticket, and an equal chance to every member of the community? What right has the legislature to turn this world into a lottery where some may indeed draw prizes, but where, for every prize drawn by a fortunate person, a multitude must necessarily draw blanks? Would it not be better to permit each individual to receive neither more nor less than the just reward of his labor? This world, as it was first created, was not a lottery; neither did its Maker ever intend that it should become such. The law that makes the world a lottery, is an unequal law; for it establishes inequality: and the fact that all men have tickets, does not remedy the difficulty; for it only gives all men an equal chance in the lottery which establishes equality—it only makes all men equal before a law which is itself unequal. But we speak altogether too favorably of the existing system. It is not true that every individual has a ticket and an equal chance; besides, there seems to be, at the present time, a certain slight of hand exercised in turning the wheel.

Equality, Justice, and Charity.

We propose no violent remedy for this evil: we recommend no destructive process. We call for nothing but the establishment of justice—the establishment of equal laws. What is justice in human relations if not the organization of equality? We know that men are not equal in physical strength, beauty and stature: we know they are not equal in intellectual power; we know that as the stars differ from each other in glory, so men differ among themselves. We would not equalize all fortunes: we would not take the honest earnings of the industrious and prudent portion of the community, and divide them among the imbeciles and scoundrels. What then do we mean by this word *equality*? We should say that the terms *equality* and *justice* are convertible, were it not that

justice seems to exclude the element of *charity*. Nevertheless we would be satisfied with the organization of justice on the earth, and would be willing to call *that* the organization of equality. We demand, therefore, equal laws, as well as equality before the law.

We are in favor of equality against privilege; for a privilege is an unjust advantage which one man or class, has over the rest of the community. We invite the reader, therefore,—if he thinks we have talked reasonably—to look about him, and oppose firmly, to the extent of his ability, every special privilege, every inequality, that attract his notice.

The Privilege of Usury.

We do not know how to give expression to the thought which now rests upon our mind. No person can respect the rights of property more than we do. If we have said anything against those rights, our statements were unphilosophical, and we will ourselves refute them as soon as they are pointed out to us. But there is such a thing as *false property*. We have yet to learn that the rights of property legitimate USURY: we have yet to learn that because a man owns money, houses, and lands, he has a right—without working himself, and without spending any portion of his possessions—to live upon the labor of his neighbors.

A man is rich who is able to supply himself with such of the necessities and comforts of life as he may require. This definition seems to us to be correct. Let us now give another definition, which shall be as false as this one is true.

A man is rich who is in possession of property *for the use of which* he can obtain, *without working*, the necessities and comforts of life. This is a definition, not of a *rich man*, but of a *usurer*. A usurer obtains the necessities and comforts of life (without manual, or other useful, labor on his part) by receiving them from some producer who pays them over to him for the use of his property. And, meanwhile, the usurer spends no part of his capital. A rich man, according to the views of many, is one who can live without working, and yet, at the same time, spend no part of his fortune: but he who neither labours, nor spends his own money, must live on the labor of others. What else is it possible that such a man should live upon? Does he live upon the product of his past labour? No; for the wealth he now possesses, and which he has a right to spend, but which he does not spend, pays him for all his past labour. Let him spend that, if he wishes to live without labour. But perhaps his capital labours for him? That is *false*. Nothing

labours but God, living men, and living animals, tamed by men; the producer who labours for the usurer, supports him; and the usurer lives upon the labour of this producer.

Let the reader now give a conscientious answer in his own mind to this question:—what difference is there, as far as mere morality is concerned, between the false profits of property, and the earnings of the highway robber? When a man acquires a valuable article without giving an equivalent for it, there is a plain English word that characterizes his action. Highway robbers and pirates were once respectable characters. There was indeed a time when they were the most refined members of the community: in the early ages of Greece, they were called *heroes*. The history of the world reveals to us the spectacle of the human race hunting down the practice of robbery. One generation holds a certain profession in high repute, the next generation consigns the practitioners of that profession to the public prison. Nimrod, Theseus, David, the most respectable gentlemen of their day, were robbers by open force and fraud. Pocket picking, cheating, abuse of confidence, &c. were imposed as a duty upon the children of noble Spartan families by the laws of Lycurgus, because such practices tend to brighten the faculties of young people. At the present time we commend those who are always able to get the best at a bargain; for the public conscience has not yet assigned a name to this faculty. Who has not a lurking contempt for any individual that may be easily cheated? Usury is now in high honour. The profession is respectable and legal. We confess, that if we owned money (and we wish we might own some) we should put it out at usury. We freely acknowledge that we cheat every day, and that we should be obliged to move out of the world if we refused to take undue advantage of our neighbours. Yet we are no worse than those with whom we deal. Let us endeavor, in view of these things, to prevail upon our legislators to so organize society that we be able not only to live, but also to preserve our self-respect! Our remarks condemn society, and not individuals.

An Illustration.

Let us conclude this article by an illustration. Let us make a supposition which shall be a sort of imitation, or rather abstract, of one made by Henri de Saint Simon:—Suppose the commonwealth of Massachusetts should lose suddenly, by death, its fifty best surgeons, its fifty best physicians, its fifty best

mathematicians, its fifty best machinists, its fifty best engineers, and so on through the whole list of poets, painters, musicians, farmers, merchants, manufacturers of cotton and woolen goods, &c. &c.—what a wail of desolation would go up toward heaven! What consternation would seize upon the community!

Now let us make another supposition. Suppose the State preserves all the men of genius in science, commerce, mechanical skill, the fine arts, &c., which it now possesses, but that it should be called upon to part with the 1000 of its proprietors, who have the most money out at interest. Without doubt, the people would be very much affected by the loss of so many distinguished citizens: but the sudden disappearance of all these persons, reputed the most important in the State, would cause a sentimental evil only, without occasioning any serious inconvenience to society. For it would be very easy to fill the places that would thus become vacated. It would be easy to find 1000 other citizens, willing to take upon themselves the labour of receiving the interest of the money which our supposition leaves without present owners.

It must be stated, however, in qualification, that many of the 1000 proprietors who have the most money out at interest, are also, at the same time, merchants, physicians, house-builders, officers of manufacturing companies, &c., so that the evil resulting to society from their sudden death, would be partly real and partly sentimental, so far as these persons are merchants, physicians, manufacturers, &c., the loss to the community would be a real, perhaps irremediable evil; but so far as they are mere loaners of money, the loss would occasion but a very slight inconvenience; for they cannot carry their money (which is in this case the important matter) to the next world with them. Capital is very useful; but society can afford to spare the *mere* capitalist—that is, the capitalist who, by means of his capital, levies a tax on the community; that is, again, the capitalist who assists in the general consumption, without assisting in the general production.

THE CURRENCY.

Gold and Silver are peculiarly adapted to act as a circulating medium. They are (1) admitted by common consent to serve for that purpose, (2) they contain

within themselves, actual intrinsic value, equivalent to the sum which they circulate, as security against the withdrawal of this consent, or of the public estimation, (3) they lose less by wear and tear, and by the effect of time, than almost any other commodities, and (4) they are divisible into all, and any, of the fractional parts into which value may be, or necessarily is, divided. There is no occasion to notice particularly, in this place, the many other advantages possessed by the precious metals.

The nature of Money.

But we must remember, that when we exchange any thing for specie, we barter one commodity for another. By the adoption of a circulating medium we have facilitated barter, but we have not done away with it, we have not destroyed it. Specie is a valuable commodity, and its adoption by society as a medium of exchange, does not destroy its character as a purchaseable and saleable article.

Let Peter own a horse, let James own a cow and a pig: let James's cow and pig, taken together, be worth precisely as much as Peter's horse: let Peter and James desire to make an exchange: now what shall prevent them from making the exchange by direct barter? Again, let Peter own the horse, let James own the cow, and let John own the pig. Peter cannot exchange his horse for the cow, because he would lose by the transaction; neither—and for the same reason—can he exchange it for the pig. The division of the horse would result in the destruction of its value;—the hide, it is true, possesses an intrinsic value, and a dead horse makes excellent manure for a grape vine; nevertheless, the division of a horse results in the destruction of its value as a living animal. But if Peter barter his horse with Paul for an equivalent in wheat, what shall prevent him from so dividing his wheat as to qualify himself to offer to James an equivalent for his cow, and to John an equivalent for his pig? If Peter trades thus with James and John, the transaction is still barter, though the wheat serves as currency, and obviates the difficulty in making change. Now if Paul has gold and silver to dispose of, instead of wheat, the gold and silver are still commodities possessing intrinsic value, and every exchange which Paul makes of these for other commodities, is always a transaction in barter. There is a great deal of mystification connected with the subject of money, but if we remember that when we sell anything for money, we *buy* the money, and that, when we buy anything

with money, we *sell* the money, our ideas will grow wonderfully clear. All legitimate trade is barter.

The disadvantages of a specie currency.

The governments of the different nations have made gold and silver a legal tender in the payment of debts:—does this legislation change the nature of the transactions where gold and silver are exchanged for other desirable commodities? Not at all. Does it transform the exchange into something other than barter? By no means.—But the exchangeable value of any article depends upon its utility, and the difficulty of obtaining it. Now the legislatures, by making the precious metals a legal tender, enhanced their utility in a remarkable manner. It is not their absolute utility, indeed, that is enhanced, but their relative utility in the transactions of trade. As soon as gold and silver are adopted as the legal tender, they are invested with an altogether new utility. By means of this new utility, whoever monopolises the gold and silver of any country (and the currency, as we shall soon discover, is more easily monopolised than any other commodity), obtains control thenceforth over the business of that country; for no man can pay his debts without the permission of the monopoliser the article of legal tender. Thus—since the courts recognize nothing as money in the payment of debts except the article of legal tender—this person is enabled to levy a tax on all transactions except such as take place without the intervention of credit.

When a man is obliged to barter his commodity for money, in order to have money to barter for such other commodities as he may desire, he at once becomes subject to the impositions which moneyed men know how to practice on one who wants, and must have, money for the commodity he offers for sale. When a man is called upon suddenly to raise money to pay a debt, the case is still harder. Men whose property far exceeds the amount of their debts in value—men who have much more owing to them than they owe to others—are daily distressed for the want of money, for the want of that intervening medium, which, even when it is obtained in sufficient quantity for present purposes, acts only as a mere instrument of exchange.

By adopting the precious metals as the legal tender in the payment of debts, society confers a new value upon them, which new value is not inherent in the metals themselves, but is conferred upon them by the action of society. This new value becomes a marketable commodity. Thus gold and silver become a

marketable commodity as (*quoad*) a *medium of exchange*. This ought not so to be. This new value has no natural measure, because it is not a natural but a social value. This new social value is inestimable, it is incommensurable with any other known value whatever. Thus money, instead of retaining its proper relative position, becomes a superior species of commodity—superior not in degree, but in kind. Thus money becomes the absolute king, and the demi-god, of commodities. Hence follow great social and political evils. The medium of exchange was not established for the purpose of creating a new, inestimable, marketable commodity, but for the single end or purpose, of facilitating exchanges. Society established gold and silver as an instrument to mediate between marketable commodities, but what new instrument shall it create to mediate between the old marketable commodities and the new commodity which it has itself called into being? and if it succeed creating such new instrument, what mediator can it find for this new instrument itself etc.? Here the gulf yawns! No bridge, save that of *usury*, has been thrown, as yet, over this gulf. Our exposition is evidently on the brink of the infinite series; we are marching rapidly toward the abyss of absurdity. The logicians know well what the sudden appearance of the infinite series in an investigation signifies—it signifies the recognition of a phenomenon and the assigning to it of a mere concomitant, to stand to it in the place of cause. The phenomenon we here recognise, is circulation or exchange; and we ignore its cause, for we endeavor to account for it by the movement of money, which movement is neither circulation nor the cause of circulation—but more of this hereafter. Let us return to the subject with which we are more immediately concerned, noting, meanwhile, that a specie currency is an absurdity.

The evils of a specie currency—Usury.

Society established gold and silver as a circulating medium, in order that exchanges of commodities might be *facilitated*: but society made a mistake in so doing; for, by this very act, it gave to a certain class of men the power of saying what exchanges shall, and what exchanges shall not, be *facilitated* by means of this very circulating medium. The monopolizers of the precious metals have an undue power over the community; they can say whether money shall, or shall not, be permitted to exercise its legitimate functions. These men have a *veto* on the action of money, and therefore on exchanges; and they will not take off their

veto until they have received usury, or, as it is more politely termed, interest on their money. Here is the great objection to the present currency. Behold the manner in which the absurdity inherent in a specie currency—or, what is the same thing, in a currency of paper based upon specie—manifests itself in actual operation! The mediating value which society hoped would facilitate exchanges, becomes an absolute marketable commodity, itself transcending all reach of mediation. The great natural difficulty which originally stood in the way of exchanges, is now the private property of a class; and this class cultivate this difficulty, and make money out of it, even as a farmer cultivates his farm, and makes money by his labor. But there is a difference between the farmer and the usurer; for the farmer benefits the community as well as himself, while every dollar made by the usurer, is a dollar taken from the pocket of some other individual, since the usurer cultivates nothing but an actual obstruction.

The monopoly of the currency.

Let us make a simple estimate of the amount of the circulating medium, in order that we may learn the limit of the power of the moneyed class. Let us suppose each individual in the state of Massachusetts, man, woman, or child, to possess ten dollars in specie, or in the notes of specie paying banks. This is a very extravagant supposition; but we make a high estimate, as the greater amount of the circulating medium, the less will be the force of our argument against the currency. The population of Massachusetts in 1840 was 737,700. If every individual possesses ten dollars, the total amount of the circulating medium in the state, is \$7,377,000. Now there are 224 persons in the city of Boston, who are worth in the aggregate, \$71,855,000, which is property to the value of some eight to ten times the value of the whole circulating medium. Let us suppose that there are, *in the whole state*, 224 individuals who are able to hold desirable real estate, houses, &c., to the value of \$7,377,000, (the amount of the whole circulating medium) ready for any immediate operation. If these 224 men combine together for the purpose of bringing the whole property of the State (\$299,880,338) under their control, they can accomplish their object by the following simple method:—Let them sell their desirable real estate, to an amount of \$7,377,000, taking a mortgage on the property, the mortgages to be foreclosed, and the debt to be paid, all on a certain day. As this specified day approaches, all the debtors will endeavor to raise money; for money is the only

legal tender in the payment of debts; and, consequently, money will rise rapidly in value. Money will be gradually bought up out of circulation, to meet these debts; and, of course, all trade, all exchanges, will be gradually blocked up. When these debts are paid, (and they evidently will not all be paid) almost all the money in the state in will be in the hands of the 224 confederates. But the other ordinary debts in the state, which arise naturally, will have to be paid also, and money, the only legal tender, will be required in order to their payment. But, as no money will be obtained, these debtors will fail; and their property will be sold to satisfy their creditors. But who will buy this property? Who besides the 224 confederates will have any available funds? The 224 confederates, by their operation, notwithstanding the losses they will inevitably meet with, will obtain control by means of their \$7,377,000, of the greater part of the property of the state (\$299,880,338). There is no danger that so extensive an operation will ever take place, for transactions like this would convulse society to its foundations, and would necessarily be accompanied by revolution, anarchy, and blood-shed: *but similar operations on a smaller scale, are taking place every day.*

You cannot monopolize corn, iron, and other commodities, as you can money; for, to do so, you would be obliged to stipulate, in your sales, that payment shall be made to you *in those commodities*. What a commotion would exist in the community if a company of capitalists should attempt permanently to monopolize all the corn or iron! *But money, by the nature of the case, since it is the only legal tender, is ALWAYS monopolised.* This fact is the foundation of the right of society to limit the rate of interest.

We conclude, therefore, that gold and silver do not furnish a *perfect* medium of circulation, that they do not furnish facilities for the exchange of *all* commodities. Gold and silver have a value as *money*—a value which is artificial, and created *unintentionally* by the act of society establishing the precious metals as a legal tender. This new artificial value overrides all intrinsic actual values, *and suffers no mediation between itself and them.* Now money, so far forth as it is mere money, ought to have NO VALUE; and the objection to the use of the precious metals as currency is, that, as soon as they are adopted by society as a legal tender, there is superadded to their natural value this new, artificial and unnatural value. Gold and silver cannot facilitate the purchase of this new value which is added to themselves,—“a mediator is not a mediator of one.” USURY is the characteristic fact of the present system of civilization, and usury depends for its existence upon this superadded, social, unnatural value, which is given

artificially to the material of the circulating medium. Destroy the value of this material as money (not its intrinsic value), and you destroy the possibility of usury, Can this be done so long as the material is gold and silver? No.

Whatever is adopted as the medium of exchange, should be free from all the above indicated objections. It should serve the purpose of facilitating *all* exchanges; it should have no value as *money*; it should be of such a nature as to permit nothing marketable, nothing that can be bought or sold, to transcend the sphere of its mediation. It should exist in such a quantity as to effect all exchanges which may be desirable. It should be co-existent in time and place with such property as is destined for the market. It should be sufficiently abundant, and easy of acquirement, to answer all its legitimate purposes. It should be capable of being expanded to any extent that may be demanded by the wants of the community. For if the currency be not sufficiently abundant, it retards instead of facilitating exchanges. On the other hand, this medium of exchange should be sufficiently difficult of acquirement to keep it within just limits.

Can a currency be devised which shall fulfill all these conditions? Can a currency be adopted which shall keep money always just plenty enough, without suffering it ever to become too plenty? Can such a currency be established on a firm philosophical foundation, so that we may know beforehand that it will work well from the very first moment of its establishment? Can a species of money be found which shall possess *every* quality which it is desirable that money should have, while it possesses *no* quality which it is desirable that money should not have? To all these questions, we answer emphatically:—YES.

THE CURRENCY—ITS EVILS—AND THEIR REMEDY.

Bank bills are doubly guaranteed: on one side, there is the capital of the bank, which is liable for the redemption of the bills in circulation; on the other side are the notes of the debtors of the bank, which notes are (or ought to be, if the bank officers exercise due caution and discretion) a sufficient guaranty for all the bills. For no bills are issued by any bank, except upon notes whereby the receiver is bound to restore to the bank, after a certain lapse of time, money to the amount borne on the face of the bills, paying interest thereon for the time his

note has to run. If the notes of the receivers of the bills are good, then the bills themselves are also good. If we reflect a moment upon these facts, we shall see that a bank of discount and circulation, is, in reality, two banks in one. There is one bank which does business on the specie capital really paid in; there is another, and a very different bank, which does business by issuing bills in exchange for notes whereby the receivers of the bills bind themselves to pay back with interest, by a certain time, money to the amount of the bills issued. Let us now investigate the nature of these two different banks.

The Business of Banking.

Peter goes into the banking business with one dollar capital, and immediately issues bills to the amount of one dollar and twenty-five cents. Let us say that he issues five bills, each of which is to circulate for the amount of twenty-five cents. James comes to the bank with four of Peter's bills, and says, here are four of your new twenty-five-cent notes, which purport to be payable on demand: and I will thank you to give me a silver dollar for them. Peter redeems the bills, and, in so doing, pays out his whole capital. Afterward comes John, with the fifth note, and makes a demand similar to that lately made by James. Peter answers, slowly and hesitatingly:—I regret—exceedingly—the force of present circumstances—but—I—just paid—out my whole capital—to James—I am—under—the painful necessity—of requesting you—to wait a little longer for your money. John, at once, becomes indignant, and says, Your bills state on their face, that you will pay twenty-five cents upon each one of them whenever they are presented. I present one *now*; give me the money, therefore, without more words; for my business is urgent this morning. Peter answers, I shall be in a condition to redeem my bills by the day after tomorrow; but, for the meanwhile, my regard for the interest of the public, forces me unwillingly to suspend specie payments. Suspend *specie* payments! says John, what other kind of payment, under heaven, could you suspend? You agree to pay *specie*, for specie is the only legal tender, and, when you don't pay that, you don't pay any thing—when you don't pay that, *you break*: why don't you own up at once? But, while I am about it, I will give you a piece of my mind; this extra note, which you have issued beyond your capital, is a vain phantom, a hollow humbug, and a fraud; and, as for your bank, you had better take in your sign, for you have broken.—"These be very bitter words," as says the hostess of the Boar's Head Tavern at Eastcheap.

John is right. Peter's capital is all gone; and the note for twenty-five cents which professes to represent specie in Peter's vaults, represents the tangibility of an empty vision, the shadow of a vacuum. But which bank is it that is broken? is it the bank that does business on a specie capital, or the bank which does business on the notes of the debtors to the bank? Evidently it is the bank that does business on the specie capital that is broken. It is the specie paying bank that has ceased to exist.

John understands this very well, notwithstanding his violent language a moment since; he knows that his is the only bill which Peter has in circulation, and that Peter owes, consequently, only twenty-five cents; he knows also that the bank has owing to it, one dollar and twenty-five cents. Peter owes twenty-five cents, and has owing to him a dollar and twenty-five cents: John feels, therefore, perfectly safe. What is John's security? is it the specie capital? O no, James has taken the whole of that. He has for his security the debts which are owing to the bank. Peter's bank begins now to be placed in a philosophical condition. At first, he promised to pay one dollar and twenty-five cents in specie, while he actually possessed only one dollar with which to meet the demands that might be made on him. How could he make a more unphilosophical promise than that, even if he should try? Now, he has suspended specie payments, he has escaped from the unphilosophical situation in which he so rashly placed himself. Peter's bank is still in full operation; it is by no means broken; his bills are good, guaranteed, and worthy of considerable confidence: only his bank is now a simple and not a complex bank, being no longer two banks in one: for the specie paying element has vanished in infinite darkness.

The Currency.

And here we may notice that Peter has solved, after a rough manner indeed, one of the most difficult questions in political economy. His bill for twenty-five cents is currency; and yet it is not based upon specie, nor directly connected in any way with specie. We would request the reader to be patient with us, and not make up his mind in regard to our statements until he has read to the end of the article—the article is not very long! Light breaks on us here, and we would endeavor to impart that light to the reader. The security of the bill is legal value, the security in actual value having been carried away by James—that is, the security for the bill is the legal claim which the bank has upon the property of its

debtors. We see, therefore, that *legal value* may be made a basis in certain cases, for the issue of notes to serve as currency. We see, therefore, the faint indication of a means whereby we may perhaps emancipate ourselves from the bondage of hard money, and the worse bondage of paper which pretends to be a representative of hard money.

Let the reader not be alarmed, we abominate banks that suspend specie payment, as much as he does—to tell the truth we abominate all banks! The run of our argument leads us through this desolate valley, but we shall soon emerge into the clear day. Good may come out of this dark region, although we never expected to find it here.—For our part, however, we will freely confess—in private—to the reader, that we have lately been so accustomed to see good come out of Nazareth, that we have acquired the habit of never expecting it from any other quarter. Let us spend a moment, therefore, in exploring this banking Nazareth.

We may notice, in considering a bank that has suspended specie payments; 1. The *bank-officers*, who are servants of the *stockholders*; 2. The *bills* which are issued by the bank-officers, and which circulate in the community as money; and, 3. The *notes* of the debtors of the bank, binding these debtors: which notes, deposited in the safe, are security for the bills issued. Let us now take for illustration a non-specie-paying bank that shall be "perfect after its kind;" that is, a bank whose capital shall be, in *actual* value, literally =0. Suppose there are 100 stockholders; suppose \$100,000 worth of bills to be in circulation, and that \$100,000 *legal* value is secured to the bank by notes given by the bank's debtors. These stockholders will be remarkable individuals, doing business after a very singular fashion. For example: the stockholders own stock in this bank; but, as the whole joint stock equals Zero, each stockholder evidently owns only the one-hundredth part of nothing,—a species of property that counts much or little, according to the skillfulness with which it is administered. The stockholders, through the agency of the bank-officers, issue their paper, *bearing no interest*, exchanging it for other paper, furnished by those who receive the bills, *bearing interest at the rate of six per cent. per annum*. The paper received by the bank binds the debtor to the bank to pay interest; while the paper issued by the bank puts it under no obligation to pay any interest at all. Thus the stockholders, going into business with no capital whatever, make six per cent. per annum on a pretended \$100,000 of *actual* value which does not exist! *Yet meanwhile these stockholders furnish the community with a currency: this fact ought always to be*

borne in mind. Non-specie-paying banks make dividends. "During the suspension of 1837 and 1838, all the banks of Pennsylvania made dividends, although it was prohibited in the charters of most of them. After the suspension which took place in Philadelphia in October, 1839, most of the banks of that city resolved not to declare dividends until the pleasure of the legislature could be known. By an act authorizing the continuance of the suspension until the 15th of January, 1841, permission was granted to make dividends, contrary to every principle of justice and equity."—The stockholders are secured by the notes of the debtors of the bank, but the public know nothing of the affairs of these debtors, and very little of the transactions of the bank with them; how are the public to know that they have any security in using the bills for the purposes of circulation? The remedy of the public ought of course to be against the stockholders. But what can such a remedy amount to, seeing the bank has suspended specie payments, that is, seeing the joint-stock capital amounts precisely to Zero? The cure for the evil is at once indicated; *the stockholders ought to be held responsible for their bills.* The notes of the debtors of the bank are security to the stockholders, and the stockholders ought to furnish security to the public. But, you say, what progress have we made by this long discussion? how can the stockholders furnish security except by doing their business on a sufficient specie capital, regularly paid in? and if you are coming back to specie paying banks, what good is to come from the investigation of this Nazareth of broken banks?—Not so fast, reader! There is a way in which the stockholders may furnish security for their bills without returning to specie payments, and without paying a single dollar of specie into the vaults of the bank. *The stockholders may agree to take their own money in all the transactions of trade.* Let the reader be patient for one moment longer! Such money, based on actual commodity, though not on specie, would be a real and available currency, although in certain circumstances, it might be below par; but whether below par or not, such money would solve the first problem proposed by us, namely, the possibility and practicability of organizing a currency on some basis altogether independent of specie. But, you say, who would own stock in such a bank, where there are such liabilities? We will answer your question in a moment; but permit us to note, in passing, that you acknowledge, by your objection, such a currency to be safe, though not convertible into specie, and that you confess the danger and risk to lie on the side of the stockholders.

The organization of Credit, and the remedy for the evils of the Currency.

We will now show you how a man could be induced to take stock in such a bank. Let 10,000 persons agree to form a banking company: let it be understood, from the beginning, that the bills of this bank are never to be redeemed in specie: let these 10,000 persons agree, however, to receive these bills at their full value, in all their business transactions. Now how are these bills to be put in circulation? In this way:—the very best commercial paper is to be received at the bank, no other is to be taken—no accommodation, no fancy paper: the officers of the bank are to give, in exchange for this commercial paper, bank bills which are good money to the receiver in all his transactions with the 10,000 stockholders. No one would be willing to own stock in this bank (if it may be called owning stock) if he were one of only eight or ten individuals who are responsible for the bills, *but who would not be willing to take his share of the risk among 10,000 responsible men?* There is no danger of loss; for, if you, an individual stockholder, take the bills of the bank according to your agreement, you have, on the other hand, as a holder of the bills, a remedy against the remaining 9,999 stockholders, who are bound by their agreement to receive the bills of you at their full value. And there is no danger that the bills would ever be at a discount, since they are no more related to gold and silver than they are to iron, lands, houses, or any other commodity. Suppose this bank to be organized in Boston: no merchant there would desire the money if only two or three individuals held stock, *but who would not desire to procure the money if 10,000 responsible citizens owned the stock, and were bound to receive the bills in all the transactions of trade?*

The bills are not bank bills, but bills of exchange.

The bills of this bank are BILLS OF EXCHANGE, drawing 10,000 individuals who are organized into a banking company, accepted by 10,000 stockholders in the bank, and guaranteed by 10,000 persons who are doing actual business in the neighborhood of the bank. A bill of exchange, when it has four or five responsible names to it, is considered as good as gold; what better paper, therefore, could you desire than a bill of exchange with 10,000 responsible names attached to it? The bill holder must be perfectly secure, for, though he cannot draw specie for his bill, he can use it as money at 10,000 stores, hotels, theatres, tailors' shops, eating houses, &c. &c. The stockholder is perfectly secure, because the loans (issues of bills) would be made only on the best paper resulting from sales

actually effected, or perhaps on mortgages, &c. (commercial men can determine all this); and because the books of the bank, containing the history of every transaction, would be open to the inspection of 10,000 interested persons. We have now lost sight of the non specie paying bank with which we started; for our present bank is directly the reverse of all banks established on the old principle. It is a bank turned inside out, or rather turned bottom side up:—perhaps we should come nearer the truth if we should call it the positive negation of a bank, and designate it as an ANTI-bank!

Advantages of this Currency.

What would be some of the favorable features of this anti-bank? It would (1) give every facility to men doing a legitimate business, while it would extinguish all imbeciles and scoundrels; for none but legitimate paper would be discounted at it. (2) It would furnish an adequate currency; for, whether money were hard or easy, *all* legitimate paper would be discounted. At present, banks draw in their issues when money is scarce, (the very time when a large issue is desirable) because they are afraid there will be a run upon them for specie; but our anti-bank, having no fear of a run upon it, as it has no capital, and never pretends to pay specie for its bills, can always discount good paper. (3) There can never be any over issue of the anti-bank money, for it is issued only against good and sufficient commercial paper, and all its bills must be continually returning to it every 30, 60, or 90 days, or longer period, according as the stockholders shall determine in the by-laws. (4) This money can never cause a rise or fall in the price of gold and silver, since it is not itself a commodity, does not pretend to represent any one particular commodity, and has no more connection with gold and silver than it has with iron, wheat, houses or barns. Under the influence of the new money, gold and silver will have their values determined for them by the ratio of the supply of the precious metals to the natural demand for them, just as the value of flour is determined by similar causes. (5) It is of no consequence how much of the new money goes out of the country, for it can never draw specie after it, since it is redeemable only at the workshops, stores, hotels, &c. of private individuals at the place where it was issued. We might lengthen out this list to almost any extent, but prefer to invite the reader to reflect for himself upon the manifold advantages of the anti-bank.

This bank ought to be a State Bank.

But why should we permit these stockholders to receive the interest on all this money? We have not yet turned the old bank quite upside down; let us proceed to finish the work we have commenced! If the state of Massachusetts should petition congress, and receive permission to establish a state anti- bank on the above principles, thus furnishing a currency to the state, the bills of this state anti-bank would be bills of exchange drawn by 737,700 drawers, accepted by 737,700 persons drawn upon and guaranteed by the 737,700 individuals who constitute the population of the state. Who would hesitate to receive such bills as money? Who would object to such bills being made the legal tender of the state? or who would fear that individuals could lose by them to any appreciable amount, since all the business of this bank would be transacted under the eyes of the whole state? If the state should charge one per cent. per annum interest on its loans, this per centage would much more than cover all losses. There are very few of the old banks, if any, that lose yearly to the extent of one per cent. on their loans: and then reflect, reader, on the remarkable transactions that take place under the old system, with the risk attending them, and remember also that all these little singularities, with their attendant risk, will be done away with under the anti-bank. But let us say that the losses (including the regular expenses) under the new system would be covered by a rate of one per cent. on the loans. Now if the state charges two per cent. per annum discount on its loans, *the extra one per cent., which is clear gain, would undoubtedly pay all the taxes in the state.* The old banks are taxed one per cent. on their mere capital, and they loan to double its amount; the anti-bank furnishes the state with one per cent. *on all its loans*, and its loans would probably involve all the business of the commonwealth. Just think how many public functionaries would have occasion to retire to private life! "Wo unto you, lawyers!"

Merchants, in the multiplicity of their affairs, with their ships in all parts of the world, would no longer be obliged, so long as they do a legitimate business, to trouble themselves about raising money. They get it *to any amount* at the state anti-bank, at the rate of two per cent. interest per annum. They buy their gold and silver for foreign commerce at its natural price, just as they would any other commodity. Mechanics, small traders, all who are doing a useful business, have like advantages—all may get money at two per cent. per annum. *And, again, the whole burthen of taxation is taken off of every mans' shoulder.*

We are sorry to say that we cannot suit every body. There is one class in the community that would suffer by the change, and we can see no remedy for them, at least with our present light. Othello's occupation would be gone for all those who live upon USURY! The unlimited loans at two per cent. per annum at the state anti-bank, would seriously inconvenience their business.

Objections answered.

First objection.—But some one says, Your anti-bank money has been tried, and found not to work well; for it differs in no sense from the Michigan wild-cat money, which every body confesses to have been good for nothing.

Answer.—We reply, There is no analogy whatever between the money we propose, and that which was issued by the wild-cat banks. For (1) the wild cat bills were promises to pay specie to the holder of the bills whenever he should present them; while our bills do not profess to be redeemable in specie at all. (2) The wild cat issues professed to be based upon specie in the vaults of the banks, which specie never existed there; while our issues profess to be based, not on specie at all, but on actual commodities, really and truly existing in 10,000 workshops, hotels, wood-yards, &c. (3) The wild-cat money had no guaranty whatever, since there was no capital in the banks, and the stockholders borrowed the money themselves; while our money has a perfect guaranty, since it is issued against actual value, and on a system which causes it to be insured by 10,000 responsible persons. (4) The wild cat money pretended to represent gold and silver, and therefore deranged the currency; for, since specie is in communication with itself throughout the world, and seeks, like water, its own natural level, every paper representative of a silver dollar that gets into circulation, drives a real silver dollar out: while our money, which does not pretend to represent specie, has no more influence upon the value of the precious metals than it has upon the value of any other commodity:—

Second Objection.—That will do! answers the objector, we withdraw our derogatory remark, we confess that no analogy exists between Your anti-bank and the wild cat banks: but what difference is there between your state anti-bank money and the old continental money?

Answer.—(1) The old Continental money was a promise to pay specie, while our money is not a promise to pay specie. (2) The Continental money was guaranteed by the government, which guaranty was not good, because the

government could not pay its debts; while our money is guaranteed by every responsible private individual in the commonwealth, which guaranty is good. (3) The Continental money was issued as an evidence of the debt of the government (the party issuing the bills) to the party which received the bills; while our money, on the contrary, is an evidence to the public that the party who received the bills is indebted to the state anti-bank, which issues no bills except upon notes binding the party receiving them. We will not continue this answer. Let the reader reflect for a moment, and he will confess that this money differs essentially from any that has ever been issued since the world first began to revolve on its axis. He will confess that this *anti*-bank is founded on philosophical principles, and that it must, by necessity, as soon as it goes into operation, operate WELL.

EQUALITY, NO. II.

To the Philosophers and Politicians.

SOLIDARITY

Let us suppose a man to own a gold watch. Let us listen to him while he endeavors to justify himself in retaining possession of it. He says:—

The gold in this watch was dug out of the ground by the miners of Peru—those miners have labored for me: the gold was carried on mules across the mountains to the sea shore—the muleteers have labored for me: it was carried to Liverpool in a ship—the captain and sailors have labored for me: the watchmaker bought the gold, and made the watch—the watchmaker has labored for me. Again, the miners of Peru could not have labored without tools: therefore the tool maker in Birmingham, the English miner who produced the iron for the tools, the carpenter who fitted the handles, the boatman who transported them to Liverpool, and the sailors who manned the ship which carried them to Peru, the merchant who sold the tools to the gold diggers, all these have labored for me. But where shall I stop? The ship-builder has worked for me also, as well as the captain and the sailors—the man who made *his* tools, and the man who clothed and fed this last man, and the man whose labor enabled this last man to feed and clothe the last but one, and all who made tools for all these, and all who dug iron that these tools might be made—all these have labored for me. But what shall I say of the canvass of the ships, of the hemp of which the ropes are made?—and as yet I have spoken of the production of the gold only: what shall I say when I come to render an account of the brass, the steel springs, the jewels, and the glass crystal, which go to make up the watch? But I will not parody the history of "the house that Jack built." What do I know about it?—Perhaps the whole human race, including Adam and Eve, Julius Caesar, and the

great Mogul, have labored together in order that I might have this watch as my property in fee simple.

It is evident that no man produces anything by his own unassisted labor. When a man produces anything, the whole of society works with him. But, when a thing is produced by two working together, each of the workers has a right to a share in the product of the labor. No man can produce anything, therefore, which shall be absolutely his own; for society has always a just and righteous claim to an undetermined portion of the value produced. But now I am puzzled! How could I have paid for this watch? My account is squared with the watch-maker as an individual man, but is it squared with him as a member of society? I earned the money with which I paid for the watch; but I earned it in partnership with society. Have I ever paid for my education, for my support while I was a child? My father indeed paid the school-master, and settled the bills of the butcher, baker, and tailor; and thus the question is settled so far as those individuals are concerned. But my father stands to me in a social relation; through him I have received values from society; and what have I given in return? I am certainly in debt; and the worst of it is that I do not see how I shall ever be able to pay off this debt. I labor indeed for society, but what does my labor amount to? My unassisted labor, which is all for which I have a right to draw pay, (for the assistance claims its own pay) amounts to little or nothing. If I were cast away on a desolate island, I might make myself perhaps tolerably comfortable; at any rate, I should have an opportunity of learning how much value I am able to create by my own unassisted strength, and therefore how much value I have a right to draw from society as an equivalent for my labor. Verily it appears to be evident that if I receive from society a support in the alms house, I am more than paid for all I can do. Nay more, in this desolate island, I should still be indebted to society. Where did I obtain the skill which enables me to weave my bower of leaves, to make my cave comfortable? If I should really restore to society all I have received from it beyond what I have returned as an equivalent, I should be, after making the restoration, but one grade superior to the ourang outang. Where then is the pride of man! Inventors, men of science, men of wealth, flatter themselves that they have conferred benefits upon society: they do not remember that society has had the principal hand in their inventions and improvements! What would Galileo have invented if he had been born among the Patagonians? What becomes then of the absolute right of property? I own this watch, not because I have any absolute right to it, but because my title to it is better than that of any

other person. Society gives me the proprietorship of it, because it is for its own interest so to do: my right to my watch is not a natural, but a social right. I own it, not because I earned it, for I have not earned it, but by the free grace and favor of society.

Here we interrupt our soliloquist, and ask him if his ancestors did not earn the property he holds, or if it is not the result of his own labor added to that of his forefathers? We ask him if he does not receive it by inheritance, and own it absolutely, because he receives it by gift from those who had in it an absolute proprietorship founded in actual production? Our watch owner shakes his head mournfully, and answers:—I have thought of all that; but it is some other person's ancestors who have produced this value. My grandfather came into this town with six and a quarter cents in his pocket;—no matter what he produced, he labored in partnership with society, and, if the town had given him a living in the poor house, it would have overpaid him: how then could he transmit absolute proprietorship in any thing to his descendants? There are very few men in this country whose great-grand-fathers were men of wealth: the principle of inheritance, therefore, though just in itself, solves no difficult question of social justice.

THE FORMULA OF LABOR.

All action implies motion or change. When one billiard ball strikes another, and communicates motion to it, there is action. One ball seems to be the actor, and the other the object affected by the action: but neither of the balls truly acts; for the ball that strikes, is merely an instrument whereby the real actor communicates motion to the ball struck. It is the man who strikes the first ball who is really the actor. All action is the work of some being who acts; and every being who acts, is the beginner and originator of the motion and change which constitute, and result from, his action. If he is not the beginner and originator, then he is not the actor. A rifle bullet is not an actor, though it may kill a man. The bullet, the explosion that makes it fly, the fire from the flint, the collision of the flint and steel, are neither of them actors; nor is the finger operating on the trigger that begins the motion, an actor, for it is a passive instrument. The nervous fluid, or other instrumentality which transmits influence from the brain to the finger, and

the brain itself, are not actors. It is the SOUL which is the beginner and originator in this whole business. And if we could be convinced that the soul is a mere instrument, made to act as it does by the irresistible impulse of a superior being, we should at once declare that superior being to be the actor, and regard the soul as an object merely affected by the action transmitted to it—like the bullet or finger.

But wherever there is action, there must be something acted upon. If there be a thing to be moved or changed, there can nevertheless be no action until some actor appears; and if there be an actor, there can be no action until something moveable or changeable be provided. *There must be some actor, and something to be moved or changed, or there can be no action.* What is LABOR? It is the act of a *living man*, who transforms *some object* capable of being changed, which object is called CAPITAL. In order to the possibility of labor, therefore, there must be the living man, and the capital.*

In all labor there is a concurrence of the capitalist and the laborer; and the capitalist and laborer have consequently each a claim on the result of the labor. Indeed, in some cases, especially in new countries, the capitalist is no other than the Almighty, who charges nothing for the use of his property; but almost always there is a human proprietor who must be paid, out of the result of the labor, for the use of his raw material and machinery. Labor and capital are placed opposite each other, mind against matter, man against nature. It is the mission of man upon the earth to transform nature and matter, making them subservient to his will; and he effects this purpose progressively by continued labor.

COMMUNISM—CAPITALISM—SOCIALISM.

* Labor is an act of life, and is, consequently, at once subjective and objective: the subject is the living laborer, the object is the capital on which he labors. The character of the result of the labor depends on the concurrence of the subject and object. As the human race exists in solidarity of Life, so it exists also in solidarity of Labor. As the present generation inherits the results of the life of all preceding generations, so society at the present day, of course inherits the results of the labor of all the generations which preceded the one now existing. So much for the metaphysical statement.

The three partial philosophical systems which manifest themselves in every age of the world, have been defined as follows:—

"Transcendentalism is that form of Philosophy which sinks God and Nature in man. Let us explain. God,—man (*the laborer*)—and nature (*capital*)—in their relations (if indeed the absolute God may be said ever to be in relations) are the objects of all philosophy; but, in different theories, greater or less prominence is given to one or the other of these three, and thus systems are formed. Pantheism sinks man and nature in God; Materialism sinks God and man in the universe; Transcendentalism sinks God and nature in man. In other words, some, in philosophising, take their point of departure in God alone, and are inevitably conducted to Pantheism;—others take their point of departure in nature alone, and are led to Materialism; others start with man alone, and end in Transcendentalism."

Transcendentalism—Communism.

The Transcendentalist believes that the outward world has no real existence other than that he gives to it. He believes he creates it by his intellectual labor; not only so, he believes he creates it out of himself, without working upon any capital distinct from himself. We agree with the reader that this system is absurd; but we invite him to make allowances for the aberrations of powerful men who are intoxicated by the consciousness of their own genius. Shelley furnishes the following transcendental statement, in his drama of *Hellas*:—

"Earth and ocean,
Space, and the isles of life and light that gem
The sapphire floods of interstellar air,
This firmament pavilioned upon chaos,
Whose outwall, bastioned impregnably
Against the escape of boldest thoughts, repels them
As Calpe the Atlantic clouds—this whole
Of suns, and worlds, and men, and beasts, and flowers,
With all the silent or tempestuous workings
By which they have been, are, or cease to be,
Is BUT A VISION;—all that it inherits
Are motes Or a sick eye, bubbles, and dreams;

THOUGHT IS ITS CRADLE AND ITS GRAVE."

Fichte teaches that the soul, by its native divine power, creates the universe. Ralph Waldo Emerson, than whom no more remarkable thinker has been furnished to this country by the present generation, maintains the same doctrine. Mr. Emerson's thoughts radiate always in right lines, and though he can see an object that is directly before his intellectual vision, even if it be at an infinite distance, yet he seems incapable of grasping some things in their relations:—but our questions are of *labor*. *The man who denies the rights of capital, is a transcendentalist in political economy.*

For what is capital? It is that outward object with which man is related, which man labors upon, which man transforms. Transcendentalism is the denial in the most unqualified terms of the very existence of capital, that is of things which are not man, and with which man is related: and communism is an application of transcendentalism in a more limited sphere of science.

*Materialism—Capitalism—Plutocracy.**

The Materialist, on the other hand, denies the existence of the soul, that is, of the actor, the beginner and originator of motion and change, in short of the laborer. According to him, man is the result of organization, is fatally impelled to act as he does act by outward impulses, and the mind is the operation of the electric fluid in the brain. Materialism teaches that the word soul is a word without a meaning. If the transcendentalist talks absurdly when he says nothing really exists but soul, and that matter is merely an appearance which the soul creates, the materialist talks equally absurdly when he says that matter is the only real existence, and that the soul is an appearance resulting from the modification of

* A PLUTOCRACY is a government administered by, and for the advantage of, the more wealthy class of the community. In socialism, the government administers the wealth of the state; in a Plutocracy, the wealth administers the government. PLUTO was the god and king of hell. His name signifies, in Greek, the *Giver of Wealth*: the Latins called him *Dis*, that is, *dives*, that is, again, *rich*. Under the name PLUTUS, he is, especially, the god of Wealth. Diamonds, gold, and iron—in general, all hard and precious substances,—were the materials of which the infernal palace was built. In the beginning, Plutus was not blind; but, as he granted his gifts only to virtuous men, Jupiter deprived him of sight, in order that he might thenceforth distribute them without distinction among the worthy, and the unworthy. Plutus is represented as an infirm man, having his eyes bandaged, and holding a purse in his hand.

matter. The transcendentalist denies the existence of capital, and therefore denies its rights; the materialist affirms the existence of capital, and denies the existence of the laborer, and therefore denies the rights of the laborer. The transcendentalist is a fanatical radical; the materialist is a bigoted conservative. We are of course speaking of these systems as they appear when rigidly carried out to their ultimate logical conclusions.

Pantheism—Socialism.

The Pantheist denies the real existence of the subject and object, of the laborer and of capital. For him nothing exists but God; and both man and nature are appearances. Hyper-Calvinism gives us a good example of pantheism. The high calvinist denies man's free will, that is, man's personality,—and, of course, man himself; for what is man if not a person? He teaches that all *evil* acts performed by man are the results, not of his own free action but of some depravity we have inherited from Adam, this depravity assisted in its operations by the instigations of Satan; he teaches moreover that no man can perform any *good* act, except by the infusion of a new spirit by irresistible grace, except by the implanting of a new principle—_a new spring and source of action—in the heart. It is evident that this system does not allow that man does anything whatever. Again, the high calvinist, by his theory of Providence, continual miracles, &c., denies the real existence of outward nature. Man does nothing, nature does nothing, God does all. Ask the transcendentalist what is a man's right to property? and he answers—"Labor." Ask the materialist the same question, and he answers,—_"Previous occupancy." Ask the Pantheist, and you will find him incapable of comprehending the rights of either labor or capital, for he will answer—"Property ought to be distributed according to the views of Providence, according to some theory of Divine Order."

The transcendentalist is often a violent despot, because the force of his will impels him to arbitrary measures, but he always respects liberty in theory, for he founds his whole right on this principle. The pantheist is often a despot in like manner, but his despotism comes from a different source; it comes from the fact of his being unable to conceive of liberty—and this because he does not believe in the existence of the human will. Where can you find a more arbitrary interference of the social power with private rights that was practised by our calvinistic fathers of Connecticut and Massachusetts? The materialist is a hard

master, but he understands equality (though he violates it every day) for he holds his property by right of occupancy, and will tolerate no special privilege which might enable any individual to outflank his right. The pantheist knows nothing of occupancy; he understands a supposed Divine Order only, and therefore the principle of equality cannot be recognized by him. Political economy interpreted from a pantheistic point of view, gives us *Socialism*; that is, the intervention of society in all the private affairs of life, and the distribution of property according to the arbitrary laws of the State, according to some so called Divine Order. "The earth belongs to the Lord, and what belong to the Lord, belong to his saints."*

Transcendentalism is the philosophy of the right of the strongest, and therefore destroys equality. Materialism is the philosophy of *the existing fact*, and the opposition to all change, and therefore is destructive to liberty. Socialism is the philosophy of a Theocracy, and is destructive to both liberty and equality.

All these systems are true; and, again, they are all false. They are false as partial, exclusive systems; but they are true in their mutual relations. Man exists as a beginner of motion or change, as a living soul; and therefore transcendentalism is true, therefore liberty is a holy principle. Outward nature exists in fact, and man may occupy it,* and the rights of first occupancy are valid; therefore materialism is true, therefore equality is a holy principle; and all special

* Socialism is a novel fact in modern history; but it shone in full splendor in the early ages of almost all (if not all) the ancient oriental nations. Socialism manifests itself at the origin and at the dissolution of great civilizations: it is the first and the second childhood of the great empires. When it is imposed on the people by a scientific caste, by a Theocracy, it is the sign of rising national strength; when it proceeds from the contact of popular supremacy with the organization of society which results from the long prevalence of special privileges, it is the disease of which nations die. It was by Socialism that Chaldea rose high among the empires; it was by Socialism—by the African grain which was furnished to the people, at the expense of *the State*, that the gates of Rome were thrown open to the barbarians. Socialism is already partly organised in France (though the edict decreeing the purchase of the rail roads has been repealed;) and this, as seems to be always the case on occasions of national decline, through the fault of the conservative party who, having ears, hear not, and having eyes, see not. The signs have appeared in the heavens; but we cannot bring ourselves to believe that Providence will ever permit any Christian nation to die out. Cataline, if he had succeeded, would have saved Rome; when Julius Caesar attempted to accomplish the work of Cataline, the day of grace had gone by, for Cicero, an imbecile, had held power in the interval. There is a man, at present in the dungeons of the Republic, who may yet save France. Let him have firm faith in that God whose instrument he is, but against whom (though not like Jonah) he now rebels!

Communism and Socialism are the opposites of each other. The communistic doctrines tend to anarchy; the socialistic doctrines tend to excess of organization. Socialism sacrifices the individual to the State; Communism sacrifices the State to the individual .

† The reader must bear in mind that there is a difference between *occupation* and *mere appropriation*.

privileges, all violence, ought to be reprobated. There is a Divine Order, for God governs all, and has created all things according to his Eternal Logos or Wisdom; therefore pantheism is true:—when men understand this, they will see that *fraternity* is also a holy principle. *All these systems limit, modify and correct each other; and it is in their union and harmony that the truth is to be found.*†

SOCIALISM IN MASSACHUSETTS.

Division of labor—exchange or commerce—and mutual dependence—these are three striking characteristics of our present civilization. The division of labor, and the increase of artificial wants, have revolutionized our social condition. Every man finds it for his advantage to confine himself to the production of a particular commodity, exchanging his surplus of that commodity for whatever other articles he may require. No family is sufficient for itself. Every family is under the necessity of supplying a portion of its wants by exchanges. But what is the instrument by which exchanges are made? Is it not *the currency*? Money serves a very different purpose therefore, now from what it did seventy years ago!

There is another remarkable characteristic of our present civilization; it is this:—*The principle of the DISTRIBUTION of the values produced, is divorced from the principle of the PRODUCTION of those values.* Let us explain. The great characteristics before spoken of—the division of labor, exchange or commerce, and mutual dependence—seem to have come to us necessarily, and in the natural order of progress; but this last characteristic seems to have come upon us unnecessarily, unnaturally, and to be the result of unwise and partial legislation. Seventy years ago, the farmer retained and consumed what he himself produced; and there was then no room for injustice; for he held the reward of his labor in his own hands. Now he sells the greater portion of his produce in a market where the prices are regulated by the ratio of the supply to the demand, where exchanges depend upon the state of the currency, and where the state of the currency depends upon incorporated banks. By selling his produce, he throws it into the common stock in the market; but it is very doubtful (in the intricacy of a transaction which, nevertheless, appears very simple to him) whether he draws out of the common stock in the market, an equivalent in value.

For whoever borrows money at the banks, gives his note for the money, and pays interest on it for the time he borrows it. When he pays this debt, he pays it either in specie, in bills of the bank itself, or in bills of other banks; but, as such payments are seldom made in specie, and as the banks, whenever they receive bills of other institutions, present them to be exchanged for specie or their own bills, it is evident that bills issued by a bank on a given note, will, as a general thing, return to it when that note falls due: it is evident, consequently, as a general thing, that every bank bill earns for the bank which issues it, six per cent. on its amount, for the whole time it is in circulation. Now the borrower of the money at the bank (as every commercial man may testify) is not accustomed to bear the burthen of this interest himself: on the contrary, he manages to shift it to the shoulders of the next man with whom he deals; this man shifts it again from his own shoulders to those of some one else, and thus the burthen is passed along until it can be passed no further, that is, until it is placed ultimately upon the producer, who is obliged directly or indirectly, knowing or unknowingly, to pay the tax to the bank.

At the present day, chartered corporations, enjoying special privileges, disarrange our social organization, and render the just distribution of the products of labor almost impossible. The holder of stock in manufacturing, rail-road, banking, or other, companies, holds legal value to the amount borne on his certificate of stock. This legal value earns him an annual income which is called his *dividends*. The laborer is paid for the actual work he performs, and his pay is called his *wages*. The stockholder does not work; for his stock—by a legal fiction—is supposed to work for him; and the dividends he receives, are the earnings, not of himself, but of his property. There is no legal fiction in the work of the laborer; his wages pay for the actual sweat of his brow. Distribution is accomplished, under our present system, by exchanges, and by dividends and wages. So far as exchanges are concerned, the formula of production is not divorced from that of distribution; but so far as dividends are concerned, that divorce is almost complete. Even distribution by exchange has become perverted, for the currency, the instrument of exchange, is controlled by incorporated banks.

The earnings of the rail road and other companies, are very great. The banks receive six per cent. interest per annum on nearly the whole of the circulating medium. The total amount of dividends received by the stockholders in these various institutions, must consequently, of course, be enormous. And

institutions of like character are being established every day, thus increasing and intensifying the effect of the system; for the legislature makes little or no difficulty in granting charters. *The day is approaching, when the sum of all the dividends yearly receivable by the stockholders in incorporated companies, will be nearly equal to the yearly produce of all the labor in the State.* And that day is approaching more rapidly than those most interested seem to think. When that day arrives, the laborers will be, to a great extent, dependent upon the charity of the stockholders who receive the yearly income of the State. Such will be the result of the neglect of that mutuality which is involved in the formula of labor! The yearly income of the State will be divided by the corporations among the stockholders; the welfare of the stockholders will depend therefore upon the organization of the corporations. But upon what will the corporations depend? They are artificial creations of the legislature, and depend, therefore, by necessity, on the action of the legislature. Upon what does the action of the legislature depend? It depends upon the people. The circle is complete. The laborers will be at the mercy of the stockholders, the fate of the stockholders will depend upon that of the corporations, the corporations will be at the mercy of the legislature, and the votes of the legislature will depend upon that of the people—and the laborers will then, even more than now, form the immense majority of the voters. Thus the legislature, through the corporations, will distribute the reward of labor, thus the principle of distribution will be divorced from all relation with that of production,—and the majority of the people will control the legislature. *The Commonwealth of Massachusetts is advancing, under the guidance of the so called CONSERVATIVE PARTY, with gigantic strides, towards—SOCIALISM!*

Indeed Socialism is virtually established in this State already. The values produced by labor are, even now, to a great extent distributed under the form of dividends by incorporated companies—that is, *they are divided according to artificial methods established by the legislature.* Society interferes even now in the distribution of wealth, diverting it from its natural, into artificial channels. *What is socialism? it is precisely this intervention of Society for the distribution of wealth in some order other than that which would follow from the prevalence of FREE COMPETITION.* We freely confess that in our corporation system there seems to be a want of the generosity and sentiment of justice, which we are accustomed to look upon as necessary ingredients of Socialism: but the existing egoism is accidental merely, and may be made, by an intervention of the people, to disappear at any time. Our government recognizes the *essential element* of

Socialism; for, through the agency of the corporations, it apportions the wealth of the State, where, and as, it pleases. Scientifically speaking, the government of Massachusetts is socialistic; practically, however, it is plutocratic. The central principle is opposed to the superficial appearance; and, in the long run, the central principle must carry the day, and change the appearance of the surface. When the people begin to suffer from the weight of the system, which is closing in from every side upon them, what shall prevent them from imitating the example of the French? what shall prevent them from causing the government to buy up all the rail-roads for the benefit of the whole people? And when they have done this, what shall prevent them from causing the government of the state to buy out *all* the incorporated companies? The power of society to distribute the reward of labor by artificial methods, is becoming firmly established by the corporation system, and what shall prevent the people from so altering the matter of ownership as to make every citizen a stockholder, thus causing the dividends to fall into new hands? The legislature may, if it please, buy up all the corporations in the State, for the benefit of the whole people; and, to raise the money before the purchase takes place, it may tax every man according to his then present property: thus all the property of the State would change hands. But, says the stockholder, the State has no right to take my property without my consent. We answer that it appears evident to us that the State has a right to *buy out* any incorporated company, if the public interest seems to require it. But, continues the stockholder, the State buys me out with my own money! We answer by admitting that the transaction seems to be unjust, but remark that it seems also to be legal. Has not the State a right to tax each man, according to the property he possesses? has it not a right to make each man bear his proportion of the public expenses? and will not this purchase be one of the public expenses? and the present right or power of the usurer, which is it—*just, or legal merely?*

The worst evil in socialism is found in its pantheistic character. Pantheism is beginning already to prevail extensively in the community; and, as for the fullness of pantheism which is requisite for the completeness of a system of socialism, it would be furnished by the first Phalansterian who might happen to present himself. Socialism is the only political system which presents no good points; in other organizations, a few tyrants, nobles, usurers, and slaveholders, constituting a privileged class, receive advantages which may be considered as a slight compensation for the evil inflicted upon the mass of the people; but socialism

gives us *but one class, a class of slaves*. In socialism, there is but one master, which is the state; but the state is not a living person capable of suffering and happiness. Socialism benefits none but demagogues, and is, emphatically, the organization of universal misery. There ought to be but one class in the community; but that one class ought to be a class of proprietors, nobles, and kings—not a class of slaves.

LIBERTY.

"Love," says Saint Augustin, "is the weight of spiritual existences." We all gravitate toward the same God; and this upward gravitation is to us the revelation of our destiny. "It is the chief end of man to glorify God, and to enjoy him forever." All men are brothers; for they all gravitate toward the same spiritual Sun, toward the same common Father.

We have always before us, an ideal, a mental picture if you will, of what we ought to be and are not. Whoever endeavours to follow this ideal revealed to his inward vision, whoever endeavors to attain to conformity with it, will find it enlarge itself, and remove from him. He that follows it, will improve his moral character; but the ideal will remain above him, and before him, prompting him to new exertions. What is conscience but a comparison of ourselves as we are, mean, pitiful, weak, with ourselves as we ought to be, wise, powerful, holy? What is conscience but a comparison of our actual conduct with our ideal of human perfection? As we make new efforts in striving after the fullness of perfection revealed in our hearts, the ideal removes further and further from us, making higher and higher claims, until, at last, we lose ourselves in the contemplation of the Infinite Majesty. For, in this upward aspiration, there is revealed to us a knowledge of our spiritual existence, and a knowledge of the Most High God. Man is created in the image of God, and it is his duty to bring out into its full splendor that Divine Image which is latent at the bottom of his heart.

When a man first recognises this Divine Ideal, which is the shadow of God, it is to him like the dawning of a new day. As he looks steadfastly, the darkness of his understanding begins to disappear, and the day-star begins to arise in his heart. As he moves forward toward the mark of his desire, subordinating his will to the Divine Will, he enters into communion and fellowship with God the Father;

and the Eternal Sun fills the whole firmament of his soul with its rays of threefold glory.

But, if a man aspire toward God, he must aspire according to his threefold nature, he must aspire according to his body, his soul, and his spirit: he must obey the Divine Law in its threefold applications. Man must follow the image of what he ought to be in the natural world, the spiritual world, and in the world of thought.

LIBERTY is the right which every human being possesses of aspiring toward God, by the development of that threefold human nature—physical, intellectual and moral—on which the image of God is stamped. Or, rather, LIBERTY is the actual progress of that development itself. Who shall come between me and my God ? His revelations are given me in the very centre of my individual heart—tyrants and priests know nothing concerning them. Shall repressive laws, shall priests and creeds, shall public opinion, separate between me and the Father of my spirit? I stand before God as an individual man, he communicates his will in the secret chambers of the centre of my individual heart. INDIVIDUALISM is, therefore, a holy doctrine. The individual man is a mysterious and holy force—placed on the earth in accordance with the mysterious designs of a holy Providence—touch him not, therefore, seek not to guide him by indirect influence, for he is holy! Man is the temple of God, and his heart is the altar from which the Almighty deigns to reveal his presence. He that contends against the right of an individual man, contends against God; for it is the indwelling of God in every individual soul, that is the origin and foundation of all human rights.

An organization of Society which renders a man dependent upon his neighbors, upon public opinion—which, in a word, renders him subservient to his accidents, instead of supreme over them—is destructive to individualism, and is, therefore, profoundly immoral.

Liberty.

Liberty is the right which every human being possesses of acting according to the dictates of his private conscience, according to that voice of the Almighty which speaks secretly, and to him alone, in the centre of his individual heart.

Equality.

Equality is the right to the condition which obtains in every society where no special or artificial privilege is granted to any man, or to any set of men.

Fraternity.

Fraternity is the practical application of the Christian principle of *Union*.—"If any man love God, let him love his brother also."

Liberty, Equality, and Fraternity.

Liberty is the right of each against all; Equality is the right of all against each: Liberty and Equality find their harmony in the higher principle of Fraternity. Liberty, Equality, Fraternity: this is the mystical triangle which ought to be inscribed on the colors of every republic.

Freedom is the adequate and only remedy for the excesses of freedom. Liberty alone, may lead to anarchy, or to the tyranny of individuals over the mass; but all the evils of Liberty are at once abolished by the application of Equality. Equality alone, may lead to the tyranny of the popular mass over the minority; but the application of Liberty at once abolishes all the evils of Equality. Fraternity, rendered obligatory, is the tyranny of the central organic force over both the mass and the individual: in connection with Liberty and Equality, it is the remedy for all social and political evils. Liberty, Equality, Fraternity: this is the sacramental formula, not of an absolute democracy, but of a Constitutional Democratic Republic.

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