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A TRUE THEORY

— OF —

CO-OPERATION.

—BY—

WILLIAM NELSON BLACK.

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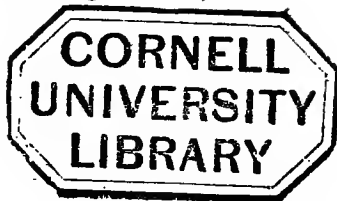
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ULTIMATE FINANCE:

A TRUE THEORY OF CO-OPERATION.

BY WILLIAM NELSON BLACK.

PREFACE.

This number of the Humboldt Library is a contribution to the politico-economic and social discussion which exercises so largely the intellectual resources of the age. It is addressed to all classes, capitalist as well as employee; but it is especially directed to the class whose circumstances are most in need of amendment. It claims to find in the ordinary methods of finance a way through which all men may control the capital needed for their own protection.

CHAPTER I.

THE ORIGIN OF SOCIAL DISCONTENT.

THE wind rises and falls, and between the gusts men fancy that the storm is abating. But it may only be gathering force for a new descent. It may come again with renewed energy, and driving the sea over the land destroy landmarks that have stood the blasts of centuries. It is so with human movements. The waves raised by the labor agitation are now at comparative rest, and seem to have

gone out with the retreating tide. But it will be the part of statesmanship to prepare the shores during their quiescence, so that when they return they may not break against and submerge constitutional landmarks already too rudely assailed.

First, we must know what is the chief disability that creates social discontent. Complaint is well-nigh universal. It comes from almost every rank in life, and is heard as well among the moderately opulent as among the poor. It cannot be said that even the pre-eminently successful are satisfied. They are haunted continually by the sense of insecurity. Among those who are most prosperous may be found the first to turn prematurely gray, and to wear in their lineaments the deepest evidence that they are bearing an oppressive load. Men are wrestling with some untoward complications that seem to bear heavily upon all; and we should look to see if we cannot discover their nature. After it is found the entanglement should be unraveled with less difficulty.

Let us avoid abstractions, and pursue investigation along the pathways of practical life. The world is working for its material good. With the mass it can hardly

be said to have any other object; and even among men who follow intellectual pursuits the ultimate purpose remains substantially the same. They work for a livelihood. Men turn all their accomplishments, whether physical, mental, or moral, to the work of providing for their bodily comforts and enjoyments. This may not quite represent the ideal of life, but it represents the reality. We are neither philosophers, poets, nor preachers at the dinner table. There was never yet an astronomer so enthusiastic in his pursuits that he was willing to forego the possession of a comfortable study, and to stand unprotected under the bespangled heavens when demonstrating his theorems. It is our bodies, unfortunately, that teach us the fact of revolving seasons, of tropical heats and arctic colds. The mind may have its appetites. It is even susceptible to a sense of hunger after its own meats and condiments; but it must devote its finest accomplishments to the work of feeding, protecting, and serving the body. The chief wants of the world are material wants.

These reflections may be thought to place society upon too low a level. Then we will pursue them no further. To say truth they are not necessary in the lesson to be studied. It will be as well to say simply that men have wants, and that for the supply of those wants, whether exalted or low, there is but one chief agent. The word material, then, must be translated into a word more suggestive of the mart. The chief want of society is the want of capital. It is a want so urgent that it has become the chief disability. Men look abroad and see the evidence of great opulence, and they come to the conclusion that capital is abundant. They are apt to think, therefore, that there is privation only because wealth is unequally or unjustly distributed. But they could not take a more

erroneous view. The apparent abundance is only a result of contrast. The world, after all its effort, remains almost inconceivably poor. Divide all the wealth of England equally among the people of the realm and it will give to each person, according to the latest attainable data, the equivalent of about \$1,000 in money. Divide the wealth of the United States in the same manner, with our large immigrant population, and it is well known that the allotment to each person would be even less, or something more than \$900 in money. In France the results of a division will drop to about \$700 per capita, and in Germany it would fall to \$500. Over the rest of the world, with the exception, perhaps, of some of the minor industrial States of Europe, the results of a division would be even less fruitful, and were the division made for all Christendom we would have to be content with about \$250 or \$300 for each person. Can we say in the face of these facts, which are statistical and sufficiently accurate for all the purposes of correct induction, that the world is opulent? It is evident that it has hardly yet advanced beyond the shaft which opens into the mine.

But let us assume that income and not accumulation is the true dependence for meeting human wants, and then see if the morning can be made to break through the perplexing clouds by which we are surrounded. It is not so easy to approximate the total of income as to reach the total of accumulated wealth. There is a lack of statistical data bearing on the subject, or, at least, a lack of data completely covering the ground. But we are not without means for making a reasonably close estimate. We know by the census estimates of 1880 that the total value of the product of this country for the year was \$9,000,000,000. This included

mechanical, manufacturing, agricultural, and mining productions, and the figures were supposed to represent the market value of the total. If divided equally among the 50,000,000 persons who then made up the total of our population it would have given \$180 to each person. Add to this the interest, or dividends, at six per cent., on something more than \$11,500,000,000 invested in corporate or other securities, such as the stock or bonds of railways, banks, insurance companies, telegraph companies, and mortgages on real estate—\$700,000,000 of income in all—and we find the total to be \$194 per capita. It was fortunate, it will be seen, that large numbers of the total population were represented by infants in arms whose subsistence did not call for a large expenditure in money.

But this estimate if finished here would not be quite fair. Income is drawn not merely from production and dividends but from commerce. The same product may change hands frequently in the course of a year, sometimes increasing and sometimes diminishing the income of the tradesman through whose hand it passes, and here enters the element of uncertainty in calculation. We know neither the precise volume nor the exact profits of mercantile traffic. We are dependent upon estimates only in calculating the sales and the percentages. It is not possible to know within a few billions the total of mercantile transfers. It is estimated all the way from \$25,000,000,000 up to \$50,000,000,000 per annum. It will surely be covered by the latter amount. We know that ninety per cent. of our commerce is in domestic merchandise; and it is inconceivable that \$9,000,000,000 in such merchandise, with ten per cent. added for foreign products, could change hands often enough in reaching the consumer to make the total volume of ex-

change more than \$50,000,000,000. Then suppose this to be the total, and suppose that twenty per cent., in gross, is realized on the traffic. This would add \$10,000,000,000 to the total of incomes drawn from production and dividends, and instead of \$194 per annum for each person we have \$394 per annum. This will be a fortunate increase. It withdraws the suggestion of impending starvation for the chief part of the community; but it is not sufficient, it will be seen, to make us cease to be thankful for the economy of subsisting the inmates of the nurseries. Unfortunately, too, the estimate is excessive.

Look upon this subject in any light of which it is capable and we see that the great want of the world is capital, or the power of producing income. Until this want is supplied there can be no general amendment. A note cannot be met when it becomes due if there be not money enough to make payment. Men may build castles in the air as high as a snow-capped mountain, and see their turrets glittering in all the coruscations that can be created by the lunar lights of socialism, but if at the foundation there be not wealth, and the resources for exchange, the stairways will prove too unsubstantial to sustain the footsteps of men who would essay to climb. We see the evidence of the great need upon every hand. Were it possible to obtain the capital by which they could be prosecuted there are projected enterprises enough not only to give employment to every unemployed workman in the country, but to add largely to the demand for labor, and to increase the rates of compensation. But this is not all. The builder is throttled even when his hand is in motion. There is hardly a work of any kind under construction where the labor is not needlessly prolonged by the difficulty of obtaining money to pay workmen and provide ma-

terial. Is it a question of railway building? The projectors work continually under the shadow of a receiver, and must often pledge about three dollars in stock for every dollar obtained and legitimately expended. Is it a question of constructing dwellings of a class suitable for men of limited means? We have heard of the expedients invented by the Building and Loan Associations. It costs illimitable invention and much self-denial on the part of the managers and members of those societies to construct dwellings that may be rated only a little superior to the better class of rookeries. Wherever a work of construction is to be undertaken we may be almost sure that it will be carried forward with crippled resources.

But why is it so difficult to obtain building capital? It is difficult simply because capital is so badly needed for other uses that it cannot be diverted to works of construction without great sacrifices. The merchant must strain every nerve to maintain or increase his stock of goods, and to enlarge his market. The manufacturer is continually finding that his plant is a destructible dependence, failing him as well through the progress of invention as through the deterioration of his material. The factory of to-day is generally an evolution of the factory of a quarter of a century ago; and every step in advance has been met by the sacrifice of invested wealth and the investment of new capital. We frequently hear it said that there is money enough to loan on good securities. It is a misleading remark. It simply means that the men who have money to loan will consider only the good securities. They will concentrate on such securities, and leave all that are in the least open to suspicion to go begging. Every merchant, manufacturer, and builder knows that

money in amounts equal to all his needs is never easily obtained on terms that he is able to meet, and that he is often unable to obtain it on any terms. Every workman should know, too, that he would never be subjected to an hour of enforced idleness were it not for the inability of so-called capitalists to obtain capital. The difficulty meets men at every turn. It confronts the rich as well as the poor, and it hangs like an incubus on every manifestation of enterprise. It is truly the world's primal curse.

CHAPTER II.

DEFINITION OF CAPITAL.

FROM one point of view it might seem like folly to waste so many words in the statement of what should be thought a truism. But the assumption that there is a lack of capital in the world is not a truism to the great majority of men. To many men, indeed, the statement will be received with surprise, if not with incredulity. They will be disposed to discredit the statistical data on which it is founded. But the figures are correct enough to point a moral, and they show pretty conclusively that we have no right to reason upon the material aspect of social questions without first admitting that next to nothing has yet been accomplished towards placing society in a condition of general security. To attempt to reason from any other ground shows either an ignorance of fundamental facts or eccentric habits of mind.

It will form an instructive subject for study to learn why the world is so poor after centuries of apparently effective effort in the accumulation of wealth, and the inquiry will have a direct bearing on the conclusions to which the at-

tention of the reader is to be called. Much of the world's wealth is perishable, and demands renewal from year to year. Another, and still larger portion, demands renewal after a few years, and cannot enter into the total of permanent possessions. Only the bare land endures from generation to generation with a transmitted value, and even this representation of property is subject to incessant fluctuations, and is only to be made productive by a great expenditure of time and capital on a foundation of still other and vanished capital. The accumulation of national wealth seems to be a good deal like climbing a soft sand hill where every step of the ascent levels the pile almost as much as it elevates the foothold. But it would be premature to pursue this line of inquiry until attention has been called to the meaning of a word which men should learn to more fully comprehend.

What is capital?

The question might be answered differently by different persons. It is certainly a word somewhat confused in the application even among careful thinkers. It is often confounded with accumulated wealth, and made to convey the same meaning. Indeed, so general is the confusion all through the ritual of political economy and finance that it is impossible to follow the text without sometimes using the words interchangeably. But while accumulated wealth is capital the converse is not always true. Capital, both theoretically and practically, covers much the broader ground. If you ask a builder the extent of his capital he will not limit himself to the value of the property which he owns over and above the sum of all encumbrances. He will estimate on his resources, and give the total amount that he can put into any enterprise. If he be known for a man of probity, and

uniformly or generally successful, his resources in capital might far transcend the resources of a rival following the same vocation whose accumulated wealth was greatly in excess of his own accumulations, but who was publicly known as unscrupulous or untrustworthy. It is a common saying among practical men that a man's credit is his capital, and in a large measure the saying is true. We also place to the account of capital the accomplishments, whether mental or manual, through which a man earns his subsistence. They bring returns in income, and yet bear no relation to accumulated wealth. They must vanish utterly from the earth with the disappearance of the person by whom they were possessed.

We see, therefore, at the very threshold that capital transcends the limitations of wealth, and possesses a much broader significance. It may be assumed, indeed, that the chief agency which maintains industrial and mercantile activity is not accumulated wealth. It is a certain intangible force set in motion by men who eventually become possessed of accumulated wealth, but whose activity and strength are not altogether dependent on its possession. It may even be said that ninety per cent. of all the money which men handle is maintained in circulation by forces that bear only a secondary relation to accumulated property. A thousand workmen leave the factory every Saturday night, or every Saturday at mid-day under the new dispensation, and they carry with them the proceeds of a week's labor. Count or estimate the amount and you will see that these proceeds reach the large total of, say, \$12,000 in money. Yet it is even conceivable that not one of those workmen, were he to die tomorrow, could leave behind him wealth enough to give his family

subsistence for a month. The house builder goes on piling bricks upon bricks until a stately new facade, crowned with massive cornice and finials, rises many stories from the ground. He has met the wages of his workmen as the money became due, and honored all his bills as fast as they were presented. But investigate and you will find that he had only enough accumulated property in the beginning to offer a pledge of his good intentions, enough to carry the structure to the limits of the first story. Is he building, then, on the accumulated means of others? Not necessarily. He surely is not building on the accumulations of his workmen; and if you will examine his transactions carefully in detail you may find, in some extreme cases, that not a pound of material nor a dollar of money goes into the work so free from liens that any one person could claim a clear title to possession. Encumbrances may be the rule; and no one expects to see the titles cleared until the building is finally placed upon the market and sold. But will they be cleared even then? Perhaps the man who makes the purchase will not pay more than one-fifth of the purchase money in hand, and give a mortgage for the remaining four-fifths. Finally, even the fifth part paid may not represent accumulated property. If it represents only another lien in the form of a note at thirty or sixty days, the receipt of the money to be dependent on the completion of some commercial transaction in hand, it will be more the concern of the buyer than of the seller.

Find another illustration of the intangible nature of capital in the resources that construct a railway. Take one of the Pacific, or trans-continental roads, as an example. The construction of either one of those roads was a very large undertaking. Some of the roadbeds lay,

for nearly two thousand miles, through the wilderness where the foot of civilization had rarely or never been planted. Among the obstructions to be overcome were almost impenetrable fastnesses, and the most difficult mountain ranges. There were also financial obstructions more formidable even than the obstructions to be met and mastered by the engineers. It was hardly to be conceived that even the interest on the money demanded for construction could be immediately paid from the traffic returns after the work was finally completed. The chief resource would be wanting. It is very well known that no railway can yield really good returns unless it is secure in a large local traffic, and this dependence was out of the question. Yet those Pacific roads were built, four through lines in all, and, except in a single instance, it may be as well to say that they were not only an exclusive product of private enterprise unaided, but that they absolutely created the capital by which they were constructed.

But the Government gave them land enough to form several empires. This has been said, and said so often that it has become a part of the stereotyped literature of the country. But what was the value of the land when Congress made the donation? As a matter of simple truth and justice it would be better to say that the Government gave them nothing whatever except the right of way through a territory over which it held the authority of eminent domain, and gave this right only on condition that the roads should be built, and confer the character of property on something which Congress had been vainly trying to give away during many previous years. Until the roads were built a square mile of the land was generally worth no more than any single clod that went to make up an insignificant part of one

acre. These roads, therefore, instead of having received capital through the liberality of Congress, were really contributors to the potential wealth held by the Government. Congress gave them a franchise. The builders of the roads converted the franchise into a marketable commodity, and on this foundation built up the superstructure of their bonds. There will be no room in this little book for the discussion of irrelevant subjects; but it may be said, in passing, that it would probably have been better for the promoters of the transcontinental roads had they bought their land instead of receiving it as a much vaunted gift. The price could have been only nominal before their roads were undertaken; and as they would have held it subject to no conditions they would have maintained a more independent position before the country. They could have given a still more signal illustration, too, of the creative power of enterprise.

But we need not look to works of construction alone when we wish to find examples of the power of expedients, acting independently of accumulated wealth, in the creation of capital. Such examples may be found abundantly in commercial fields, though, owing to the greater secrecy observed in trade, their manifestations in those fields may be less open to observation. We know, however, that upon every side are to be found men of wealth who began a mercantile career without money, and who yet, externally, always seemed to be principals in all their transactions. We know that appearances were sometimes very deceptive, and that they were often only factors; but they managed nevertheless, between substitution and credit, to be always able to give a good account of themselves at the bank and to their correspondents.

These are familiar examples, and they could be carried further. It could be shown how even the most richly provided railway is built upon bonds which owe their best security to the expenditures that go into the enterprise day by day, and how the ship is launched with her head so close to the wind that the helmsman often finds he has not even steerage way. Old gentlemen who have come down from a past and not intensely active generation might shudder and shake their heads at such illustrations. They might even call them pictures of wild cat finance, and say that if they represent real transactions they are portentous representations neither to be admired nor copied. But the old gentlemen would be in the wrong. The pictures represent entirely legitimate transactions, made habitually among enterprising men in the soundest markets. The sounder and more enterprising the market, too, the more commonly will they be made. The truth is that in all works of construction every man who creates an income producing property has given a pledge against any very disastrous loss to his backers or colaborers, and men can afford to take slight risks with the prospects of considerable mutual gain. No community can look forward to a very rapid development in wealth unless this spirit of enterprise and co-operation largely prevails. For reasons that spring from the statistical data already given no community that builds on accumulated wealth alone can build rapidly or well. There is not enough of accumulation to offer more than a mere basis for security; and even this basis, however necessary in trade and in the treatment of movable property, is hardly needed in immovable works of construction. Any man who is honest enough to be trusted with the transfer of money from hand to hand, and capable enough to know

needed work and to do it well, belongs to the class of capitalists whom the world most needs.

When broadly defined, then, capital, it will be seen, represents not so much wealth itself as resources for the production of wealth. Credit is capital, income is capital, education is capital, nay, at the foundation of all, good character is capital; and the last named resource may add more to a man's capabilities than gold or silver in dishonest hands. Anything that may be used to enlarge the boundaries of trade, to increase the volume of production, to raise the rate of compensation for service, or to add to the possibilities of enterprise is capital. There are potential dollars in all or in any of these elements; and it only needs a cunning hand to convert them into currency.

CHAPTER III.

MEN NOT CAPITALISTS BECAUSE NOT CREATORS OF CAPITAL.

AFTER this hasty generalization on the nature of capital some further suggestions on the causes of the general poverty may profitably be made. We should aim to discover the chief reasons for our attenuated estate; and when they are found it should be less difficult to suggest the best means for increasing resources. We have long been told that the true dependence in the accumulation of wealth is industry and frugality. But since the world, after all its Herculean labor and self-denial, remains miserably poor there is evidently something either altogether wrong in this idea, or something only partially right. We shall not learn why it is wrong until we have discovered the secret of the very limited total of wealth.

Not only in the view of recognized facts but in answer to the preced-

ing argument, moralists and men of a more philosophical than practical turn might tell us that the cause for our lack of capital must be sought in the dishonesty and incapacity of the race. If capital be an object of so much flexibility, and so easily created, how does it happen that society is afflicted with such poverty in resources? This is a question which men might be expected to ask, and the inquiry, it must be confessed, would be not without justification. If credit be capital it would be capable of unlimited expansion were it not true that men cannot be trusted to make an unselfish or prudent use of the resources committed to their charge. Were all men perfectly honest, incapable of taking advantage of an opportunity to defraud, and infallible in judgment, we should find a diminished use for banks, and no use whatever for a stamped currency. The mere numerals, written by the debtor on a piece of blank paper and transferred to the creditor, would serve us just as well. But we must deal with men as we find them, and try to amend their circumstances despite their bad character. All men are not reliable, some failing for lack of principle, and others for lack of discernment; and in the study of needed reforms we must take the weaknesses of men into consideration: This much is certain. The mere trick of saying that men are unhappy because they are wicked does not promise to bring the reign of universal virtue so rapidly as we could wish to see it come. There is a long and painful journey to be traveled in darkness and tribulation if society can be lifted into the light by no other means than religious or moral evangelism. But perhaps other forces may be brought into action. The head was intended to divide with the heart the direction of human affairs; and here is a case where the evils resulting

from a lack of cerebral tissue appear to be aggravated.

Let us at once, then, dismiss all ethical considerations from this phase of the discussion, and pursue investigation along the same material ground that we defined in the beginning. Taking men as we find them, with a full acknowledgment of the limitations which compel us to erect barriers against their encroachments or short comings, it will be found that the chief reason for the absence of capital lies in the fact that, except incidentally and by an enforced process, only a very small minority of men are engaged in its production. It will not be an exaggeration to say that nineteen men in every twenty are voluntarily producers only to the amount of their own consumption. This declaration will not be quite popular. It pleases the great body of men to believe that when engaged at their labor they are partners in the production of capital, or its accepted correlative, wealth; and they like to think themselves defrauded of their due proportion by unjust social conditions. But the idea is erroneous. No one is engaged in the production of capital, using the word in either its restricted or broader sense, save those who directly contribute towards the maintenance of its product in the market after the fruits have acquired a merchantable value. It would be idle to assume that any man who consumes the full value of his product is adding anything to the total of accumulated wealth. But such a man is equally inefficient in the production of operative wealth or capital. The profits which are supposed to be drawn from his labor, and which partly represent the measure of accumulation, are due to the resources of the person by whom he is employed. Within himself he is only an agent for the transfer of money from hand to hand, his own subsistence supplying

the reward. Transfer the product of his labor to an incompetent manager on the date of its completion and his total contribution, in brain and muscle, might result in loss to the employer. A badly conceived enterprise, indeed, may signify nothing but loss from the beginning, the workmen only finding it a means of temporary subsistence, but the projector sacrificing his entire investment. Therein may be found the touch-stone of the whole performance. It is a superficial political economy which teaches that an employee, except to the extent in which he is a contributor to the income drawn from finished products, is engaged in the production of wealth. It was an idea accepted without any close analysis of economic processes, and formulated into a dogma without reflection. Labor does not create wealth. The product of labor, notwithstanding the number of times that its creative power has been announced from the rostrum, is too perishable for any such achievement. Wealth is broadly a fruit of some form of capitalization on surplus earnings or income. The man who fails to act upon a conception of this truth might give employment to a million men and still remain poor. We comprehend the situation more clearly when it is said that only a few men are directly engaged in the production of wealth, and that the great body of men are dependent pensioners on the resources of these few.

But the accusation may be carried still further. It may be truthfully charged that not only are the great majority of men not producers of wealth, but that a very large proportion of this majority are consumers of the accumulations of the few, and help to deplete the granaries where the public harvests are stored. The improvident are always wasteful. A man who has received his allotment of \$394, the

average income per annum for each person in the country, it will be remembered, may claim it as his right if he chooses to use this money in such manner that he will reduce, by the trifle of, say, \$10, its power of contributing to the general fund. This seems like a light sacrifice; but if the power of each corresponding allotment in income be reduced by the same amount the total reduction for the whole country will reach \$500,000,000. This is a sum sufficient to carry at six per cent. a principal of nearly \$8,500,000,000, almost one-fifth the total of our national wealth according to the census estimates of 1880! In this view of the case the reduction seems very far from trifling. It may be claimed that it would not be a destruction of actual wealth, but only an abnegation of possible wealth, or capital. This would be true; and though the claim will not relieve the prodigal of all responsibility for his wastefulness it must be accepted in part extenuation. But the fact still remains that large numbers of persons live upon society in one way or another, some honorably, some charitably, and some roguishly, without contributing even so much as their own living to the general fund, and these persons aid very considerably in retarding the progress of accumulation.

It may be said, then, that there are three chief obstructions to the rapid growth of national wealth, first, the obstruction growing out of the perishable nature of many of its objective forms, secondly, the obstructions raised by the inertia of the masses who are not directly contributors to the capitalization established on production and income, and, thirdly, the obstructions caused by the large number of non-producing consumers which society, for its combined transgressions and follies, is obliged to supply with the means of subsistence. But of

these three obstructions the obstacle raised by the inertia of the masses is incomparably the most serious. It lies at the foundation of almost every monetary disability from which men suffer. It is the direct or the indirect cause of every panic and bankruptcy that occurs, it is the source of all idleness, and there is not a beggar on the street who must not charge his poverty to the fact that he, together with the great mass of his fellows, has never been a contributor to the general fund from which subsistence must be drawn. The perishable nature of production is not an incident to be deplored. On the contrary it is our chiefest blessing. Men find their income and resources in the necessity for reproduction. Were products not perishable exchange would cease, and civilization itself, would soon fall into a decline and perish. The non-producers, too, who live at the public table without bringing even so much as a napkin to the feast, are comparatively a small impediment to our advance. In fact they would hardly come in at the summons for a free repast were they not brought in by their fellow dependents who think themselves contributing members of the household, and demand honors and a distinguished place at the table. The men who do no labor are a burden. But they are incomparably a lighter burden than the men who only make the fire, cook and serve the meats, wash the dishes, and then mistakenly fancy that they contribute liberally towards the maintenance of the house.

CHAPTER IV.

SOCIAL RESULTS CONSIDERED.

LET us hastily recall what has been written and see how far we have advanced. It was discovered

in the beginning that this apparently so opulent world is in reality very poor, and that the total of its accumulated wealth is barely sufficient for the subsistence of its inhabitants, in accordance with civilized habits, for a single year. It was concluded, therefore, that the chief want of men is for more capital and larger resources. In the second chapter an attempt was made to define capital. It was found that, though inseparably joined to wealth in the popular conception, it is yet a force greatly transcending wealth for executive uses, and capable of maintaining an independent being on much the more comprehensive field. In this distinction we discover the possibility of making enterprise comparatively independent of wealth, and placing its operations on a more liberal foundation. Finally, in the third chapter, it was maintained that the lack of capital is chiefly due to the fact that only a comparatively limited number of men are engaged in its production. The great mass are content to look on and criticise, sometimes deridingly and sometimes ill-naturedly, the efforts and missteps of those who have assumed the burden. Through the remaining pages we shall find most profit in amplifying on the consequences of our undeveloped financial condition, in suggesting remedies, and in illustrating the advantages of the measures to be proposed.

In the first place it must not be thought that the evil results of the general poverty in resources fall with peculiar weight upon any one section of the community. It is a popular belief that their only sinister weight falls upon the shoulders of the poor. As a matter of fact they rest as a common incubus upon all men. It happens that wealth and capital have been linked together, and it is difficult for the one to move freely forward at any con-

siderable distance in advance of the other. At certain paces they are joined hand in hand; and in the popular understanding it is impossible for any man to be a capitalist who is not possessed of large accumulations. This throws a formidable obstruction in the way of the leaders in enterprise. They carry the only load of care for the success or failure of their ventures; and generally find themselves crippled at every step by the want of resources to do something that ought to be done to insure good results. But their employees suffer, and must continue to suffer, as long as the unnatural relations between the parties are maintained. True, the employee feels no solicitude concerning the conclusion of a transaction on which the stability of the firm by which he is employed may depend. He does not even know that such a transaction is under negotiation or contemplated. But, after providing very imperfectly for his family, he will be very solicitous to know if he can save enough from his earnings to meet the next bill for rent. He would like, also, to be spared the mortification of standing before his market-purveyor on the next Saturday night, and begging, with much apologetic shuffling of feet and many confused grimaces, for another week of credit and forbearance. He sometimes in his perplexity thinks his employer a hard and unscrupulous robber who is depriving him of adequate payment for his services. But at the moment when he is indulging his resentment he does not know that the employer may be in still greater tribulation. This not always fortunate but much distrusted person may fear that he will be compelled to ask his employees for an extension of time. He may not be quite sure that they will not be forced to wait for their dues until funds for payment can be obtained through the arrange-

ment of some obligation not yet matured. Instances of such embarrassment among employers may not be so common now as they were in the days when capital was even less abundant than it is to-day, and when the machinery of finance, as represented in banking institutions, was less flexible and accommodating. But they are still experienced with much too great frequency. They are so common that all employers, even the most successful, are obliged to hold their liberality very closely to the market rates of compensation for service, while the less successful are often forced to take advantage of every incident that can be turned to their account. They must take advantage, for example, of such incidents as pecuniary distress, manifested in applications for employment from men and women who must have the work or starve. If forced to take such advantages, then, should the less successful men cease to be employers? Were all of this class to retire their present employees probably would starve. They would at least be heard repeating the old proverb: A half loaf is better than no bread.

But the evil consequences of the general lack of resources not only fall with about equal force upon all sections of the community, crushing here and there an individual no matter what his social position or vocation, but they descend with a peculiarly oppressive weight upon society at large, and not only cripple its movements, but breed malevolent instincts and passions. For years past the country has been kept in a condition bordering upon financial anarchy. No contractor has been able to take a contract with any feeling of certainty that he would be permitted to finish his work without finding himself forced into bankruptcy, or compelled to suffer heavy losses. No manufacturer has felt any secu-

rity that he would be allowed to manufacture and market his goods without subjecting himself, through some unfortunate step, to a boycott, a disaster that would cripple his means, and make the fire that consumed not only his stock in trade but the very plant itself seem like a blessing in disguise. No railway managers have been able to carry on the service of transportation with any feeling of confidence that, between the discontented employee and the demagogue, the stockholders would not be deprived of the dividends to which they were entitled by every consideration that should govern in the enlightened and just administration of public affairs. And, finally, the entire community has no pledge, except in its growing battalions of policemen, that the streets of our large cities may not any time break forth into riots that will culminate in bloodshed and the destruction of property. There is no question but that the spirit of robbery is rampant, just as we hear it asserted. But it is an error that charges its exclusive possession against those who have least occasion for its exercise. It is always the starved rat that will make the most intrepid forays. The sleek, well-fed companion can afford to lie in wait, and abide the time when the cat will have lost her appetite.

The events of the past fifteen years are worth reviewing. Recall, first, the panic which occurred during the earlier half of the last decade, together with the bankruptcies and the long period of distress that followed. These events have almost passed from the memory of all except those who most keenly suffered. But the brakeman's rebellion of a later date, culminating in the riot and the destruction of several million dollars worth of property, at Pittsburg, is fresher in the public memory, while the echoes of the final catastrophe at Chicago

have hardly yet died out of the public ear. We have passed through a decade of disorder unparalleled in any previous decade when the country was nominally at peace, and the contest has not yet been brought to a close. Nay, it has not even been brought to a pause. It is carried forward under new leaders and in new fields. The echoes of the brawl are heard in Congress, in the State Legislatures, and in the courts. They are heard, too, wherever a body of squatters can find a vacant corner and a few empty chairs to serve in the theatrical spectacle of a Legislative investigation. Honorable men, and men by courtesy called citizens of a free republic, are haled before inquisitorial committees, and, by threats of imprisonment, made to answer questions, which, a few years ago, it might have cost the inquisitor a black eye to ask.

Are we deriving any benefit from these unseemly exhibitions? On the contrary we are suffering great injury. We suffer in the first place in the loss of self-respect, a sentiment worth preserving at all hazards. We suffer, also, in the loss of that honorable instinct which is above both deceit and the suspicion of deceit. No men but those who wish to do evil are prone to suspect evil. But the heaviest blow is delivered at our material interests. There was never another period in the history of the country when the cry of depression was so prolonged and hopeless as it has been during much of the last decade; and never any past time when the intervals of prosperity, breaking through rifts in threatening clouds, were so illusive and transient. Irresolution and uncertainty have been the chief characteristics of the market during all these years; and the feeling of dissatisfaction with prevailing conditions has become almost universal.

It seems to be the fatality with

men to misconceive both their evils and the remedy that should be applied to effect a cure. To say nothing of the bloodshed, privation, and distress caused by our civil war, one-half the material resources expended and destroyed in that now fondly remembered struggle would have bought the freedom of every slave in the country, and provided him with the means of starting auspiciously on his career as a freedman. Is there not something startlingly suggestive of current blunders and follies in this illustration? Men who, by courtesy, are called statesmen are engaged in feeding the passions which it is their duty to allay. If they find an un instructed mob, numerous enough to give promise of honors and emoluments for all who secure its applause, moving in the wrong direction they are ready to place themselves at its head and become the champions of its errors.

It would be idle to say that this is not the spirit in which the misconceptions of the age should be met. If such a course can be pursued without final disaster it will be because Providence is a more powerful factor in human government than either the wisdom or honesty of men. The object at this time should be to discover and make evident the true line of conduct to be followed. It may be asked, and the inquiry would be pertinent, if it is the intention to charge the prevalent evils against those who think themselves peculiarly oppressed by the unfortunate complications that surround society. No, this is not the intention. It is the intention only to charge these evils against an undeveloped system; but the truth should be told no matter how much it reflects on men who think they have right to go through the world without contributing to the resources from which they draw their subsistence, and then a further right to com-

plain of the hardships which their dependent condition entails. They have the right to do neither the one nor the other. They have only the right to study economic laws more closely, and to see if they cannot find, through the seemingly mysterious labyrinth of finance, a road that will lead them to ground of greater security. They are poor not because they have been kept poor by an oppressive social order. They are poor to the point of helplessness because they have failed to take advantage of laws that can be made ample for their protection. Granted that the world must have its producers, and that all men cannot enter the market to buy and to sell and to become tradesmen, the only field where great opulence can be won. It does not follow, therefore, that the men who are withdrawn from the market, either from choice or necessity, have no alternative but dependence. We may lay this truth to heart, and the sooner it is universally recognized the better. Were society to last as long as the innumerable cycles that have come and gone since the beginning of the Archaic age, and were nineteen-twentieths of its members to depend upon the resources of the other twentieth for the means of subsistence, the relative condition of the different social grades would not be materially changed. The humbler grades might rise. They might advance in education, in intelligence, and even in the possession of means for securing their material comfort. But they would rise at the same time to a clearer perception of the immeasurable distance that separated them from their leaders. They would rise, also, to a keener feeling of discontent, always inflamed by the spectacle of social contrasts. During the last fifty years we have been witnessing this kind of an advance, followed by just these manifestations. It has been an advance in

which the rear has failed to close up any part of the distance which separated it from the van; and the improvement is neither appreciated nor recognized. It only intensifies the feeling of unrest. Hence the prevalent disorder, and the necessity for plain talk on questions of cause and effect.

CHAPTER V.

THE EVOLUTION OF FINANCE.

THE question to follow will come naturally. In deference to the overwhelming testimony of statistics, strengthened by observation and experience, all that has been claimed may be admitted. It may be confessed that the evils from which men suffer are not due to the unequal distribution of wealth or profits; that the world is poor; that men are driven to innumerable expedients to find the means for making the improvements necessary for their comfort and convenience, and that the masses are content to live without putting forth any strong personal effort towards contributing to the total of either accumulated resources or capital. But it will be asked in what possible way the situation is to be amended. If it be true, after all these centuries of effort, that society, in its material environment, has only succeeded in advancing beyond the lines of barbarism, how is it to receive an impulse that will carry it rapidly forward in the work of accumulation? If it be also true that the great mass of men are satisfied to remain inert and dependent how are we to cause the leopard to change his skin, and to put on some less traditional fashion of covering? These questions are pertinent; and at the first blush the outlook is not encouraging. It seems as though we would be compelled to allow men to go

blundering through quagmires, sometimes sinking into the oozing slime until they are almost strangled and lost, and anon finding a foothold which suffers them to stand temporarily erect and gather breath for a new wrestle with their obstructions. But the world is growing. Even if it has not yet become very rich and independent, it is rapidly beginning to accept and apply principles which will finally prove strong enough to overcome the evils caused by its inertia, and the neglect of beneficent laws. It is entering upon the right road, and has even advanced further than most persons in their blindness are able to discover. Men are quick to learn from their necessities, if not from their innate sense of what is theoretically sound.

The most phenomenal and significant incident in the growth of modern civilization is the evolution of institutions designed to promote the efficiency of personal effort, to strengthen the weakness of individual methods, to combine dispersed and antagonistic forces under a definite head, and even to give to benevolence a material body and vital functions. Since the institution of the Bank of England, in 1694, probably the initial association of bankers unless the Bank of Venice may be called an exception, the progress of financial organization has been continuous and rapid. The seed of a new system was planted in rich soil, and, in England and the United States most noticeably, it is proved to have been of immense vitality. A vigorous trunk of almost redundant growth has been prolonged into branches and groups of branches which have in turn become strong and capable of bearing most excellent fruit. Even before the incorporation of the Bank of England there was organization. There were the guilds, dating back to the reign of Edward III.; and some writers trace the sys-

tem of incorporation into Grecian and Roman history. The determined virtuoso of modern antiquities might even insist on finding the chief stem from which grew the prevailing system of co-operative finance in the East India Company, incorporated, in 1600, by Queen Elizabeth. But this company was a mere trading organization, and it is to the banking system that we must look when we wish to discover what is most hopeful in the growth of association. Industrial companies, trading companies, and companies for the transportation and distribution of merchandise have been of incalculable service. They are both strong and enterprising, and working hand in hand with each other they push out into new fields, and carry the arts and wants of civilization over comparatively unexplored territory. It is chiefly the work of these companies that has compressed continents into States, and robbed the ocean of that illimitable surface which once caused it to be held as a symbol of eternity. But they displace as well as occupy in their domestic field of operations, thus serving to diminish the benefits that might be expected to flow from their great resources, and, unlike the banks, they do not enfold within the principles of their being a germ which may be cultivated to cover the whole earth with an abundant and general harvest. We must find in the banking system and its auxiliary forces the true impulse and key to material progress.

This may be thought extravagant praise for a system that seems to have become thoroughly commonplace, and to be suggestive of only sordid purposes and ideas. But it will be found that the encomium is merited. The banks are teaching men the real significance of interest, the final author, gauge, and regulator of all wealth, though once thought to have been the

wicked invention of the totally depraved and despised Jew. In this service they are rapidly becoming recognized as the fountain of all the streams that flow forth and fructify the world; and the dull economic ritual that mistook the substance for the soul, and found wealth in perishable production, must be recast at the feet of this highly enlightened teacher. But the banking system is great not alone because it gives practical application to a true economic principle, but because it makes the application in conformity with a popular need. Before the advent of banking associations there were bankers; and again the good germ must be sought among the non-electrical and unilluminated ancients. But when found it is seen to have been only a germ. It could shoot upward and blossom into a tree, with branches broad enough and sturdy enough to offer almost unlimited shelter, only in the form of co-operative banking. In any other form it would not have proved strong enough to illustrate its own possibilities, nor to sustain the canopy which it has been appointed to uphold. The banking system has matured, if not perfected, a new science of finance; and herein lies the chief element of progress. Men are beginning to find that wealth need not consist solely in objective forms, in gold and silver, in lands, castles, equipage, and cattle. They are learning to see that an acknowledged exchange of service may be made to bring the substance of wealth more imperishable even, and more capable of transmission, than fine gold. Our banking system, though not yet upon the highest plane of development, is already an agency to double and quadruple the resources of capital. As we proceed it will be seen that, modified, it may be made to increase those resources almost infinitively.

But the utility of the banking

system in the course of its future development will not be found so much in the main stem as in the combination formed between the main stem and its connecting branches. Its first and strongest branch is insurance. This was an offset of wonderful vigor, financial in its features, but benevolent in its functions and fruit, and full of promise for the future of society. Its merits as a protector have been sufficiently extolled in circulars, and it will not be worth while to amplify on this feature of the system. It will not be necessary to engage in a superfluous effort at illustrating what insurance can do at the portals of the grave. We all know its beneficence, when it offers to be only just. But we must deal with insurance as an economic force. It must be treated here simply as an agent, a beneficent agent if you will, for the accumulation and transmission of property. There is no wealth in objective production. The dream of riches from this source must be dismissed like other superstitions that have led the world astray. But there is wealth in the superstructures of finance that rest upon a foundation of production; and among all that have been reared there is no edifice so fair as the temple erected by the architects of insurance. The gleam of its polished marble shines along the future like emeralds and precious stones, and the whole atmosphere is made luminous in its glow. Like the banking system, insurance has not yet reached its full development. It can never reach the final measure of its utility until certain perfected forms of association are prepared; but in its potential resources it is able to make even the figure of charity, however highly exalted in our ethical code, look pale and faded. Nay, it can finally convince her that she was never more than a name signi-

fyng nothing, a piece of sounding brass or a tinkling cymbal. We have no desire to disparage benevolence. It has served, and is still serving, a good purpose in the world; and our benevolent societies, offsets, also, from the banking system only one branch removed, have been adding materially to the philosophy which is receiving an institutional embodiment. They are sometimes founded on a too charitable idea, and are conducted with an imperfect conception of the resources of finance. They need often a stronger or more liberal transfusion of business with benevolence. But they have been helping to pave the way for the advent of a better system, and, *in memoriam*, will eventually be entitled to a tablet in the temple to be erected in celebration of some of the apotheosized but retired cardinal virtues. These virtues have served us well; but the reign of charity and benevolence approaches its end. In the banking system alone there is a golden hope of fruition; but when its resources are combined with the resources of its connecting limb the two together may be made to seem almost like the harbinger of that mystical thousand years projected into the future of mankind from the Apocalypse. The fulfillment of the prophecy need not be long delayed. Even the children of the present generation, the parents of the next, may step forth completely enfranchised from the shackles in which poverty has so long bound the race, and find the liberty which is now thought the privilege of only the fortunate few, but which in reality is the boon of none. The anticipation may seem rose colored, but it is justified. Men will have only themselves to blame if they do not so improve their opportunities that charity, benevolence and all cor-

responding terms must lose their material application, and give place to words of less humiliating significance.

Is there not good reason to be hopeful? All the favorable conditions for an immense stride have been developing around us for many years; and as a fresh ground for hope we may point to the evidence that the consuming masses, to whose inactivity has been charged the slow progress made, are awakening from the lethargy in which they have been so long bound. The manifest growth of their discontent is not a circumstance to be regretted. On the contrary, it is a manifestation to be welcomed, and it is only the duty of those who hold the position of guides and leaders to see that the spirit of discontent does not lead to excesses that may retard rather than advance the general movement towards higher ground. The masses still remain impracticable in their plans. They are always ready to follow leaders who have no conception of social evolution, and who stand ready to remedy all the evils that spring from lack of development by a treatment of either concentrated or reduced dynamite. But they are beginning to see the disadvantage of living without capital or security; and though their dissatisfaction has not yet led to any more practical action than combination for the purpose of maintaining wages it is drawing them over ground which cannot be occupied without causing their ideas to take form in some more tangible conception than they have yet embodied. When men co-operate for the maintenance of wages they are playing with a toy of which they will finally become weary. But they will acquire habits of co-operation which will eventually be turned into more productive channels.

CHAPTER VI.

EVERY MAN HIS OWN HOUSE-
HOLDER.

WHEREVER possible the skillful general advances to his attack under cover. Such a course is prudent; and it helps to confound the enemy. But if the line of advance up to this point has seemed obscure the obscurity must be charged to no strategic purpose. There were hills to be captured, hollows to be occupied, and points of vantage to be surveyed. But the reader, it is to be presumed, is becoming solicitous to know more definitely the purpose of all this preliminary skirmishing. He may not have quite seen the objective point of the maneuvers. That the world lacks capital may be admitted; that idleness and distress may spring from its want will be readily seen; that even financial depression, panics, and bankruptcies are the direct consequences of this lack, however wisely men may reason on human incapacity and frailties, is hardly to be denied, and there is a great deal that must be accepted for truth in all that has been stated and claimed. But how the general stock of capital is to be increased by depending on men who have no capital, and not much expectation of capital, except in the narrow sense of mental or manual accomplishments, may not be so readily comprehended. The dependence is reasonable nevertheless; and it will be the next object in the discussion to show why it is reasonable.

It happens that the men who have least capital, as capital is comprehended, receive, in the mass, much the larger proportion of the total of income. Potentially, therefore, they have incalculable power to maintain capital. It would be almost perilous to give the total income of employees in the United

States. It cannot be accurately given on any census data to be obtained; and even a reasonable estimate, if offered without exact data, might seem so extravagant that it would almost weaken the argument. We know that the amount rises to many billions of dollars each year, and forms nearly ninety per cent. of the income of all the people combined. But in offering illustrations on the resources of employees it will not be necessary to consider totals. It will be better, indeed, to investigate the subject in its details, and make a local application of every instance. Every employer who employs a large number of workmen is conscious of their capabilities. Could he only retain ten per cent. of their earnings on each Saturday night, and use it in accordance with his knowledge of financial expedients, he knows that he could soon duplicate his fortune, vastly enlarge his field of operations, and employ two workmen where he now employs only one.

It may be objected that employees have not the means of turning any portion of their income into capital. It is commonly believed, among workmen themselves at least, that the great body of employees are too poor to spare even a trifle from their receipts for any other purpose than to meet the necessary expenditures for their subsistence, and the subsistence of their families. It might be objected, further, that, even were it possible to save, employees have no better place of deposit than savings banks; and that, these banks, though institutions of great utility to small tradesmen who are only holding their money until they can find a good place for its investment, fail of meeting the chief want of the man who is not a tradesman, and needs an opportunity to make his savings fruitful. The word savings has little significance as an economic term except when made

to represent some form of capitalization devised for the benefit of the person from whose economies it results. These are objections, we say, which might be raised. But the first objection will be contradicted by the experience of almost every employee who will take the trouble to watch his expenditures closely, and observe the waste that flows continually from his hand. Even under prevailing conditions, almost every man wastes money. As for the second objection, the ground for its validity could be easily removed. The only reason why employees do not save a very considerable part of their income is to be found in the want of a well organized system that will enable them to carry the principal which their economies can be made to represent. Give them the means of escaping the payment of onerous expenses by diverting their savings to the work of maintaining personal resources and we will soon find how quickly they will avail themselves of the opportunity. Only show them that the assumption of obligations in one direction can be made the measure, and more than the measure, of relief obtained in other directions, and that the net results will be greater security for themselves and families, and we would soon find little occasion to speak of their improvidence and want of foresight.

Let us descend to particulars and apply this reasoning where it will be most readily understood. The payment of rent is felt to be the most onerous obligation that rests upon the shoulders of the poor. Next to a short supply of coal, the playwright finds in the necessity for rent paying the material for his most pathetic and melodramatic situations. The novelist has exhausted his invention in portraying the wretchedness and sufferings of the tenant; and the orator of reform is never quite so felicitous

as when he can flavor his eloquence from the sewers of the tenement houses, and cause to float before the vision of his audience the gaunt spectres of misery which, from that atmosphere, are readily invoked. Even the political economist, who, if a true economist, is usually hard headed and implacable, has been known to shudder as he contemplated the law that seemed to make rent paying inevitable, and to find in its barren, oppressive features not only a justification, but a cause of commendation, for the doctrine of the survival of the fittest. It is not wonderful that the subject should be found so perplexing. It seems exceedingly unjust that a man should be compelled, year after year from youth to old age, to pay heavily for the mere space which he occupies in the world, and to finally die and be able to transmit no title that can prevent the dispossession of his family. But it is not unjust. It is only exceedingly foolish; and if any man can follow the illustration by which the fatuity of rent paying can be exposed without confessing that there is still a great want of practical common sense in the administration of human affairs he must be a slave to economic superstitions.

Every dollar paid for rent from the hands of an employee is a dollar wasted; and the withholding of the dollar, through legitimate financial expedients, would cause no loss to the landlord to whom the payment is made. This may sound like an incomprehensible declaration; but let us see if it be not true. Here is a five-story double flat house, built on one of the most eligible and central streets of our commercial metropolis, at a cost, including the cost of land, of \$20,000. In its interior decorations it contains tiled corridors, marble, or what means equal elegance, marbled slate mantels; and all the ornamentation is tasteful, and suggestive of

refinement. It shelters ten families; and the heads of these families pay, annually, an average in rental of \$230. This makes the cost for each family only about \$4.50 a week, and places the suites of rooms within the reach of very limited means. From the total of his rental the landlord pays taxes, fire insurance, and the cost of repairs; and after suffering the losses caused by vacant premises and bad tenants he thinks himself fortunate if he realizes six per cent. on his property. He will not often realize more than five per cent. on first cost, for landlords are often compelled to share with tenants the losses caused by sickness or want of employment. The entire rental, it will be seen, is \$2300 a year, and the amount seems pretty large. But the interest on the property at six per cent., together with the fire insurance, and, in any city not suffering from extravagant administration, the taxes, will not amount to more than \$1800 a year. Divide the obligation for the payment of this amount among the ten tenants, then, and the total would only be \$180 due from each person. This sum, it will be seen, leaves a margin of nearly \$50 between the amount which each tenant is now paying for rent and the reduced amount to be paid were he his own householder. Then why should not the tenants pay the interest, taxes, insurance, and all costs, giving their bonds to the landlord in exchange for the title to the property, and save the remainder? This seems like a reasonable arrangement.

But here enters the lion in the way. These ten tenants are poor, and they could give no security for the redemption of their bonds. Were the landlord to transfer the title to their possession, subject to the payment of the interest on the share held by each person, he might get this interest while they lived; but after their death he or his heirs

would be compelled to take back the property, possibly in a very dilapidated condition. No one would have been greatly the gainer; and the landlord might have lost chances for profit through a possible sale of the premises. On this basis, therefore, it will be decided that the arrangement would not be worth while. But it will be remembered that there was a margin of \$50 remaining in the hands of each of the old tenants as a fruit of the rearrangement and transfer of obligations. Here, then, we are standing at the portals of the golden gate, and can cry Enreka! There is a wonderful power in fifty dollars when properly invested. It will help to carry a life insurance fund from which the heirs of the investor will be entitled to about \$3,300 in money, estimating on actual risks without any consideration of insurance company expenses or profits. Then why should not the money be used for this purpose? It would not only cover the bond for \$2000 given by each tenant, and secure its redemption, but it would cover an additional \$1,300 for the use of the family after the head of the household has gone where the real estate agent will possibly cease from troubling. This seems like a better plan than to throw away \$230 a year on a person who, it should be seen, is no-gainer by the sacrifice, and who, under prevailing methods, is often subject to considerable trouble and no little loss.

But the lion in the way has not been thoroughly bound. The plan suggested might be pronounced theoretically good in its main features, but so far as outlined it will seem too loose. It would be liable to fail for causes that may be readily conceived. It presupposes better faith on the part of all parties to the arrangement than we are in the habit of conceding to fallible men; and the contracting parties

might be subjected to infinite complications through the failure of one or several of the old tenants to meet the obligations imposed. They could not absolutely make way with the property either by sale or removal. But one or all might lapse in the payments due on fire insurance, and then the house could be burned down and become a partial or total loss. Or, they could fail in meeting the demands of the tax collector, and the State might exercise its right of sequestration. Or, the life insurance pledge, thus far too vaguely defined in its details, might not be maintained, and the former landlord might be forced to take back the shares that were found in default instead of the money he had stipulated to receive. Either one or all of these complications would be possible unless the ground were made perfectly secure, and their possibility would stand in the way of any weak or partial attempt to escape from the prevailing system. It would magnify the lion in the way until he became more colossal than a mastodon.

But when we wish to be thorough no weak nor partial attempt should be made. Given an amendment which is desirable and the means for reaching it should be made adequate to the end. If the idea of an improved system of householding, to be followed and attended by an improved and less oppressive system of general finance, appeals favorably to the judgment it should be pursued at whatever sacrifice of traditional notions or predilections. The road to reach it in this case should be found neither difficult nor obscure. It lies along the pathway which the more advanced and successful members of society have been long following, and in which they are well advanced. There is not a principle to be considered which does not lie at the foundation of systems already operative

and successful. But the necessity is far more highly perfected and general organization than finance has yet essayed. All that has been done, magnificent as are the total results, is but a prophecy of the work yet to be accomplished.

Shall we descend to details? Unhappily, the world has but recently awakened, or, to describe its condition more accurately, it is only just awakening from the fevered, restless slumber of centuries, and its eyes are not yet quite open. It is no more than half conscious of the morning. It fails to observe the glory of the sunrise, the softness of the air, the beauty of the verdure, and the odor of fresh flowers. It has been sleeping a fitful, disordered sleep, and dreaming of burglars. It thoroughly believes in burglars, notwithstanding the fact that the belief does violence to its own instincts, and it suspects a robber behind every bush. It has been toiling, too, even while it slept, working in shambles; and the scent of the offal has not yet disappeared from its conception of sweet odors. Will it be possible to speak to an intelligence so beclouded in language that will be understood? Can we, with any chance of receiving credit, say to a man who thinks himself upon the point of having his pocket picked that the thief is only a figment of his own imagination which will be dissolved as soon as he walks forth into the reviving air? Will the man who believes that his fellows were born to prey upon each other accept a philosophy which teaches that they were born to co-operate with each other, and that it is only the conditions on which personal success is won that cause them to seem cruel, rapacious, selfish, and full of duplicity and cunning? It is a bold venture to undertake to unveil a possible future to men with perceptions so perverted. But the experiment must be tried; and

according to its success or failure must we hold to the opinion that the world is either ready for its new environment, and is prepared to go cheerfully forward in the light that is blazing upon every hand, or that it is only seeking the shadows of the old castles and dungeons, where it so long reposed, in order that it may lie down again and sleep forever.

Let us conceive, then, of companies numbering ten, fifteen, or twenty thousand men, the more the better until the safe limits of localized administration are reached. Let us further conceive these companies to be organized with administrative boards, after the manner of those associations of supposed highwaymen who have taken possession of the avenues of transportation throughout the country, or of those other Robin Hoods of the green baize who sit in the executive rooms of banks, trust companies, insurance companies, and like organizations. The new companies should be organized after the manner of the old companies, first, because it is the best form of administrative organization to be conceived, and, secondly, because they will have corresponding functions and duties. The new system will comprehend some of the principles of banking, and put in operation, with new machinery and a new and more comprehensive purpose, all the functions of insurance. The companies, therefore, should have a thoroughly executive organization.

The administrative functions of these new combinations may be soon outlined. They will have power to issue and maintain bonds founded on a reserved proportion of the income of members, and will assume all responsibility for the payment of the interest on these bonds. They will also have power to maintain an insurance fund, equal to the total amount of the ob-

ligations thus floated, and this fund will be held for the redemption of the bonds as fast as the death of members cuts off the source of interest. These are the chief provisions. But the responsibility of the company will not be limited to the discharge of its obligation to the bondholders. It will have duties to perform in behalf of its own members. It will stand behind them in all their investments; and see further that sickness, or misfortune of any kind, does not render the obligation to pay the interest on the bonds oppressive.

This gives the main features of the kind of organization needed to enable employees to become contributors to the capital in use, and at the same time to come into the possession of property which may be transmitted unincumbered to their families. Were it not for one reason all further details could be left to the invention of the reader. But this reason is peculiar. It is necessary to be very explicit in dealing with a generation that, without any intention of perpetrating a jest, can organize a company for insuring bank depositors against loss. It will be well, therefore, to go a little further into details so that there may be no chance for mistaking the true character of the organization proposed.

The plan, then, must contemplate not the subjection but the greater independence of the individual. The bonds issued by these companies must not be company bonds. They must be issued in the name of the company, and find their chief element of strength in its endorsement; but they must be personal bonds bearing the name of individual members, and must be handled as personal obligations, subject only to such regulations as may be demanded for the general security. The company cannot be allowed to control the member in either his personal possessions, his

movements, or his conduct. Neither can it be allowed to maintain any fund that can be diverted into the channels of corporate speculation; for such a privilege could not contribute to individual profit, and would prove a source of demoralization and danger. To the members, the company must stand only in the relation of an endorser, and find its own security for the endorsement in the insurance fund which it is permitted to maintain. It will be merely a bond insurance company, and might with propriety be legally known under this designation.*

The resources of a company thus organized, and containing, say, twenty thousand members, would be almost inconceivable. Even at the rate of compensation for service given to common laborers the combined income of the members of such a company would be about \$9,000,000 a year. One-fourth of this sum would pay the interest and insurance on bonds to the amount of more than \$30,000,000, a sum sufficient to buy and make habitable an incredible number of tenement houses in any city in the Union. Or, it would buy the ground and build a suburban city of real elegance and comfort. It should be seen, too, that the payment of this interest and insurance could cause no reduction in the living resources of the person who pays. His funds, when providing himself with ordinary personal comforts, would not be diminished. Men must live in houses, and those who receive the benefit of their shelter must pay for their construction in one way or another, or they will not be built. This is the law of reciprocity that obtains everywhere; and it will be better to own the property and pay the interest and insurance than to waste the money in the payment of rents.

*Appendix A.

The idea of such companies may seem contrary to the spirit which animates the race. It is in perfect conformity with the spirit which animates the wiser representatives of the race; but with large numbers of men the savage instincts seem to be yet extremely powerful. It is hard to tell whether they most love or hate each other. But something can be trusted to their self love. Stimulated by this instinct very mean men have been made almost philanthropists; and it is possible that the same instinct may work a similar transfiguration in the bosom of society. But the coming of the day when it shall begin to manifest itself in good works depends on the men most directly concerned. It may come quickly or it may be delayed for coming generations. During many years past men have been rushing together in what are known as protective organizations. Protective against what? Protective against the consequences, and the inevitable consequences, of their own partial conception of their duties and capabilities. An infinitesimal part of the strength wasted in the pursuit of shadows would have served to lift all those who thought themselves endangered to a ground of very perfect security. It is time to either abandon the idea of protective organization, or to change the meaning of the words. There are no wolves. There are a great many lambs, however, which, for one cause or another, would fare much better were they brought into some kind of a fold.

CHAPTER VII.

ILLUSTRATIONS FROM REAL LIFE.

BUT we must not desert the line of investigation as it leads out from the preliminary statement of facts. The possession of homes, which may be held on easy terms, and

transmitted unincumbered to heirs or descendants, should be held as a chief object of endeavor; but it would be folly to rest satisfied with the attainment of this object, no matter how much it is to be desired. It was assumed in the beginning, on data too strong to be controverted, that the world's chief want is capital. On this assumption the lesson must be studied; and not until it is made clear that the total of operative capital can be duplicated, or even multiplied infinitely, can the argument be said to have reached its aim.

Look around and observe in detail the execution of work demanding a large expenditure of money. Let us again find an example in the construction of a railway. It is a popular impression that capital springs out of the ground for the construction of railways; and to say truth there is a great deal in the methods of fertilizing and watering the plant to sustain the opinion. The capital is seen to expand from small beginnings in a very mysterious manner until it becomes a tree of really magnificent proportions beneath the shadow of which men of fortune rest and seem to take solid comfort. It is supposed, therefore, that the promoters must be men of large resources. As a matter of fact they are usually men of very limited resources, in the sense that combines capital with accumulated wealth. They are most commonly engineers, contractors, or unclassified men with a turn for large ventures in construction, but with very little money. They win their spurs as capitalists by becoming capitalists in the most ethereal sense of the word, and then painfully materializing themselves into bodies of greater or less consistency.

Let us observe how these men operate. Three, four, or possibly a half dozen such men get together and form a company. But in the

list of twenty-five incorporators, largely made up of men practically known as dummies, there may not be found the name of a single man of wealth. The promoters may sometimes manage in the beginning to attach to their enterprise the names of a few men not altogether unknown in financial circles; but even the nature of this backing is often equivocal. It may be given for personal motives, or it may come from a desire to see the work undertaken on account of some indirect personal benefit to be derived from its prosecution. But these ornamental auxiliaries have rarely any idea of subscribing for the stock to an amount in excess of the legal requirements. They only hold themselves in a position to take advantage of any fortunate turns that may occur in the history of the company. But it is not unusual when a newly formed company is compelled to dispense with even those top feathers. It as often happens when it must be started on its career without even a putative godfather.

Now, it is not conceivable that a company thus organized and launched, no matter what the ability of the promoters, could raise the many million dollars required in the work of construction without Herculean efforts, and the use of innumerable sharp expedients. No matter how promising the enterprise on paper, the managers are regarded as financiers without experience; and men without either money or experience will never be men with large credit. To expect the banker to throw open his vaults and place all his resources at the disposal of such men would be unreasonable. He is not often a man of such confiding judgment. He will not risk a dollar in the adventure until he has first assured himself, so far as a man who is something of a financial gambler from necessity can assure himself of any-

thing, that his dollar will not be managed away from his control. He will not only demand this assurance, but he will further demand very large margins. Under the circumstances they may not be unreasonably large; but they will be large enough to compel an excessive capitalization in the beginning for the purpose of covering contingencies. They will be large enough, also, to give the stock a second inflation on the completion of the work of such liberal magnitude that intelligent journalists and statesmen will be scandalized at the spectacle.

But what else can you expect? Trace the work as it goes forward. Here is a handful of men without much money, and without credit, except to the extent that they can convince capitalists of the merit of their enterprise, engaged on a work which demands the services of several thousand workmen whose wages must be paid every Saturday night. All the world should know that their resources are limited; and it is soon found out that they are continually at their wits' end to find the means for the payment of their employees, and to cover the cost of the material demanded. To make their case still more embarrassing the air is soon full of rumors concerning the appointment of a receiver, or of some other catastrophe which the popular imagination can always create, and all their financial negotiations must be conducted under the shadow of these real and imaginary clouds. They plod on, however, and hope for better days. But, suddenly, they meet their crowning disaster. At the moment when they may have found a possible chance to market a few of their bonds on what might be thought reasonable terms a telegraphic operator flashes to the press an account of a frightful riot on some section of the work caused by the non-payment of wages. The

story is graphically told. A contractor has been compelled to take to cover behind some barricade where he is holding several hundred infuriated laborers at the muzzle of his revolver. He has been unable to meet their dues for a month past; and they have grown exasperated at the delay. Is it likely under the circumstances that the bonds will be marketed on very easy terms? To presume so we would have to suppose bankers to be only peace-makers, men engaged in pouring oil on troubled waters.

This may be thought an exaggerated illustration of the difficulties in the way of railway construction, but it is only a fair picture; and the suggestively bad feature of the exhibit consists in the fact that almost all the money paid goes into the hands of workmen, the chief part into the hands of workmen,—masons, laborers, or teamsters,—employed on the ground. Over and above the living expenses of the promoters, and sometimes without this exception, all the money is expended for service, including, of course, the service of the contractor for material. Herein lies the entire source of difficulty. It was the need for money, due every Saturday night for wages, that caused the directors to almost mortgage their souls, and in a few instances probably compelled them to make the contract. The cost of material could be secured by liens, the manufacturing contractor in this case having to bear the labor load; but the money which went directly to the workmen was hopelessly sunk for any imminent emergency.

Is there not something here startlingly suggestive of a bad system? If the railroad cost \$10,000,000, and, after the promoters had wasted five or ten years in preliminary struggles, was two years under construction, the total amount of interest to be paid may have reached

\$500,000. This would be five per cent., or \$5 to every \$100, on the money paid for labor. Yet it was the uncertainty about the payment of this interest which made bankers, brokers, and every man approached in the course of the monetary negotiations timid and distrustful. It was this uncertainty, too, which caused the final capitalization of the road to be placed at probably \$30,000,000, although the actual cost was only \$10,000,000 in money expended. The public, to whom these concerns are always very clear, supposes the excess in capitalization to have been due to the original sin of railway projectors. But the public is sometimes mistaken. No great profit comes to any man from the inflation of railway stock beyond the values founded on its traffic at reasonable rates. In this case the stock was inflated for security; and it would never have been inflated had the interest on the money expended in its construction been paid by the workmen, the workman, in return, receiving as much of the stock as they carried by their payments.

Illustrations of about equal force could be drawn from every department of industry and trade. The secret history of ninety-nine per cent. of the industrial and trading firms of the country, could they be given to the world, would tell the same story of battles fought against overwhelming odds, ending sometimes in victory and sometimes in defeat. Shall we attempt to fix the blame for the unfortunate methods which prevail? Perhaps no one is to blame. The world is old in its stratification of rocks; and it abounds in fossils that suggest an incredible antiquity. But its political economy is only just born; and in its financial practice it has not yet passed the empirical stages. But it seems to be high time that the men who are most dissatisfied with their condition should begin

to wake up and confess the cause of their abject estate. The community needs better reciprocal relations between its members; and improved relations can only be reached through the material co-operation of that great mass of men who now occupy a position of inert dependence, and trust to the irresistible forces above and beyond them to supply the means of subsistence. The plea that they are poor and helpless cannot be entertained. They handle ninety per cent. of the money in circulation; and if from this total they cannot divert enough to help carry the capital from which they must draw their subsistence there is evidently something wrong in their habits which needs reforming. But it is not probable that their apathy springs from their unwillingness to act in their own behalf. It springs from the lack of comprehension of a subject which they have never studied except under the tuition and lead of impracticable men. They would doubtless be willing to take up their end of the load to be carried, if they knew where to place their hands, and felt that they would be trusted for a sustained effort. With their assistance the burden would cease to be a load, and of course they would be trusted. There is not an employer who would not find relief in their co-operation; and as for a knowledge of the place to exert their strength let them study the load for themselves, and learn where they can put forth their efforts to the greatest advantage.

It will be necessary to appeal to insurance. But, fortunately, it is a good dependence, better in some respects than accumulated wealth. It cannot be wasted, cannot be lost through mismanagement, and, when divested of some of its institutional machinery, it can easily be carried. It would be hard to overrate the importance of insurance considered in its ultimate status as a force in

political economy. Owing to the perishable character of products, and property founded directly on production, insurance seems to be about the only agency that can transmit wealth from generation to generation in amounts sufficient to lift society above a condition of general penury. But men should be able to see its advantages without looking very far into the future. It is a crime, in any case, for a man with a family to go through the world without insurance.

CHAPTER VIII.

EFFECTS ON MATERIAL GROWTH.

It will be worth while to be more explicit in calculating some of the industrial and commercial benefits to follow upon the adoption of a system which would make all men contributors to the operative capital in use. That the results would be comprehensive will be readily believed; but few men without carefully weighing the subject will be prepared to estimate the effects in all their magnitude.

The example in railway construction, given to illustrate the flimsy foundations on which speculative enterprises are built, was a generic example. It applies to all enterprises, but it applies with peculiar force to enterprises undertaken with no element of co-operation at the foundation, and dependent on the force of individual effort to carry them to a successful conclusion. There is a power to inspire confidence even in names; and when many names are associated the power will be increased in something like the ratio of increasing numbers. If one man is efficient, it is felt that two men should be doubly efficient, and a score of names should give a suggestion of almost irresistible strength. It is

only because of this prepossession in favor of united effort that railway construction by private enterprise is even possible. A single person of great wealth could no doubt carry such an undertaking to a successful termination; but men who have amassed fortunes in one field of investment do not turn their attention to different and new fields unless they see a certainty of great profit. Such men, therefore, are out of the field for any enterprise that must be considered at once new and speculative, and the work must be undertaken by the less successful men. But it would be even presumptuous for any one man, with no better standing in finance than most of the men who conceive and carry through enterprises in railway construction, to so much as make an unaided attempt at building a new road. He would be thought no better than one of the demented. But it is equally true that any individual operator who depends upon his own unaided exertions, no matter what his field of operations, will be weak in compelling confidence; and as the vast majority of men who give employment to other men still insist on operating on their own strength we can easily see why the example in railway construction offers rather a mild than an exaggerated illustration of the difficulties everywhere experienced. Individuals who undertake to give employment to large numbers of men for the purpose of prosecuting an imperfectly established and speculative enterprise, or industry, assume a very grave responsibility. It cannot be said that it is a responsibility which they ought not to assume under any circumstances; but it may be truthfully said that they will do better if they find one or more persons to help carry their load.

The weakness which obstructs new men everywhere is in their

lack of power to give security for the payment of interest and the repayment of loans. Without loans an unfledged business man is only a bird without wings. But the obstructions in the way of obtaining loans have been reared to huge proportions. Money can be obtained in any amount when it is reasonably certain that the interest payments will be met, and that the principal can be recovered when the limitations of the contract are reached. But, in one form or another, it is supposed that accumulated wealth must lie at the foundation of all loans made in accordance with the rules of the market; and that this wealth shall be held subject to the fulfillment of the contract. The title may not be vested in any single hands, but it must lie at the mercy of the loan. The operations of every man, therefore, is theoretically limited to twice the amount of his accumulations; and as this amount is necessarily small in the beginning his operations must be also restricted. It is often the case, it is true, when apparently independent business men have no foundation whatever in accumulated wealth. But in such a case they must hold the position of mere factors, and remain subject to some possibly known but silent principal. It may be said in general terms that the restrictions thrown around business men in the beginning of their career are almost suffocating; and that comparatively few are ever afterward enabled to breathe with perfect freedom, or to move without restraint.

But the rule observed in financial operations is not the universal rule. In fiscal administration other theories obtain; and municipal bodies and States can obtain money on very easy terms without giving any pledge in objective wealth. Their credit rests upon the power of taxation. They are trusted because there is no doubt upon

their ability to pay interest and their good faith is accepted as a matter of course. Yet it is notoriously true that neither municipal bodies nor States have any conscience; and they have proved that they can be as dishonest as the most unscrupulous of individual operators.

There is something very suggestive in this difference of code in the treatment of debtors. We see that the restrictions imposed in finance spring rather from a distrust of the abilities of operators than from want of confidence in their honesty. If the truth were known there is a very general confidence in the good intentions of men, so far as they are expressed in a desire to pay just dues. They are believed to be honest, and to mean well in the main. The most conservative bank in the country, after the directors had assured themselves that the applicant was engaged in some legitimate pursuit, would probably consent to loan money to first comers were there no possibility of loss through other causes than dishonesty. The mis-carriages would be so few that they could afford to take their chances. But the ability of men to pay interest, and to hold their affairs so well in hand that they can return the principal in accordance with the contract, is a very reasonable cause for distrust. It may be called a sufficient cause when we take into consideration the immense disadvantages of the prevailing management in finance, the uncertainties of the market, and the limitations of human foresight. But men do not quite like to regard it as the chief cause of their difficulties. Possibly for the purpose of inflicting a penalty for failure, they have a curious habit of charging all men who do not succeed in meeting their obligations with an intention to defraud; and such men are held up to the public censure as delib-

erately bad subjects. It is a habit, however, that throws more than the due load of approbrium on the shoulders of dishonesty. The deceitful spirit is made to carry the responsibility for all the frailties through which men suffer loss; and this is hardly in accordance with the injunction in which we are told to give the devil his due.

There is a lesson here which teaches with peculiar force the need for improved methods. Were interest paid from the savings of employees, in accordance with a system that would enforce payment at once, there could be no longer any question on the ability to pay. Almost all money loaned begins to flow into their hands from the day it leaves the counting-room of the banker; and the diversion of a sufficient stream to meet the interest on the amount which they receive, while it would be found a matter of such trifling importance in its effect on their receipts that it would hardly be noticed, would put an end to everything like default in the discharge of this obligation. With regard to the security demanded for the recovery of the loan the best possible security is offered in insurance. It would never be compromised by mortgages, nor subjected to any of the other complications which beset accumulated wealth.

Let us suppose, then, that general organization has taken place after the plan outlined in a preceding chapter, and that the payment of interest, made almost automatic in the process, has been placed beyond question. There can no longer be default, nor the suspicion of default; and from this foundation let us study the power of the new combinations as their strength would be made manifest in the different avenues of production and exchange, and see if we have not made a very large gain.

The first manifestation of im-

provement would be found in the disappearance of all difficulty in obtaining money for any object that promised good returns. Money is but the representative of some income producing agent, and the tally of exchange. When we have created the agent, and given it a form to be serviceable in the market, we have created the object. In this case we could look, with confidence, to see the bonds of any company in good standing cashed over the counter of even the most conservative bank as fast as the money was needed for use in the construction of any work, or the execution of any contract, for which they were pledged. There would no longer be any occasion for distrusting the qualifications of the financier who stands at the head of the enterprise in which the money is to be invested. It would no longer be necessary that he should be a person of exuberant invention, trained even in the arts of duplicity, and capable of giving to jet black all the tints of the rainbow. It would only be necessary that he should have skill and knowledge in the practical work of production and exchange, and these are qualifications to be discovered by the men whose interests he would direct and control. The banker would be relieved of all embarrassment on the score of character and capabilities, and, at the most, would only have occasion to examine the merits of the venture in which the money was to be invested. If satisfied with the results of this examination he would no longer find it necessary to keep his vaults enclosed in triple steel, and could afford to be liberal in the treatment of his customers.

Among the first benefits to be derived from this increased facility in obtaining money for legitimate uses would be moral benefits. Many sensible readers may think that these benefits ought not to be the

first considered; but they shall be put first for courtesy. With the adoption of the proposed system the intensely speculative spirit, more often stimulated by desperate straits and business complications than by a morbid desire to get rich, will disappear; and with its disappearance will go a train of subjectances, known variously as defalcations, forgeries, and breaches of trust. The young Napoleons of Finance, to borrow a phrase from the current journalism of the day, will all vanish; and in their place we may have the more staid Washingtons of Finance, or men who can be satisfied with greatness without brilliancy. Everywhere we shall find a clearer atmosphere, and incomparably better hygienic conditions.

But what will be the material benefits? This will be the chief question to consider; for we cannot resist the conviction that the moral tone of men and women is more largely dependent on their material advance than on any occult influence in ethics. We have been taught to believe that the material environment of society can be brought to perfection by the cultivation of the ethic or religious faculties; but we cannot help holding to the opinion, whether truthful or heretical, that it will be easier to improve public morals by improving the material environment of men, and removing the inducements to do wrong, than to improve the environment through the cultivation of any kind of sentiment. We insist, therefore, in keeping the material features of the question constantly in view, and think that the discussion will be most effectively maintained when it is made to show their importance. What will be the material effect of enabling all men to become contributors to the capital by which the manifold operations of life are carried forward?

The first effect will be observed in the disappearance of all enforced idleness. Want of employment is the first fruit of the prevailing want of capital, and it is the employees most distressing disability. The fear of idleness haunts him even when he is most actively engaged at his labor, and the frequent materialization of the spectre, which lives continually in his imagination, pinches him with sharp pains. But the gaunt presence is not necessarily his daily attendant and frequent visitor. It is only a product of the undeveloped system which obtains. There is no good reason why every employee should not become practically his own employer, and then if he is ever idle it will be only because he feels that he needs rest. Under the prevailing system a laborer goes out on the railway under construction and solicits employment. He is met by the assurance that the men already employed have difficulty in obtaining payment for their labor, and that there is room for no more employees. It is only a question, indeed, if some of the force already engaged must not soon be discharged. It will all depend upon the success of the managers in floating a few more of their bonds. But under the proposed system the laborer will come, if necessary, as a subscriber for the stock to an amount equal to the sum of his wages. He will no longer appear as a suppliant for favors then, and in his changed attitude he will meet with a different reception. The contractor will tell him that he is the very man for whom the directors have been in search, and might even advise him to become an agent of the company and to go out and bring in his fellows. This illustration it will be seen suggests very encouraging possibilities. The negotiation might not take place in just the informal fashion represented. It would presumably be

carried forward through the office of the company of which the laborer was a member, and be completed before the railway was put under construction. But it will serve to suggest the difference between two systems, one good and the other most detestably bad.

It should be easy to foretell the effect of this facility in obtaining money on the development of the country. We have now one hundred and fifty thousand miles of railway in the United States, and their construction has cost fifty years of labor. Under the proposed system the number of miles might be duplicated in ten years could a sufficiently large working force be brought together, and sufficient additions made to the iron manufacturing plant of the country, to provide the labor and material for their construction. Indeed, under this system, railway building would be carried forward so freely that we would be compelled to make regulations for preventing the impairment of property already in service. For the first time in our career we could find real, practical use for railway commissions. We could look to see new railways constructed over every mile of our territory as fast as they could be made to pay dividends, and possibly even faster were not construction held in check. We could look, also, to see the length of our telegraph lines soon quadrupled, our express service made to reach every hamlet, the electric light set up along every urban and village street, if not along every rural highway, and a telephone receiver located in every house.

"But such an advance will be too rapid," the old conservative will exclaim. "We must dig, and drudge, and cover ourselves with mud, and filth, to extract gold from the bowels of the earth, and men must learn to labor and to wait." But the conservative will have no

occasion for alarm. He will be astonished at the power of the market to absorb products when all men are at work with the feeling that they and their families are to be compensated for their labor, and that the long night of abject poverty is soon to pass away. Rates of interest might fall. It is probable that a decline would be experienced; but it would be a matter of slight concern to any person whether the rates fell or were maintained at a fixed standard. The magnitude of transactions would certainly preserve an equilibrium in any case, and no interests would suffer irretrievable or serious damage. In the multiplicity of investments there would be profit, and were prices to fall until they reached one-fourth the prevailing rates we should still find the average of incomes vastly enlarged.

Every material interest of the community demands the introduction of this system. Our financial fabric is a pyramid standing on its apex; and it turns the wisdom of its builders into foolishness by tumbling to pieces with almost periodical regularity. Then it must be painfully rebuilt, but after each catastrophe it has been rebuilt in the same inverted position, and there it stands to-day, trembling through every stone, and ready to collapse at the lightest breath of summer. Nay, it is always ready to fall without any external impulse. It settles gradually to its overthrow through the unbalanced weight of the blocks painfully upheld in mid air, and it would come down were the earth as completely denuded of atmosphere as the moon. But under the proposed system it could never fall. There could be no panics and no bankruptcies, for no man would be obliged to carry a load beyond his capacity.

CHAPTER IX.

OBJECTIONS ANSWERED.

To some men these suggestions will sound impracticable, on account of their seeming want of consistency with prevailing customs. To others, again, they may sound revolutionary; and seem to imply a disposition to place the operations of finance on a new and radical foundation. But, theoretically, they are neither the one nor the other.

As already suggested, the world is changing rapidly in its conceptions of the true significance of wealth. Since the introduction of the corporate and joint stock systems the objective character of property, and the methods of its production, have largely, even radically, changed. Were there a modern Prince Hal, and a Jack Falstaff they would find it difficult to undo any tradesmen in the suburbs of London by a repetition of their madcap adventures. They could hardly waylay a train of pack-horses loaded down with gold and silver for use in the metropolitan market. Property is no longer recognized in the substance, but in the sign; and the sign is indicated in the figures that represent income. This change is in part, in large part no doubt, due to the multiplication of new pursuits, invented and organized in recent years. Proportionally, men have probably no more houses and lands to-day than they had in the days of Charlemagne, and no more flocks and herds. But relatively they are even beginning to turn away their eyes from such possessions; and to find in certain artificial and subtile creations more desirable objects of pursuit. This is a manifestation that springs from the variety of objects to be desired; and it must become continually more and more pronounced as civilization ad-

vances and wants are multiplied. But the change is chiefly due to the division of property into shares represented by stock certificates, and to a growing comprehension of the meaning of interest and dividends. Sell the material of half the companies in being to-day and it would hardly bring enough to cancel their outstanding obligations incurred to meet running expenses. To say nothing of the total estimates made on the value of their securities. Take the stock of an express company as an example. A few horses and wagons for the local delivery of merchandise form about the only possessions needed by such a company; and were the dividends satisfactory the stock would sell just as well in the market were even those conveniences obtained for hire. Your great newspaper is honestly worth millions of dollars. Yet it is almost exclusively water, as the word is popularly understood, notwithstanding the abhorrence for that most excellent fluid frequently expressed by some of the editors. In the true valuation also of banks, insurance companies, and even of railway companies, as indicated by the price of the stock at market quotations, everything is measured by income. Trusting to his own opinion on the course of trade, no man thinks of consulting more than official reports on earnings to learn the value of any property in which he may think of investing. Income, and a continuation of the favorable circumstances that will maintain income, will form the only test for his judgment.

From an observation of these facts we have the right to conclude that the old method of estimating property on production, or the cost of production, has been substantially abandoned. We have the right to conclude, also, that, economically, income, using the word generally to cover interest, rents,

dividends, or profits, is the only true creator of property, and that whoever can guarantee the return of a certain sum in annual income possesses the power of producing a property equal to the principal represented by that income when estimated as lawful interest. It matters not what the objective form of the creation. It may be represented in the form of a dwelling returning so much per annum in rent, or it may be only a bit of secured paper bearing a pledge of certain definite returns to the holder. It will be property in either case; and with the spirit prevailing in financial circles at the present day the latter form, if the security be ample, will be held in best esteem. This is the reason for holding that there is nothing inconsistent and consequently impracticable in the idea of maintaining securities based on personal income. All income is fundamentally personal income, and the principles which underlie cannot be changed by methods and combinations.

It might be objected that a system resting on a foundation of personal bonds would be open to criticism from the beginning; that such bonds are justly thought objectionable, and that they could not be maintained without proving a source of hardship and danger to the person by whom they were carried. But this objection could not be raised against the consistency of the system when compared with the prevailing system. It could only be raised against its advantages; and it would not weigh very heavily even there. The prejudice against personal bonds is due to the uncertainty that hangs over everything negotiable under our empirical system of finance. Such bonds are to be feared only because casualty is to be feared, and there is no certain dependence for the future. Intrench with sufficient thoroughness against casu-

alty and you have removed everything objectionable from the nature of personal bonds. They may be made the true instead of the subterfuge representative of capital. We must not forget to observe the trend of the current if we wish to find easy navigation. By far the larger proportion of the operative capital in the world is represented in bonds, or in their equivalent, mortgages, which are most commonly personal bonds under an old form, and we should not be able to move without the aid of these very useful crutches. The plan, while pre-eminently consistent with all that is good in the accepted system, is not dangerous, and it proposes not hardship but relief from hardship.

It might be claimed, however, that the system would be found impracticable on account of obstacles that would have no foundation in finance. Its consistency and general soundness admitted, it might be thought likely to fail on account of the want of coherency and purpose on the part of the men who must be depended upon to make it practicable. There seems to be a possible obstruction here; but if the right spirit prevails among leading men it ought not to prove an obstruction. It ought not to be difficult to convince even the least practical man that if he can have \$1,000 by paying the interest, and giving satisfactory security for the final redemption of his bond, he had better take the money. It ought to be still easier to convince him that he had better take \$5,000 on the same terms. Men who can follow the leaders of the Anti Poverty Society, and endorse a single tax scheme, may need considerable tuition before they can grasp theories founded on commonplace finance; but the darker the night the more brilliant may be made the illumination of the electric candle.

The reasons for holding that the

suggestions for an improved financial system are not revolutionary are equally well entrenched in the tendencies of the times. True, evolution is generally made to mean revolution by the changes wrought during the course of a century in the organic features of society. Even our Federal Union, with its clearly defined and written Constitution, has been made to show that it is not exempt from the law of motion; and we have seen the disappearance of one of its most strongly outlined, though abnormal, features. But the changes proposed here are hardly equal to the changes wrought in a century of ordinary growth. Society misapprehends its own status at the present time. Men have not taken the full measure of its advance during the last hundred years. It stands to-day at the threshold of the proposed system, and in such a position that a single step will enable it to enter. Nay, the advance has already entered, and has reached even the rail of the chancel. The strongest movement of the age is in the direction of organized co-operation. The philosophers of reform do not discover this fact because our political economy has not been sufficiently analytical to give them the right cue, and they have mistaken the true field of co-operation. While they have been talking and dreaming of co-operative production they have misapprehended the true scope of the word production, and proposed the production of objects instead of the production of values. But practical men have been wiser. Co-operative organization, and co-operative production, in the true meaning of the terms, have gone on apace, the benefits of co-operation have been widely disseminated, and the dispersed masses, though still blindly hostile to the movement, are compelled to admit its irresistible force. They feebly imitate it, indeed, and while

condemning, and calling it the combination of capitalists, they form feeble counter organizations. But they mistake the nature of the manifestation. It is not the combination of capitalists. It is simply the combination of men who become capitalists through the force of their combination; and the whole world is upon the point of conversion to the excellence of their principles. Even the men who are most determined to stand alone, and to work for their exclusive personal interest, are generally beginning to see that their position is hopelessly weak, and they are trying to find strength in some modified form of association. They may not in all instances intend more than the formation of leagues; but it is safe to presume that most leagues will be only preliminary to something more complex and efficient. We have heard a great deal recently on the subject of trusts. They have been made and are still made shuttlecocks in the political game between parties; and the statesman who can strike down a trust with the greatest neatness and despatch thinks himself a made statesman. Of course trusts are opposed. Anything new and meritorious is very likely to meet with opposition. The modern banking system was opposed with considerable bitterness in its infancy; and the Bank of England would never have been chartered had it not been necessary to the English Government. But the bank lived, and it is safe to presume that trusts, though their growth may be checked by repressive, dishonest, or ignorant laws, have come to follow its example. Among other trusts we are greatly in need of a bank trust, pledged to protect every bank in the country against failure.

But perhaps the possible objection that the suggestions are revolutionary is not yet quite met. It may be raised not so much against the

financial as against the social features of the plan. It may be admitted that the financial features are entirely consistent with much that is practiced daily in the market, and strictly in accordance with financial principles; but it might still be objected that the result could prove revolutionary from a social point of view. The sudden accumulation of new operative capital in hands trained only to handle the laborer's pick and shovel, the mechanic's tools, and the accountant's pen might tend to disintegrate or dislocate both financial and social relations. To this it can only be answered that society has never yet suffered from a plethora of capital that could be turned to industrial uses. It may or it may not have suffered from the concentration of accumulated wealth in too few hands. The question is one that there will be no profit in discussing here, and not much profit in discussing anywhere else. But it will certainly not suffer by placing operative capital in the hands of its most discontented members, and giving them a larger stake in the well-being of the community. It would doubtless make the poor somewhat more influential. From a condition of mere dependence they would become stockholders wherever there was stock to be bought or sold. But they would soon learn to take conservative, practical views, and would not be found troublesome stockholders. They would not be found of the kind given to injunctions, and other legal obstructions that cause embarrassment among boards of directors. They would be of the kind to see the importance of maintaining the value of stocks, and we might hear less talk of enforced reductions in charges. The weakest point of the plan, when it is a question of securing prompt popular approval, consists in the fact not that it repre-

sents any form of aggression but that it contains nothing absolutely new or sensational, and offers no prospect that capable men will be put down, and deposed from their position as leaders. Men have been so long enslaved to their conditions that they think they have personal outrages to redress.

No, the suggestions are not revolutionary, and they ought not be found impracticable. It is not a revolution that is proposed, but simply an extension of the foundations on which the financial structure is built. Men full of traditional ideas think that this structure rests on a foundation of accumulated wealth. But it cannot be too frequently reiterated that this conception is no longer true. As a matter of fact it rests on a foundation of six per cent., or on something as nearly approximating six per cent. as it is possible to reach. Accumulated wealth in the old sense can be considered as barely more than the corner-stone, and it may be relieved in even this office by the resources of combination and insurance. Financial transactions may be said to rest more upon accumulating than upon accumulated property. Bankers turn their backs upon houses and lands, and refuse to accept mortgages for half their estimated value. But they will loan money on stocks to within ten per cent. of the market quotation and never ask if they are not half water. Why is this true? It is true because stocks have a quoted market value, and have become a chief medium of exchange. To within ten per cent. of their worth they may be made practically a currency; while the more objective property, not represented in shares and dependent upon vague estimates for its valuation, is too inert for the swift processes of modern commerce. The day will probably come when even houses and lands will be universally represented in

shares; and when that day arrives they will be serviceable for something besides their provisions of shelter and food. But for the present they have been compelled to withdraw from the mart. Stocks and bonds have possession of the field. It is known that the corporation in whose name they were put forth will struggle to keep them as nearly at par, or at quotation rates, as circumstances will permit, and that, under ordinary conditions, nothing less than a panic can cause them to fall much below market quotations. But very few merely personal securities, using the term in the sense of property without corporate endorsement, unless put in the form of gold and silver and deposited in bank, would receive so much consideration. Personal affairs are too complicated, and too obscure, for these days of organized and institutional enterprises.

What should concern us most in the study of this question is the frightful waste of resources that follows on the prevailing system of financial management. The men who in the total of their earnings are competent to carry the entire weight of finance without feeling the load contribute nothing whatever to its strength. Yet they themselves suffer because of their neglect, and society is retarded in its progress beyond calculation. No broader economic question could be raised, nor one more worthy of careful study and deliberation.

But in holding the argument so closely to the material ground on which it was originally begun we have no wish to assume that other considerations have no relevance. They are worthy the largest regard, the more truly because there are some errors that should be uprooted, and, as already suggested, some vices that would disappear with the disappearance of the causes that incite to crime. Our ethical teach-

ers tell us that the distresses of men are necessary for disciplinary purposes, and for the development of the character. It is possible that they may even find some sanction for these precepts in the literary productions of the Kings and Princes of Israel, men who wrote poetry and conceived distresses which they thought might benefit their subjects, but which they themselves were not often called upon to experience. Certainly, were there anything in suffering to improve the character, and to justify the assertion that it is only a blessing in disguise, men manage to condense enough of its benefits into the three score and ten years allotted to human life to serve them for all the remaining cycles of their more permanent being. The disciplinary blessing is pretty evenly distributed, too, among all ranks and conditions. The number of wretched, sleepless nights passed by the beggar in his penury and despair is only paralleled by the number of correspondingly bad nights passed by the expectant millionaire while he is confounded by visions of bad debts, notes going to protest, and all the disasters that can befall a man who has a great deal to lose and thinks that he sees a rising, imminent chance for its disappearance. To readers sitting quietly in their own domiciles the story of struggles against adverse circumstances may seem entertaining, and full of romantic interest. Modified by invention it has been made entertaining in the pages of the novelist and the playwright; but the pleasure is all experienced by the reader or the audience. To the actors on the stage it is only the dreary rehearsal of a five act tragedy, with no scenic embellishments to enhance the romance, and no auditors present to applaud. But to the spectator the exhibition may seem heroic, like conduct of the man who can suffer

the loss of an arm without flinching. Hence, probably, the common opinion that such struggles quicken the intellect, enlarge the sympathies, and strengthen the character. This is one of the most fondly cherished superstitions of men, and it will be a pity to bring it into discredit. But it is fundamentally and altogether an error. It would be as wise to say that the stunted growth of a tree in its infancy is favorable to a broad limbed, well shapen, and sturdy maturity. The truth is the early experience of almost every man who assumes the control of large and speculative enterprises is favorable only for the cultivation of faculties which ought not to be too highly developed. If his intellect is quickened it is quickened only for the practice of sharp and unscrupulous expedients. If his sympathies are enlarged they are enlarged simply in the capacity for self pity, and in behalf of the bosom whence they emanate; and if the character is strengthened it acquires the strength of a stubbornness which will break sooner than bend. The early career of every man of intense activity and large ambition is a career of constant temptation; and if it does not end in making him utterly selfish and unscrupulous it is a sign that he was endowed by nature, or education, with a fund of correct principles too deep to be entirely exhausted by his period of adversity. The theory that men are made better or stronger by suffering, though possibly a source of some encouragement for those who suffer, presupposes a Creator who can only perfect his work by making himself a hard master. This would be an unfortunate conception of the Infinite. It is to be presumed that growth is to be eternal; and it would be disheartening to believe that suffering must also be made eternal to the end that we may be

properly stimulated to exertion. We prefer to believe that the virtues live and thrive to a healthful maturity only in the placid atmosphere of contentment.

No, the moral and intellectual growth of the community demands better reciprocal relations between the members; and we may dismiss the idea that there is anything in the prevailing methods to be commended on either ethical or disciplinary grounds. Were it worth while, or consistent with the argument of a treatise meant to be mainly economic in its objects, the reasoning from such grounds could be made overwhelmingly strong in favor of a change of system. We could point, as other men have pointed, to our overflowing prisons, filled as often by undeveloped men who have been driven or led to crime by the wretchedness of their early environment as by their lawless instincts. We could point, also, to the spectre of ruin that haunts the streets at midnight, and challenge the moralist to separate the inherently vile from those who have found the impulse to evil in the despair of homelessness and privation. But where the argument from material grounds alone should be found irresistible, it would be a waste of time to go up to the reinforcement of the preacher and the philosopher of social science.

CHAPTER X.

SOME POLITICAL REFLECTIONS.

WHEN we come to the political bearings of the question we meet with manifestations so closely related to political economy, and so fraught with danger, insidious and direct, that the discussion would hardly be complete without giving them more than an incidental con-

sideration. These manifestations spring from both political and economic causes; and they need to be subjected to all the light that can be brought to bear upon their meaning. The age is socially one of intense unrest, and it is impossible to meet the agitation continually maintained without feeling its effect upon political institutions.

We follow in the United States certain clearly defined constitutional theories. These theories are so well defined that it is almost difficult to maintain political divisions founded on their interpretation. Men go from party to party without the consciousness of having changed their convictions on any question that involves their conception of the Constitution, and parties sometimes change measures in seeming ignorance of the fact that they are masquerading in the garments of their adversaries. This was the experience of an entire century following the close of the Revolutionary War; and it should not be necessary to say that it was a healthful experience, suggestive of the possibility of maintaining government strong enough for the maintenance of the public security without the recurrence of those periodical or frequent convulsions that signalize the history of most other countries. So strongly were our people imbued with these moderate and unaggressive theories that the Civil War, springing from the one traditional inconsistency in our political code, failed to weaken their force, or lead to more than a temporary suspension of their operations.

But since the agitation of public questions has become more destructively social than constitutional we have been compelled to witness a new movement. It cannot be denied that the atmosphere of political discussion has been materially changed; and that a reactionary tide has set in which has

already proved strong enough to destroy some landmarks, and to threaten others with overthrow. Public men seem no longer inclined to ask if any proposed new measure will be constitutional. They only ask if it will be popular. They wish only to know if it will win votes from the precincts where votes are most numerous, not where the voters are most intelligent. It would be reassuring to be able to believe that this reckless disregard of a statesman's first duty springs from an excessive confidence in the strength of the Constitution, and that it is due to a belief that the organic law will prove strong enough, in some of the various departments of administration, for its own protection, notwithstanding the treason of its chosen defenders. But we are not permitted to indulge even in this poor illusion. There is evidence that it is becoming common with public men to reason from transcendental theories. In place of a frank acceptance of political principles which were the evolution of liberty loving centuries of Anglo Saxon civilization, revised and perfected beyond the reach of kingcraft, we see a disposition, if not openly to challenge our constitutional theories, to at least obscure them by false issues and to defeat them by subterfuges. Has the want of resources, or the condition of the market, caused some unfortunate manufacturer to close his factory and discharge his workmen? The Government is to blame. It should sell or call in some bonds, or make an appropriation. Or, better still to the conceptions of our most advanced thinkers, it should take possession of the machinery of production and insure those workmen, who would not consent to own a factory if it were thrust upon them, against idleness. Is the rent bill onerous? Tax the land to the last penny that it will bear for the support of the Govern-

ment to the end that the rent bill may be lightened. Do the railways find the service of transportation complicated, and surrounded by difficulties which only their managers of largest experience and best talent are able to comprehend and meet? The government is the proper appeal. A handful of Government servants, trained in the law and familiar with the modes of packing and carrying a convention, should know how to pack and despatch merchandise. Do the managers of the telegraph impose a tariff on messages, and learn secrets which no cipher can be made to cover? Let us have done with them, then, and establish a Government telegraph where charges will be next to unknown, and where secrets can neither be bought nor sold.

This is the spirit in which the jest is carried forward and matured. Day after day, and year after year, under the impulse of the prevalent social discontent, we see our theory of individual self government, the only theory of self government that possesses any special significance, assailed in its most vital principles. We not only see it assailed, but have seen it disregarded and set aside by the highest law making body in the Union in response to the clamor of men whose heads have been turned by the fantastic misconceptions of reformers and State socialists. Yet men meet the demonstrations against their constitutional rights with a dazed expression of countenance, and seem to wonder if it be not true, after all, that our political system was conceived in error. They begin to suspect, apparently, that every man must be made to walk under the direction of some official superior, even after he has passed his own threshold, and stands beneath the shelter of his own roof. The picture is not overdrawn. We

hear incessantly the clamor for more laws, more stringent and repressive legislation, and every Legislature that meets is at once flooded with bills, which, if passed, would have about as much business in the statute books of a free State as an imperial ukase. But these bills are not always defeated.

The surrender has not been made at the hands of any distinct political party. It has been made at the hands of the demagogue who is at home in all parties; but if either the one party or the other wears the more abject countenance at this time it is the party which has always most distinctively claimed to be the advocate of self government. Hence, it will be seen that, on account of the misconceptions of the times, we are in danger of seeing the champions of free government become the conspirators for its overthrow; and we should be the more keenly alive to the danger of allowing the existence of evils which breed social discontent. We cannot afford, in response to demands that should never be made, to see compromised the only principles on which free government can be maintained.

The reason why we are running unusual risks at this time should be easily comprehended. Society, considered independently of the Government, which of course is a compulsory organization of the entire community, is half organized and half unorganized. Here is the first cause for disagreement. Among the organized forces lies the chief strength of the entire body for the prosecution of great enterprises, or the achievement of brilliant success; and the display of this strength provokes jealousy and all kinds of uncharitableness. The operations of a portion of these organized forces have been vast and comprehensive. In the possession of the chief avenues of communication, and entrenched in

our complex and highly developed banking system, they have assumed control of two functions which, in the rudimentary days of political evolution, were held as the prerogatives of the crown or king. They control the monetary sources, and all that is best worth holding in the highways. This is entirely right, and consistent with a just conception of popular functions in a free State. It is not the people in office who are sovereign. It is the people out of office. But this is an ultimate distinction which the men in office do not always care to observe; and the traditional theories, conceived in the days when England was only emerging from military despotism, are still maintained, and made the foundation of even our republican code. Reasoning from these theories it is easy to maintain that the people should be held subject to rulers in everything that was once the prerogative of the crown; and we are in danger of seeing ourselves forced backward to ground that will be hardly the less un-republican and oppressive because the rulers happen to be elective instead of hereditary rulers.

But the instinct of independence is so strong in this country that this kind of reasoning, reactionary and false when carried to any considerable extreme beyond the mere duties of police, would give us little cause for concern were the organized forces of the community all organized for corresponding purposes. Were the objects always similar we could look to see the organized forces work together; and the exigencies of the situation would very soon compel universal organization. Then there would no longer be danger of appeals to the Government for the protection which every man would find in his environment, and there would be little opportunity for covert encroachment on popular rights. But, un-

fortunately, the organization is for distinct and antagonistic purposes. The majority of the organized forces are combined rather in obedience to an instinct than in response to the demand of any coherent principle; and their organization, while promising well for the future, remains, for the present, a chief source of danger. They believe themselves in peril from what they term the capitalistic combinations, and cast about in every direction for the means of protection. Naturally, they turn to the Government, and offer themselves as the allies of encroachment.

Under these circumstances we should readily see what would be likely to happen. The financial companies are strong not only in the superiority of their system, but in their material resources. They do not yet possess more than one-fourth the accumulated wealth of the country; but they possess it in the form in which it may be most powerfully wielded for the accomplishment of any end, and they hold the operative capital of the entire community almost completely under their control. They represent a race of gigantic individuals in fact, surrounded by a race of pigmies; and they can hardly move without the danger of stepping on one of these pigmies and crushing him out of all semblance to humanity. Hence, the continual uproar in the community, and the clamor for repressive laws. Hence, also, the peculiar danger that comes from the merely protective organizations. While helpless for any financial arrangement that can be productive of considerable benefit to their members, such organizations may be made powerful agents to assist in attacks on the liberties of citizens, made under pretext of protecting the community against so called monopolies. All the meddling, reactionary laws that have been placed upon

the statute books within the past few years, and they are not a few, have been passed in response to the demands, or the supposed demands, of some form of protective organization, Granger, Knight of Labor, or Trade Union. And there is not one of those laws which, besides being fundamentally unconstitutional under the American conception of free government, has not either worked mischievously or proved abortive.

But it is not so much the evils which we have reached that should give us concern as the evils to be anticipated if we continue moving over the road we are now following. At the moment we are going in the wrong direction at a very much more rapid pace than men who do not trouble themselves by taking observations suspect. Nothing is so treacherous as the force of a current in the middle of a broad river. More than one boat has been swept hopelessly into the rapids above Niagara Falls when the boatman did not even suspect that he had reached a current that he was unable to stem. Political movements, more than any other movements, are insidious. Congress has the right to regulate commerce between States. Certainly, it was so provided in the Constitution; and no man can be found to dispute the proposition. Then it must have the right to take control of all the railroads chartered by the States, appoint a new board of Federal directors, and to practically usurp the chief functions of railway management. While you are making regulations it will be as well to make them organic and institutional as to have them merely statutory. Again the proposition is simple, and few are found to raise their voices in protest. But what will come next? Once in control of the railways, Congress, with equally good logic, can turn them to any political service for which it

thinks them adapted, and, little by little, make them an entering wedge to rend asunder and destroy our constitutional theory of localized, or restricted, eminent domain. Will it be said that there could be no inducement for such an extreme act? It will not be difficult to find an inducement for any encroachment that could be conceived when the most potent motive force that is driving us forward is inspired by the clamor of one portion of the community determined to repress and subjugate another portion at all hazards. When upon every hand we hear men, impelled by their misapprehensions, demanding even the extinction of their own liberties, on the plea that they must be protected against encroachment, we must not put too much confidence in want of inducement. It is hard to foretell the fate of a society divided against itself. We should have the most repressive government on earth were half the laws and regulations that are advocated once proclaimed and put in operation. We have even at this time organized factions clamoring for the destruction of both the first and second largest fields for personal investment in the country. The Government is asked to take possession of both the lands and the railroads, to say nothing of the bagatelle represented in the telegraphs. True, these factions are strong neither in numbers nor in the force of their leaders; but they are strong enough to encourage demagogues, and help them to carry unconstitutional measures. We shall have little room for government in this country. As a large proprietor and operator, with despotic functions, it represents a stronger personality than we can prudently let loose on the community. When the masses have learned to do their duty there will be such a demand for new fields of investment that even the postal

service must possibly be surrendered to the people, and converted into a source of personal profit.

Security against aggression on popular institutions will be found in promoting the work of organization on lines that will give it some meaning in the field of practical finance. We cannot go backward were we crazy enough to wish to turn away from the best progress of the age, and become as rudimentary again in our social relations as a tribe of Comanche savages. But

neither can we suffer a continuance of the discordant and belligerent spirit now manifest in the community without risks which no prudent people would care to run. Logic is fate. Civilization is bound towards complete enfranchisement, or it is bound to extinction under the shadow of reaction and strong government. It may change direction frequently, now advancing and now returning on its paces. But the general progress will be finished at one or the other limit.

APPENDIX A.

IN proposing measures for increasing the monetary resources of the community it is desirable that everything indeterminate shall be eliminated from the plans. The following bill was prepared, therefore, in collaboration with a member of the New York bar, who is a member, also, of the Legislature for the current year; and it is offered for the deliberations of legislative bodies. It is believed to contain the chief provisions needed for the successful administration of the system suggested in the foregoing treatise. Experience might demonstrate the need of amendment; but the bill has been carefully matured with an eye to the various sources from which danger could be apprehended in the administration of companies organized under its provisions, and it is confidently felt that it leaves fewer openings for irregular conduct on the part of either officers or members than most of the acts of incorporation now in force.

No man can be found, not utterly selfish, who will deny the justice of the measure. There may be a few men who will deny its expediency. They may charge the general poverty among the masses to lack of thrift, and to a disregard of the means through which a few men

obtain wealth. But the subject of this little book has been discussed in vain if it has not been shown that it is a physical impossibility for more than a few to obtain even a decent subsistence under the prevailing system, while the great body of men must remain not only poor but perilously exposed to casualty. The bill was drawn for the benefit of this latter class, and not for the men with the more prehensile fingers. It is commended to the Legislatures of all the States.

AN ACT FOR THE INCORPORATION OF BOND INSURANCE COMPANIES.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

SECTION 1.—Any twenty or more persons of full age, citizens of the United States, a majority of whom shall be also citizens of this State, who shall desire to associate themselves for the improvement of their condition, may make, sign, and acknowledge before any officer authorized to take the acknowledgement of deeds in this State, and file and record in the office of the Secretary of State, and also in the office of the Clerk of the county in which the principal office of the association shall be situated, a certificate in writing in which shall be stated the name or title by which such association shall be known in law, the particular business or object for which it shall be formed, the number of trustees who shall manage its concerns, with their names for the first year of its existence, and the name

of the town, city, or county in which its operations shall be conducted. But such certificate shall not be filed, unless by the written consent and approbation of one of the Justices of the Supreme Court of the district in which the principal office of such company or association shall be located, to be endorsed on such certificate; and nothing in this act contained shall authorize the incorporation of any society or association for any purpose repugnant to the Constitution or any statute of this State, or prohibited by the Constitution or laws of the United States.

SEC. 2.—Upon filing and recording a certificate as aforesaid, the persons who shall have signed and acknowledged such certificate, and their associates and successors, shall, by virtue of this act, be a body politic and corporate by the name stated in such certificate, and by that name they and their successors shall and may have succession, and shall be persons in law capable of suing and being sued in any court of law or equity in this State, and they and their successors may have and use a common seal, and may alter and change the same at pleasure, and they and their successors by their corporate name shall in law be capable of taking, receiving, purchasing, leasing, holding, and conveying any personal and real estate which may be necessary to enable them to carry on their operations and transact the business of their incorporation, but for no other purpose whatever.

SEC. 3.—The number of trustees in said company shall be not less than five nor more than thirteen. They shall be elected annually by ballot, each member of the company having one vote and no more, and due notice of the date and time of election shall be given in a newspaper most convenient in place of publication. It shall be the duty of the trustees to elect a President, to appoint and fix the salaries of clerks and other assistants, and, as hereinafter provided, to meet all regular and contingent expenses entailed in the work of administration. They shall be paid a compensation not in excess of the sum given to the most highly compensated member of the company when engaged in his pursuit or calling for a livelihood.

SEC. 4.—The said trustees shall make suitable by-laws for the regulation and government of the company, provided, however, that no by-law shall be adopted which shall be inconsistent with the Constitution and laws of the United States or of this State, or which will infringe on the liberty of the member to select or change his place of domicile, or restrict his freedom in making or executing any contracts for which the sureties of the company are not pledged.

SEC. 5.—It shall be lawful for the said company to maintain a fund founded on an established percentage reserved from the wages, salaries, or income of its members in their various callings, and paid into the treasury of the company or to its agent by their employers, or in accordance with such

other regulations as the trustees may adopt; the said fund represented in bonds bearing the names of individual members to be apportioned in allotments among the members according to the percentage or percentages so reserved, and used either for the construction of dwellings or for general investment under regulations imposed in the by-laws of the company. All bonds shall be fixed at an amount that will leave in the treasury, after the payment of interest, a fund sufficient for their redemption on the death or permanent disability of the members in whose names they were issued, and cover the expense of managing the concerns of the company, including the payment of losses on property by fire. On a majority vote of the members the percentages may be increased to meet any benevolent or educational plans which may be thought expedient, but in no case shall they be made to cover speculative objects or plans under the control of the trustees.

SEC. 6.—All investments of funds made by the members of the said company in any manufacturing, mercantile, or financial concern shall be made subject to the consent of the trustees, and without such consent the company shall not be held liable for any losses which may be incurred. In case of the suspension or bankruptcy of any firm with which the funds of any member of the company are invested, it shall be the duty of the trustees to take such legal steps as may be thought expedient to recover the amount; but both the interest and insurance on all or any part of the amount which cannot be recovered must be paid by the member making the investment until the claim is fully satisfied.

SEC. 7.—The trustees shall have no power to order an assessment on the members of the company, nor to fix the allotments to members low enough to leave a permanent reserve in the treasury larger than one and one-half of one per cent. on the total receipts; but the Supreme Court, on the application of the trustees, may order an assessment to meet the demands of a judgment obtained against the company in a court of law, or to cover unusual losses caused by fire, pestilence, or the disability of members.

SEC. 8.—On receiving an application for membership it shall be the duty of the trustees to investigate the character and fitness of the applicant. No person shall be deemed eligible to membership who is not industrious and trust-worthy, and no person who has once been a member of any company which may be formed under the provisions of this act shall be admitted to membership in any other company without bringing a certificate of his good standing and qualifications from the trustees of the company of which he was last a member.

SEC. 9.—It shall be the duty of the company to maintain an employment bureau, where shall be kept a registration of the names of members seeking employment, and the names, when furnished, of employ-

ers wanting service; but the performance of this duty shall not be construed to give to the trustees the power to fix rates of wages or terms of employment. During the temporary idleness or disability of a member, the percentage reserved from his wages or salary shall be paid from the reserve fund of the company; but in any such case the said member, when again employed, shall be liable to the payment of a double percentage until the deficiency is met.

SEC. 10.—The right to membership in any company formed under the provisions of this act shall not be held as an exclusive right; but no person, not a trustee or other officer, shall remain eligible to membership except while actually engaged in the pursuit of some industrial, mercantile, or professional calling for a livelihood.

APPENDIX B.

WE have undertaken to give in the foregoing pages a true theory of co-operation founded on the facts of our social, economic, and political development. That there may be also false theories of co-operation will be readily apprehended, for there is no virtue in a word, however attractive the train of associations, which it may awaken. It will be worth while to point out a few of the objections which may be raised against some of the various systems of co-operation that have been taught and practiced.

Until within the last two or three decades political economy has been a very inconclusive science because of the lack of data from which correct deductions could be drawn. The statistician is a being of very recent development; and even the census taker, when his services comprehended more than the mere count of numbers in population, has only recently reached a stage of real efficiency. The earlier writers on political economy knew only theoretically of economic conditions, or of the nature and division of the forces that enter into the accumulation of national wealth. Indeed, they may be charged with a very imperfect conception of the substance of wealth itself, and of its sociologic relations. They knew

only the rudiments of financial science as it is made intelligible today in statistical tables and current facts; and many of their theories are still accepted only because they entered into the early education of a generation which has not yet entirely passed away.

But if the masters of political economy often failed to comprehend the principles of the science which they taught, what could be expected of men whose impulses were chiefly benevolent, and who undertook to divert the crude deductions or rather the *a priori* theories of those masters into schemes for ameliorating social conditions? They could be expected to conceive only ideal systems, founded rather upon ethical than upon material grounds. They would look only to discover what they conceived to be the duty of a man in his dealings with his fellows, and overlook the fact that we belong to an exceedingly self-seeking race. Such men might be good prophets, or evangelists, of a new era; but they could hardly be expected to give form to any plan that would meet with universal or even general favor. Unprovided with facts, and filled only with philanthropic sentiment, they would merely devise schemes that would prove fundamentally wrong and impracticable.

Of this character, unfortunately, were the men who conceived and instituted the various systems of co-operation that have been attempted in divers times and countries. Their first dream was of industrial co-operation. Well, this is a good enough conception when it is fully comprehended; and it is to be hoped that those who are able to read between the lines have found in this treatise a suggestion that it is both good and practicable. But pursued as a prime object it is altogether worthless. The facts furnished in the first chapter prove beyond question that no great ben-

efit can come to the race through the adoption of a system in which industrial co-operation shall be more than incidental. There is not enough profit in production, and not enough wealth accumulated through its contributions, to add appreciably to the comfort or security of any of the men who would become the recipients of a universal and equal dividend. Hence the failure, or the lack of vitality, manifest in all schemes looking to industrial co-operation. All the coparceners remain as poor as ever when such schemes are tried; and, to add to the causes for dissatisfaction, they are restrained in their liberty both of movement and action. The notion of industrial co-operation was conceived before statistics enabled men to define both the possibilities and limitations of production.

Similar reflections must be made in relation to the co-operative store system which has been worked up to such large proportions in England during the last quarter of a century. We are told that the combined capital of the English co-operative stores reaches the large total of \$45,000,000, and that their dividends distributed among the stockholders amount to \$15,000,000 annually. But those stockholders number nearly 1,000,000; and when we divide the total of dividends among this large army of partners we find that each partner has received only a few dollars, a smaller sum of money than a middle-priced mechanic would earn in this country in a single week. It will be seen, therefore, that co-operative stores add very little to income; and as for their contribution to the accumulations of the stockholders a division will give less than \$50 to each person. Can a better illustration of financial impotency be conceived? But the system is not impotent for evil. These co-operative stores are absolutely mischievous

in their effects upon the market. They intensify competition, and, whether intentionally or not, they reduce prices, and, as a final consequence, they reduce the income of the stockholders by whose subscriptions they are maintained. They furthermore violate that economic principle which demands variety in pursuit, and the widest possible extension of reciprocal service.

Another development of the co-operative idea is found in those combinations known as building and loan associations. Here at least, it will be claimed, the co-operative movement has been productive of much good. But even here the claim cannot be admitted without great qualification. During nearly a half century co-operative building societies have been carrying on their operations in different parts of the world; yet the number of employees who have obtained homes through their agency would not be as a single unit to five thousand. Why this failure if they have proved efficient? Advocates of the system will charge the insignificant results obtained to want of thrift and foresight on the part of employees. But there are various causes for failure, and the lack of thrift and foresight is not the chief cause. The system itself is essentially weak. The class of dwellings offered through building societies are not such as would be desired by men of reasonable ambition, and not calculated to awaken a high degree of enthusiasm. But for the population of large cities a second objection is even more fatal than the first. Employees cannot afford to live in the suburbs. They must be found at their places of employment at an early hour in the morning, and must remain until a late hour in evening. The cost of transit to and from suburban homes is also considerably in excess of the cost in town. Yet it is only in the sub-

urbs, where space is necessarily abundant and of little value, that building societies have been found strong enough to operate. These are serious obstructions in the way of co-operative building as heretofore prosecuted. Besides, the scheme has no economic bearing, and entirely fails to provide for that general increase of operative capital which should be held in view.

The most popular, and as employees seem to believe, the most successful form of co-operation yet tried has been developed through the agency of trade unions and kindred organizations for maintaining wages. Such combinations have probably been successful in securing something like stability for wages; but at best a trade union can never be more than a break-water to prevent a too sudden outflow of the current. In spite of all efforts at control, we see continually that wages rise and fall in sympathy with the industrial or rather the commercial situation. These organizations are also dangerous

when not directed with the utmost address and judgment. Wages must always fall after a panic, or half the total of employees would starve. They must also fall during a prolonged period of depression, or the same catastrophe, modified possibly by half rations, would follow. It may be easily possible, then, to precipitate a panic, or compel wholesale discharges of employees, by contending too stubbornly for rates at times when the commercial movement has become undecided and weak. The best means of maintaining wages will be found in an increase of capital and the enlargement of enterprise.

On the whole it may be said that all theories of co-operation save those that are founded on our growing financial methods may be pronounced either inefficient or mischievous. This condemnation, however, must not be interpreted to lie against certain mutual benefit societies which are moving on the right road, but have not yet succeeded in advancing to any considerable distance.

THE END.

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INTRODUCTION.

In offering the second number of **ULTIMATE FINANCE** to the attention of the public it may be desirable to place before the reader some opinions elicited by the publication of the first part of the treatise, bearing the sub-title "A True Theory of Co-operation," and issued as Number 102 of the **HUMBOLDT LIBRARY**. The following letters to the author over the signature of two gentlemen of national reputation will in part serve this purpose. The list of similiar communications might be indefinitely extended :

NEW YORK, January 14, 1889.

MY DEAR MR. BLACK :

I have read your treatise with a great deal of interest and instruction, and can readily commend it to the attention of others. I do not feel competent to pronounce upon all the details of your plan, but the general features of it seem to me rational and full of beneficent promise. I have long been persuaded that if any improvement is to be made in the condition of existing society, it is not to be by arbitrary laws or Utopian schemes of reorganization, but by the broader application of methods now in use. Two of these you propose to utilize more extensively—mutual insurance and the capitalization of incomes—and your suggestions, it seems to me, are worthy the study of all thinking men.

I have the honor to be yours truly,

PARKE GODWIN.

MY DEAR BLACK,

I have known you so long as a thinker and writer, that I cannot resist the impulse to wish you hearty success in your new book. I became greatly interested in your first effort in this direction, feeling, with many others, that you had disclosed a plan which if worked out to practical results would greatly benefit the vast army of the employed. If the element of credit which so greatly benefits and builds up the few could be safely expanded so as to include the many, why should not its beneficent influences be well nigh universal? If, especially in the creation of homes for working men, the system of bonded insurance which you propose could be made effective; there is no estimating the good that might be accomplished, not only directly and indirectly, but to the commonwealth and society at large. Your reflections on this and kindred topics are profoundly interesting and I hope you will be encouraged to persevere in the study and development of the ideas you have been the first to advance.

ERASTUS WIMAN.

ULTIMATE FINANCE;

A TRUE THEORY OF WEALTH.

PART SECOND.

BY WILLIAM NELSON BLACK.

CHAPTER I.

THE ORIGIN OF PROPERTY.

In the northwest corner of the State of New York, bounded on the west by the Niagara River and on the north by Lake Ontario, lies Niagara County. It is a pleasant place for reminiscences; and the writer of this treatise can remember that, in his extreme youth when living in that part of the State, he often made one in a party of perhaps a dozen village urchins who rambled along the shore of the lake in search of fresh roasting ears of corn. An abundant supply was always to be obtained during the proper season from the corn fields that extended down to the bank of the lake; and as this bank rose precipitously twenty or more feet from the level of the beach it seemed to offer good cover for these parties when poaching on the fields of the neighboring farmers.

The spectacle to be witnessed on these occasions would have been a painful subject for study to any man trained to hold the rights of property in a strict and proper veneration. To persons, however, whose sense of the humorous exceeded their moral sense the exhibition could have been little less than diverting. The poach-

ers manifested great respect for the rights of property. They were extremely careful to displace nothing that was necessary for the protection of the field. They did not tread down the corn. Ordinarily, no fences ran along the edge of the bank, but if one was found it was religiously respected, and not used for fuel. The culprits only stole carefully through the rows of standing corn, and split the husks from the ears sufficiently to see if the kernels were succulent, and as fast as the right ears were found they were torn from the stalks, and stuffed away in every rent in the clothing of the poachers that could be made to serve for a pocket. The plunder thus secured, to the number of possibly a dozen ears to each poacher, drift wood from along the beach supplied the necessary fuel for roasting. Possibly, too, this drift wood saved the fences.

The feast that followed might be worth an elaborate description were this book a novel written only for the entertainment of the reader. But for the purpose in view only the facts with a bearing can be mentioned. How the corn was prepared and eaten, what was said about the danger of detection, or whether watchers were posted to give warning of any unwelcome approach, are matters

only indirectly relevant. But there was one incident which serves to strengthen the illustration in its chief aim, and this must not be forgotten. The party was generally made up of epicures who could not be satisfied with a course of roast corn alone. Apples and corn ripen during the same season; and apples were thought either a good relish, or a good second course. They could be obtained, too, on the same economical terms with the corn. That is to say, they were poached from the neighboring orchards. Added to the corn they concluded a repast good enough to banish all thoughts of home, or home cooking, for the day.

Will it be said that all this was theft? It would have been down-right theft in the southeastern corner of the State, which contains the metropolis, but in Niagara County it was not judged so harshly. If the proprietor of the cornfield or orchard happened along during the feast he would only look benignantly down from the top of the bank, and, after pleasantly threatening to deliver the whole party over to the town constable, would express the wish that the fruits of certain choice apple-trees should be left to be harvested by the ostensible owner, or that the visitors would be considerate, and neither destroy his fences nor cause needless waste by pulling the ears of corn that were not sufficiently ripened. Whereupon he would be voted a good fellow, and receive a promise that all future depredations, should be conducted according to his directions.

It will be said that this indifference to the claims of property was due to the superabundance of the harvest, and that the farmer would have been more tenacious of his rights had he been able to market his products profitably. This might be true; but it may be said, further, that it was not alone apples and roasting ears of corn that seemed to be held under a common tenure in the neighbor-

hood. A boat found without a padlock was just as liable as corn to be thought expropriated property by those same young vagrants; and, though they sometimes took the risk of a trouncing at the hands of larger claimants when they ventured to sail away into distant seas in search of adventure, no one ever dreamed of subjecting them to the sharp penalties of the law. They were only fulfilling the customs of the neighborhood at the time; and their offense, if it could be said that an offense had been committed, was thought altogether venial.

Those days of juvenile vagrancy are recalled with a definite purpose. The example shows that property rights are much less strictly maintained in a primitive community than among the members of a more highly sophisticated society. It is highly probable that even in Niagara County to-day, were an urchin found habitually engaging in depredations like those reported, he would be sent to some house of correction. A railway now extends through the neighborhood of the fields and orchards that were once so innocently despoiled, and the farmers are no longer compelled to cart their apples to Lockport, a distance of twelve miles at the nearest point from the lake, to find a market. Their fruit can be marketed in New York with less sacrifice of time, and at reduced cost. So, too, of the tenderly remembered corn fields. The little villages, once extending in a chain along the lake shore, have grown up into considerable towns capable of consuming a large supply of hot corn in the season; and it is probable that the farmers find in their unripened crop a source of some immediate profit. As men advance from their condition of backwoodsmen they become more tenacious of their property rights, and seem to grow more selfish. But the last manifestation is perhaps only in the seeming.

The sense of property grows with

the growth of individual differences; and it is hardly conceivable that among strictly savage tribes there can be a very keen perception of private possessions. Individualism must be first developed. Two dogs have been known to fight for a bone. But the contention was for no purpose of hoarding the bone, and saving it for future need. It was only for the gratification of pressing hunger, and did not imply any conception of proprietary rights. It arose from the physical instinct that suggested ability to take and to hold possession.

Abundant examples may be found for illustrating the lack of a sense of property among savages. Among the Esquimaux, according to the statements of explorers who have taken the trouble to investigate the habits of those exceedingly low grade aborigines, all goods are held in common. Each member of a community is at home wherever he can find shelter from the storms that visit his snow covered plains, and he will be welcome to such covering of skins, and such food, as the snow or mud built hut contains. It will be only necessary that he shall be willing to act his part with the implements of the fisherman or the hunter, also held in common, and perform his due proportion of all labor.

Here is the ground from which to study the origin of property. But the field is not new. Various writers on political economy have traced with greater or less elaboration the earlier stages of social organization with a view to discovering the key to our industrial system. It is only by research among a rudimentary people that men can discover the first principles of social science from a point of observation where facts can be easily comprehended. As civilization increases, society becomes more complex, and elements are discovered at work which bring uncertainty and confusion of judgment. Under improved conditions various impulses, such as ambition, the desire for self

improvement, or the domestic emotions seem more largely to control the conduct of men; and in watching social phenomena without recalling the earlier phases of civilization it is even possible to misconceive the motives by which mankind is directed in the march towards higher ground. But among a people just emerging from savagery the working of those instincts that lead to social organization may be more discriminatingly observed, and upon what is discovered in such society we can build our theories without much danger that they will rest upon imperfect ground. Fundamentally, there has been no change. The instincts that led to the most rudimentary government still furnish the chief impulses to human conduct, and give form to all the machinery of social administration.

But it will not be necessary to go back to the earlier ages of the globe to recall the circumstances under which wealth began to take on a definite form. It is so entirely consistent with the spirit of the age to delve among fossils that such exercise seems to be the only popular method of scientific investigation in any field of research. It would possibly be forgiven were we to speak of the protoplasm of inorganic capital. It would be pleasant, too, to make an excursion to the most remote antiquity, to visit again the caves and rude dwelling places of primeval man, and the trip could be made the more companionable from the fact that the naturalists have already taken possession of the field in large force, and are exhuming many fossils that shed light on the early history of the race. They not only seem to have come up to the reinforcement of the political economist but to practically invade his field. For the purpose in view, however, we need not follow them to the uttermost limits of their research. We may find even in our own generation, among the various savage tribes that

people the waste places on several continents, much of the material needed for illustration. The example of primitive condition, found, as already suggested, among the Esquimaux, may be found, also, in the Africa of Livingston and Stanley, and, differing only in degree, it is repeated among the aboriginal tribes within the boundaries of the United States. When examples drawn from these sources fail, we may turn and contemplate the career of our own progenitors only a few hundred years removed.

Investigation, both among the African and American tribes, shows that, with a savage people, the communal sentiment, using the word communal in the broad sense where it is made to explain the tenure of goods held as a common possession, is much stronger than the instinct which seeks to claim them as a personal possession. The savage has no wants that differ widely from the wants of his fellow savages. Except where the climate compels the use of some kind of covering for the body he clothes himself according to the provision of nature, and remains satisfied. But even where he is compelled to resort to some other covering, as on the Western Hemisphere to the northward and southward of the tropics, he gains the material for his clothing when engaged in the chase, and its fabrication costs little labor or care. The construction of a hut is only the work of a few hours, and the food needed, by a tropical savage at least, is usually abundant, and to be had for the trouble of gathering it from the boughs. Why, then, should not all goods be held in common, and the very word property be denied an equivalent in the slender list of words that go towards the expression of savage ideas? A civilized being who knows his own wants, and the labor needed for their supply, would decide, *a priori*, that the sense of property could

have no existence where wants are so few and so easily satisfied.

Again, the earliest manifestations of the social instinct in a savage tribe are of a kind to develop the communal idea. As one tribe multiplies, or exhausts the resources of the territory over which it prowls in search of subsistence, it begins to encroach upon the hunting ground of some neighboring tribe. Collisions among hunting parties follow, and here we discover a situation which, at first thought, might be expected to develop the idea of personal possessions. But it will be seen that it is only the tribal domain which is invaded, and that the idea of possession which inspires the struggle is more likely to take on a communal than a personal form. The hunter attacks or defends not in his own name but in the name of his tribe. His enemy would have as much right to the deer of which both are in pursuit as himself had the game not been discovered on ground that was claimed by his nation. His appeal to his weapon then is made in the name of his tribe; and when the contest has finally assumed the proportions of a tribal war he marches forth to battle at the orders of his chief for the protection of the tribal domain. But he is inspired by no desire for personal possessions as he decorates himself for battle. The object sought is merely the enlargement or defence of the tribal territory, and he holds himself at the service of his chief. He fights in the interest of his fellows; and all the spoils of battle, save those that give him distinction for his personal prowess, inure to the glory and strength of the chief, the representative and custodian of the tribe.

From a study of these facts it will not take a very lively imagination on the part of the reader to trace in advance several manifestations of great moment which are certain to be observed, simultaneously or successively, in the development of nation-

al life. We find here the inception of the military order, weak necessarily in the beginning where every member of the tribe is alternately warrior or hunter, and only the women do menial labor. But created at the same time, and founded on the idea of tribal unity, we find, also, the circumstances which, among all rudimentary people, give the title to the soil into the hands of the ruling power, called later in the progress of civilization the Crown or the State; a title which, eventually, with the progress of civilization, becomes softened into the theory of eminent domain, and in that form represents a less arbitrary power of control. All governments are communal in their inception; and the duration of the communal idea is limited in after years not strictly and exclusively, perhaps, by the advance of civilization, but by the advance of civilization combined with the growth of individualism. The spirit of individualism is a development that demands liberty, and the indulgence of the initiative faculties. But the communal instinct, strengthened by its modified expression in the sentiment of nationality, is not easily cast out. It lingers still in the machinery of every modern government that has not reached the truly republican basis of organization; and to a greater or less degree it influences the administration of even republican governments.

But the instinct that is satisfied with communal possessions, though lasting long in the bosoms of men, is met at the very dawn of civilization by an influence of greater potency. This is the instinct which demands a recognition of personal rights, and it will be both profitable and pleasant to trace its origin.

We would naturally look to see the beginning of a desire for personal possessions in a wish to obtain the implements of the chase, or the rude weapons of destruction used in battle. A savage would be presumed to look

upon any implement which he had himself fashioned, however rude, as his own personal property. He might be supposed to think himself more skillful than any of his fellow savages in preparing implements suitable for his own service. A bow which he could bend easily might be useless in the hands of one of his fellows, or the stick that he had pointed into the semblance of a spear might be found too heavy for the service of a man of small physical prowess. But observation among savage tribes fails to show that there is much sense of personal property in the possession of these objects. They are manufactured as a means of recreation, generally without hope of reward, in the intervals of war or the chase, and are held in little or no esteem as private property.

The same indifference has been observed with respect to the rude dug-out, made to do duty as a boat, among savages of even a low grade. One would suppose that anything serviceable in taking fish would be highly prized, and eagerly sought as an object of property, among men desirous of obtaining the means of subsistence without much labor. But, again, we would be mistaken were we to form such an opinion. Such boats among savages are usually the work of many hands, and when completed they are subject to no claim that can be called a property claim. They are only subject to such a claim after they have acquired a form where considerable skill is demanded in construction, the birch bark canoe of the North American aborigines, for example. But not since the discovery of the continent has this race represented the lowest grade of savagery.

Among the lowest of savages, indeed, we would look in vain were we to search for the origin of personal rights in property. Voyagers have called the natives of the Pacific Islands great thieves. They appropriated whatever they found on the

ships that they were permitted to board. In truth, though, they were not thieves in the correct meaning of the word. They were only following the customs of the country. They had no conception of property rights, and were discovering for the first time that there was something worth getting and retaining. Among the North American aborigines, not including the Esquimaux in the classification, there was some sense of property rights, at the time of the settlement of the continent. These tribes had advanced so far that they even found use for a rude currency in wampum. To this extent, then, they were entering into civilization, and we cannot look among them to find the object of our search.

To a limited extent the conception of property may have found its origin in the rude objects which first aid the savage in procuring the means of subsistence, or in defending himself from the attacks of his enemies. But when we wish to find its true and deeper origin we must look far higher, and discover it among the motives that finally separate man widely from the brute creation, and make him a distinct being among all the creatures that inhabit the globe. He is a being of emotions. He possesses æsthetic sentiments, and demands the means for their gratification. Unlike the lower animals he does not live for to-day alone, but remembers the past, anticipates the future, and makes combinations of far reaching import and purpose. He cannot, therefore, depend upon the present alone, but must build viaducts along the way, prepare bridges to surmount obstacles, and protect his pathway against the derelictions of nature. This is his character in his highest estate. But he begins to develop it at the period which we call the dawn of civilization, and it ever afterwards continues to strengthen with each step in advance.

We shall find the first impulse to the

evolution of personal property in the domestic sentiments. The rudest savages are susceptible to no feeling of sentiment. Their instincts and desires are entirely brutish; and though the exercise of their earliest reasoning faculties soon ultimates in the sentiment of religion, called fetichism, there is nothing in this sentiment which separates one man from another. The religious sentiment may be indulged in common. It is founded in fact upon an instinct which, among savages at least, finds its natural expression in throngs. It is the instinct of superstitious fear. There is nothing in the religious sentiment to develop individualism. But this is not true of the conjugal affections. At the birth of the domestic sentiments we see a new manifestation. The indiscriminate relation of the sexes, universally maintained among the lowest savages, ceases. The æsthetic sense has awakened; and with it comes the power to discover personal charms. From the common level of brute instinct men rise to make discrimination in physical, mental, and moral qualities; and this tends to lift them above their groveling desires. Preferences and personal selection follows; and then we see the first great step taken towards the evolution of property. The conjugal sentiments, founded upon love and esteem, demand the seclusion and better protection of the object; and under their influence men find themselves seeking a new environment. Their communal instincts can no longer be exclusively indulged. The objects with which they were formerly satisfied seem now to be insufficient for their enjoyment. Their tribal instincts are no longer the only nor the chief instincts by which they are controlled. They are beginning to find another and an exclusive world created around the nucleus of their emotions; and for the protection of this world, which in its nature is mysterious and solemn, they are disposed to erect barriers against all

encroachment. Exclusive space must be secured, and the unworthy must be repelled as the wild beast is repelled. But the defense will be maintained with this difference. The wild beast can be best met and mastered by the resources of the tribe; and it is for the protection of the entire tribe that he is hunted and slain. But in his new relations the man feels that all beyond the orbit of his newly created world may become his enemies, or the enemies of his happiness. He is armed then for a double purpose. He still holds allegiance to his tribe for the protection given against foreign foes; but it is a divided allegiance, and it owes its highest impulse to the loyalty that is born of a new devotion. Hence, the inspiration to those regulations for private protection, rude in the beginning but which are finally developed into laws, to be found among all people just emerging from savagery. Hence, also, the idea of a home, a sheltering domicile, which shall lie beyond the reach of invasion, and be held by a tenure which cannot be invaded. It may be only a rude home in the beginning, a mere hut built up around a supporting pole in the heart of the forest, and provided with the skins of wild beasts taken in the chase for its only equipment. But it is still a home where the family of the brave may gather together and be safe from intrusion.

Can it be doubted that we find here the real foundation for the conception of private property? Those who seek to give it a more material origin, and to find in it a desire to possess the implements of the chase or of warfare, or even in the gewgaws for personal decoration, do not seem either to have studied sufficiently the habits of savage tribes, or to have made a close analysis of their character. They probably selected a period of development too late in point of time. There is little in the observations of naturalists or explorers to show that the idea of private

property could have preceded a dim conception of the family relation. It may be granted that the ideas of the chiefs or head men among savages would move somewhat in advance of the ideas of their followers or subjects. As they were chosen to direct and control they were to be considered as the proper custodians of all the tribal possessions; and while holding everything subject to their arbitrary will they might be expected to reach a dim consciousness of the benefits to be derived from personal possessions. They would soon learn to preempt for their own use whatever was best calculated to gratify their savage appetites. But even in the practice of this prerogative their conduct would serve rather to strengthen than to weaken the communal idea. Like the monarch of a certain nation more highly developed in the scale of civilization they were the State; and what they took was only the tribute due from the subject to the representative of his tribe. The tribe was a family in which the head was the only proprietor. When the chief assumed that everything was subject to his control he practically denied that anything could be subject to the control of his people except while his own power lay dormant; and the individual was lost in his subjection to the common head. But with the awakening of the domestic sentiments came, also, a newly awakened self consciousness, which, if not at enmity with the tribal instinct, demanded a new sceptre and a new throne.

There is a lesson here which has not yet lost its application in political institutions.

CHAPTER II.

THE EVOLUTION OF WEALTH.

Having found that the conception of private rights in property was due

to the institution of the family we are prepared to follow the object through the various stages of its growth until it expands into the complex objects denominated wealth. But neither at the beginning nor at any period of the investigation will be permitted to lose sight of the origin. The foundation will be uncovered at every turn. It will be manifest in the character which wealth is made to assume, and in the ends to which it is devoted, As the desire to provide a home where the domestic sentiments could be indulged in privacy and security gave the first impulse to the creation of property, so also will it be observed that the evolution of wealth has been due to the further desire to strengthen, beautify, and protect that home in all its environments, and to contribute to the improvement of its members. The germ will be found the parent of the sprout, the sprout of the trunk, the trunk of the branches, and the branches of the foliage and flowers that help to make the *ensemble* of the tree attractive. It will be seen, too, that in its uses the word property loses much of the sordid character which some philosophers delight in giving it, and that property rights become rights which the word sacred very properly qualifies. The accumulation of wealth may still remain selfish; but it represents an expanding selfishness. It is a selfishness that becomes sympathetic, and embraces a wide circle of objects.

But everything tends to prove the correctness of the theory. In the earlier stages of social evolution it will be observed that the first fruits of accumulated wealth are always laid at the feet of the domestic gods; and as civilization advances society becomes more and more sharply divided into family groups. While the savage indulges his nomadic habits, roaming from cave to cave in the forest or among the hills, there is but one family, the tribe. As he ad-

vances a step he becomes a hut builder, but still remains largely a nomad. At this stage of his development, however, he is enchained by his sentiments, and the hut begins to expand and take on more elaborate forms. It would be impossible to say through how many generations the process of transformation is continued. Only one race has proved its capacity to advance from the densest barbarism to a high civilization, and observation among the inferior races teaches only the principles upon which evolution must work. It fails to indicate the rate of progress that would be made by a capable race, and history can never record the advances of an unlettered people. But the advance in the beginning would probably be slow, much slower than the progress made from century to century after civilization had begun to write its records, and denote the rapidity of its strides. It may be that our gothic predecessors inhabited caves for thirty centuries. It may be that another thirty centuries looked down upon them from the boughs of the primeval forest before they made the next step, and learned how to construct anything beyond the simplest hut that ever sheltered a human being from the tempest or sun. Finally, perhaps another cycle, equal in duration to both the former cycles put together, bounded the period that intervened before Alaric led his barbarians to the gates of Rome, and taught them the art of carpentry and bricklaying by dissecting and destroying the huge specimen buildings found ready for their instruction. The duration of none of these times can be known; but we know that the hut of the savage finally developed into the cottage of the peasant. We know, too, that as the hut grew other changes were made apparent. Around the roughly thatched cottage upon every side rose a rude paling which defined the boundaries needed for the production of vegetable food;

and as a love for the chase began to give way to the pastoral sentiment, at a still later period, those boundaries were enlarged to furnish pasturage for flocks and herds. Barns, and graneries followed; and the savage was finally elevated into the civilized agriculturist.

But in all these changes will be observed the head of a household. Man is naturally a rover. Left to his own inclinations, with no ties to bind him to a definite spot, he will roam at will. He will follow the chase, and sleep wherever the chase leads. What savage, after pursuing the deer over the crest of the mountain until he had found the valleys on the other side, would climb laboriously to the summit again on the return were it not that he is attracted by a loadstone stronger than either his indolence or his inclination? It is the home on the other side that will make his posterity civilized men and women, and it binds him already with a continually strengthening cord. He or his children will remain on the one spot through many coming years of development only because it is surrounded by the associations of domestic life, and out of this gentle restraint will grow the organism of civilization.

But if we wish to discover all the potency of the domestic sentiment in the evolution of wealth we must pursue the investigation at the later periods of time, or in the more advanced communities. Go to the cottages in our own rural neighborhoods, and see what can be observed. Even in the most primitive of the rural fastnesses of the country we sometimes find the resources of the householder taxed to the utmost for the decoration and equipment of his domicile. The walls are occasionally frescoed, rudely it may be, but at considerable cost. The floors are covered with homely carpets, the furniture is of no mean pattern, and the table service suggests a free and liberal householder. The light, too,

streaming through neatly curtained windows, falls upon books, pictures, and musical instruments, and it is evident on every hand that either the head of the household has considerable taste, or tenderness enough to permit its exercise by his family at the cost of many an hour of added labor at the plow. There is something almost pathetic in observing how many years of progress are made in the advance of civilization before the more complex forms that wealth assumes cause us to overlook the fact that the sole object of accumulation is the promotion of the interest and happiness of the family.

But the argument is moving too quickly to its end, and deserting the ground upon which the investigation was undertaken. Having discovered the origin of property the proper starting point in studying the evolution of wealth will be found in the society where it was first born. We must go to rudimentary tribes, or back to primitive ages, and see how the desire for property would modify developing institutions and customs, and the final substance of the thing considered. It is not enough to say that men became desirous of securing the means of maintaining and protecting families, and therefore demanded personal possessions. We must look to see how this desire would work in producing political as well as economic results. Property, it must be remembered, is in one sense a creation of the law. It could not fail, therefore, of exerting a powerful influence over political institutions, and becoming, finally, the chief force in moulding constitutional systems.

Let us try, then, to conceive clearly what would be likely to happen in the first stages of social evolution following upon a discovery that it was not good for man to be alone. We must recall the fact that there was then no such thing as property in the true sense. Every thing was held in common, or so nearly

in common that private rights were undefined, and subject only to the physical prowess of individuals. There was the tribal domain. It extended as far in every direction as the tribe found itself able to maintain its superiority; but this offered no suggestion of private rights, and the possession could inure to the benefit of no individual save to the extent that he gained additional security against the predatory incursions of his tribal enemies. It did not protect him against the enemies that might arise in his own tribe when he began to assume relations which, even under the highest civilization yet reached, sometimes awaken very malevolent passions. We know to what excesses even highly developed beings may be led when two men happen to pursue the same object of affection; and with this knowledge to guide us we can readily conceive that the birth of the conjugal sentiments did not bring any additional softness to the spirit of concord. On the contrary they were the beginning of distrust, suspicion, rivalry, and possibly deceit. In placing men in a new environment they taught them that something was needed beyond the general security. Step by step it was found necessary to erect a great multitude of defenses within the main defense, and to hedge them about with carefully conceived regulations. Places of retirement and security which could be held under personal control once found, the right to prevent intrusion must be made definite and plain.

It is interesting to study the customs of savage tribes at the time when they are just beginning to take on the highest responsibility of civilization. We read of the strange ceremonials observed many years ago among the American aborigines through which the youthful brave obtained possession of his spouse, and carried her to the rude shelter prepared for her reception in the forest. Such ceremonials are still observed among the

remnants of the race roaming over the western plains. From the moment of the entrance of the new guest, the sharp pointed hut of bark or skins becomes a veritable castle where no second guest is supposed to enter unbidden, and whence all who would bring evil to either member of the household can be banished. It is the first fruit of the young savages providence. Save the tomahawk, the bow, and the single covering of skins which formed his entire outfit he had never before felt the need of any personal appurtenance. But now he must begin to gather and defend. Around him are still men habituated to live upon the common fund, and who feel no sense of personal property. They must be taught that so far at least as he is concerned there is a barrier which they cannot pass, and that he stands ready to protect his premises with all the force that he can wield.

But we cannot complete the illustration among a people who have fallen in the pathway of civilization, and seem doomed to be trampled out of being by the race that has compelled them to retire. Certain American tribes have shown the ability to rise above the grade of savages; and had they been left to work out their own destiny we do not know what they might not have achieved in the coming centuries. But they have either fallen by the way, or been enveloped in a civilization which is not their own; and we must look among races that have reached the highest culture to follow the successive steps in the evolution of wealth. However difficult to realize the conception, it is not so many centuries ago that our own progenitors of Britain were no whit more highly enlightened than the savages of the American continent, and we can find among them all the material needed for illustration. Instead of the American aborigine, then, place one of our forefathers of Britain in his mud hut surrounded by his family, and let us

try and conceive how he would think and act. He has, perhaps, so far succeeded in his endeavor to establish his rights that he has taught his neighbors to respect his premises. They will concede his title to the possession of his domicile. It was built by his own hands. It was fashioned from material gathered from the common domain, it is true, but the necessity for maintaining corresponding privileges within the reach of all will make this no barrier to the acknowledgement of his personal rights. His neighbors will not seek to intrude beneath his humble roof unbidden.

But, directly, the ambitious householder found himself confronted by a new danger. His domicile was his own, but he was only an intruder on the soil. The chief who represented the tribe (we are still compelled to speak of our respected progenitors as members of nomadic tribes) held title to the soil by virtue of his office as the tribal custodian. But the chief could do no wrong, and there ought not to be danger from this source, it may be thought. The householder should find protection in the tenure of the chief. But experience never proved that this security could be trusted. The humble proprietor of the hut found that he was liable to be displaced at the bidding of his chief. It may be asked how such an injury could be possible. But there may be found various causes for its infliction. The site selected may have been especially eligible; and the chief, already surrounded by the atmosphere of a rudimentary court, and influenced by incipient political juntos, may have had favorites to reward. To some of these favorites, he would gladly give the land. Very early, even at the dawn of civilization, the man who goes quietly about the duties of life, unheralded and unknown, finds himself liable to be pushed aside and ignored by the turbulent, jostling throng who make the military order

in rudimentary society, or, under more highly developed institutions, seek to control politically the administration of public affairs. No man can be safe in his own domicile under any circumstances to be conceived unless his title to the soil on which the domicile is erected is beyond invasion.

But the perplexities of our incipient Briton were not measured by the weakness of his title to his domicile alone. This was not his only nor his chief danger. There was another peril more directly impending. He could not find the means of subsistence within his hut. The trades were unknown, commerce was not yet born, the chase was becoming continually more and more difficult, and he must have space for the cultivation of vegetable food. Again, then, he must become a poacher on the tribal domain; and he must now enclose within his boundaries a surface still more likely to provoke the cupidity of jealous eyes. In the exact proportion to the increase of his needs his danger increased. Above him was his chief, listening with willing ears to the representations of favorites who had still other favorites to reward, and around him were neighbors, who, like himself, were beginning to find it necessary to extend their boundaries. He was subject, therefore, to a double danger, tyranny from above, and encroachment from every side.

We discover in this situation the origin of property in land. Next to the hut itself the soil became the object on which the care of the hut-builder was most solicitously bestowed. In finding the means of subsistence as the products of the chase diminished it finally became his chief dependence, and his best energies were soon turned towards securing a perfect title to possession. But it is not to be supposed that the final guerdon was cheaply won. At first thought we would presume that it would be gained with ease. One

would suppose that the large number of persons endangered would have led directly to an arrangement through which all could have been made secure. But the way was found full of obstructions. Among savage tribes, more highly civilized even than the earlier Britons, the labor of cultivating the soil belongs to the women, and the men devote themselves to the chase and war. The cultivation of the soil is therefore thought ignoble. It is held beneath the dignity of the true savage; and as civilization advances the situation is not rapidly amended. Arms soon becomes the only honorable profession, and agriculture long remains an occupation to be followed either by slaves or by men only a little elevated above a slavish estate. They are no better than the bond servants of the great chiefs and subchiefs, who, secure possession of large territorial areas, and hold them subject to the general head. It is still the tribal principle that rules; and when the humbler members of the tribe ask that they shall be protected in their personal possessions they are very likely to be told that they hold such possessions only by the consent of the chief. To him they are bound both in body and estate. The lust of authority is one of the strongest of human passions, and the disposition of men to form governing classes is everywhere manifest. This disposition is to be observed under the highest civilization, and it begins to work at the inception of social organization. From the beginning, then, we could look to see a fierce conflict opened for the possession of the soil, the tribal chief claiming to represent the tribe, desiring it as a source of revenue, or for the reward of faithful servants, while the occupant would demand a title which would hold good for the security of himself, his family, and his descendants to the latest generation.

This is just the struggle that awaits every people emerging from

savagery into civilization; and the road to a complete triumph for the tillers of the soil is made more difficult by their mutual jealousies, and their disposition to encroach upon each others claims. It is easy to conceive of bitter and deadly feuds over boundary lines when rights were indeterminately held, and the surveyor was unknown. Such feuds cannot always be avoided where the law has set metes and bounds; and even under the gentlest civilization any uncertainty in defining boundaries leads to endless litigation. But among a people just emerging from savagery these jealousies and encroachments enabled the ruling and military class to pose in an administrative and judicial role, and while pretending to maintain justice to really strengthen their own tenure upon the soil. We know that the struggle occurred away back in the prehistoric age of Britain, because it was still in progress when history began to leave a record of passing events; and it has occurred in every country that has risen from barbarism into the light of regulated constitutional government. Doubtless the conflict is complicated and aggravated in all countries by foreign invasion which introduces a completely robber element among the population, and brings new and stranger chiefs to aid in the spoliation of the native inhabitants. But the provocatives to the struggle are inherent in the earlier organization of all society, and men can no more escape it than the germ can put forth its sprouts and reach the surface of the soil without overcoming the obstacles that are found in its way. In Britain the struggle was long sustained with varying fortunes; and it was hardly yet decided in favor of the liberty of the soil, under the Saxon kings, when the catastrophe at Hastings befell. This battle was a direct, and, as it has long seemed, an almost fatal blow to the enfranchisement of the land in England. Following upon the disaster, the rights of the English

yeomanry disappeared, the land was partitioned among the followers of the Conqueror, who in their turn held not as proprietors in fee but as the bound tenants of the Crown. With the institution of villeinage added to aggravate the situation, the most rudimentary of all systems of land tenure was then practically restored.

But the restoration was not destined to be peacefully endured, and almost directly, again, the contest was renewed. Its renewal, however, was distinguished by new features. In place of the land holding yeomenry there were the nobles, each holding a province, or fief, under his control. But the new possessors were soon made to see that even a dukedom did not represent a family estate unless the land was held under some title more sharply defined than the caprices of the sovereign. The lord is as susceptible as the peasant to tyranny, and more likely to resent its infliction. The contest was renewed, therefore, and continued until it culminated, or seemed to culminate, in the grant of the great charter. But as a matter of fact it has not yet been brought to a period in Great Britain. The evils wrought by the first William have been entailed with the land, and perpetuated from generation to generation. The soil has not yet assumed the full character of property, as free upon the market as any other object of bargain and sale; and until it ceases to be held as a support for privilege it will not acquire this character. Nor will the battle end.

Here, then, in the struggle for the possession of the soil, we find the first great and significant manifestation in the evolution of wealth. It has been a most comprehensive struggle. The land has been alternately the prop of liberty and of despotism, of despotism first, and of liberty only after many long and hard fought battles contested under disadvantages on the part of the people who sought proprietary rights. Some-

times, too, the battle has been fought against overwhelming odds, and it has always been signalized by episodes of bloodshed. But it has been a holy war from beginning to end, it has been a war for the fire-side and the family; and the object has enobled the struggle.

But however bitterly the contest for the possession of the soil, may have been fought in the past, and however stubbornly it may be fought in the future, land cannot always hold the relative importance which it has heretofore maintained in the total of wealth. If it was once said it is not good for man to be alone, and if the first impulse to civilization was found in the observance of this wise saying, it may be said with equal truth that it is impossible for man to remain alone in his relations with society at large, and through his enforced commerce with the world beyond his own immediate environment the impulse to this civilization is continued. As wants multiplied, mechanical industry was born, and the specialization of labor began. When the hut expanded into a cottage the decorative sense suggested the creation of new forms, and invention began to contribute its exhaustless ideas for the supply of new wants. Then, step by step, the cultivation of the soil ceased to be regarded as the only dependence. It was never indeed, the only dependence. The chase preceded agriculture, and mechanical labor followed. Men do not naturally seek the isolation of rural life; and in their most savage state they are most gregarious. It is certain that the cluster of huts preceded the corn-field. All the people of savage tribes lived in villages. But under the influences of newly developing civilization the village began to acquire an added importance, and to represent new functions in society. It became the home for the prosecution of the mechanical arts, and the seat of commerce. Its market, which

was soon found almost as much a necessity to the householder as his preempted rural domain, grew continually in size and importance. Each step in advance, too, prepared the way for another and longer step. The industrial arts cannot be prosecuted either intelligently or profitably by a dispersed people. Mineral products, wood, leather, and materials for woven fabrics must be brought from various and widely separated latitudes, and central points, or depots, for the storage of these objects are necessary. But once gathered they cannot be again profitably handled and transported in their crude form. They can be more profitably worked up into new forms of beauty or utility, and in this shape distributed to the multiplied points where they will meet with demand. Hence, the great city, with its huge factories and warehouses, rising step by step from the little hamlet that displayed only a blazing forge or two, and a few simple workshops and stores.

When the era of large and bustling towns is reached the evidences of the final complexity of wealth begin to increase. The rude boat in which the savage essayed only to cross rivers or small lakes has grown into the stately ship that sails over the surface of the entire sea, and penetrates to the most distant parts of the world. The pathway through the forest, made by the hunter or the war-plumed savage, has expanded into the broad highway, along which merchandise is carried from town to town, and artificial channels supplement the resources of natural water courses. Finally, as the greatest of the material triumphs of civilization, the railway, the telegraph, and the telephone bind continents together, and help to diminish space.

These changes of course add greatly to the number of material objects by which wealth is represented, and with them comes a great change in the process of its production. When

all the real wealth of the community, or tribe, was represented in the hut it is to be presumed that the owner was the sole fabricant, or that he received only the aid of assistants who would consent to work gratuitously, or for an exchange of labor service. But as the hut grew to the cottage the method of construction underwent a change. More time was consumed at the work, and the execution of the work itself soon began to require a special training. On the first requirement, then, the owner, if a tiller of the soil, could not afford to be his own housebuilder; and on the second he would find himself unable to build. In either case he must employ a housebuilder, and find some means of exchanging service. The cooperative method then begins to take the place of dispersed efforts in labor, and each person devotes himself to some special branch. But the objects pursued remain substantially unchanged. While the house-carpenter seems to be only engaged in preparing a home for the agriculturist, he is really preparing a home for himself, or providing for a household. With both persons the family still remains the chief object of solicitude. But the relations of the house-carpenter to society seem to have undergone a change. He is becoming a participant in the wealth held by the agriculturist, a wealth now apparently undergoing a process of division and distribution.

We see here an explanation of the fact that as society advances wealth appears to take on a communal form, and to become again, in certain of its features, a public possession. The appearance is due to the reciprocity of service maintained between the different members of the community. The motive of accumulation is lost in the process. But strictly speaking, although the term has economic sanction, there can be no such thing as public wealth, or public property. It is a contradiction in terms, indeed, to speak of a communal possession as

property. The word property in its final, or ultimate, meaning refers to an exchangeable commodity held for the benefit of individuals, and, except to the extent that it is liable to restoration to personal possession, any object that passes into the public hands ceases to be property. Who, for example, would undertake to place a value in dollars and cents on a public park inalienably held for the common use? An income producing possession held by the public might be estimated in value on the amount of this income, but only because it represents something which individuals might be willing to purchase. Except for this inherent feature it would cease to have any value. It could no longer represent public wealth in even the sense that all wealth held by individuals is a source of general emolument, and is

called public in the economic ritual.

We come then to discover at last that the final agency in the evolution of wealth under a high civilization is exchange. In the primitive ages of society when the householder builds his own house, fences his own fields, plants the seed, fertilizes the soil, and harvests the crop he collects about him a substance which may be sufficient for his own animal wants, and the wants of his family: but until he becomes a considerable contributor to the resources of other men his own accumulations will be small. Before they can become large his operations must be so extended that he will keep many men, laborers, artisans, and merchants, actively employed. But the inspiration to all endeavor will still be drawn from his own fire-side; and his most efficient service will be rendered in its behalf.

NOTE.

An objection could be raised to the claim that the origin of property is to be traced to the desire to maintain the family relation, and protect the household, and all its environments, against invasion. It may be suggested that man is not the only inhabitant of the globe that evinces the possession of the domestic instincts. Many of the inferior animals divide in pairs, and maintain relations that seem little less than conjugal in their character. The beaver, for example, according to the testimony of trappers and naturalists, builds himself a house which is shared exclusively by a single family, consisting of the male and female beaver and their offspring. We observe also the red breasted robins on our lawns always in couples, and they are models, seemingly, of faithful devotion to a single object. These are instances, but they could be greatly multiplied by other examples that seem to show that the animal instinct is sufficient, to establish family relations without any infusion, of more exalted sentiment; and, reasoning from analogy, it might be maintained that man, even in his lowest estate, would be likely to be controlled by a corresponding instinct. It might be assumed that from the beginning he would mate himself to one of the other sex, to whom he would tenaciously

cling for companionship. But among all the lower animals, and it may be said, also, among men in their lowest state of savagery, such alliances, when formed, are exceedingly brittle, and last never longer and rarely so long as the season required for bringing to self-helpfulness the first fruits of the union. The birds it is said choose their mates on each succeeding St. Valentine's day. This is a poetic superstition, or fancy; but is nevertheless represents a truth in natural history. Divorce follows each new union among the lower animals as fast as their progeny become capable of providing for themselves. It can hardly be said that anything like the family relation, with its far reaching sympathies and responsibilities, is maintained among the lower animals; and we have no reason to suppose that primeval man was any more exalted in his instincts. All observation teaches, indeed, that in his lowest estate, he is even more brutish than some of the inferior species, and is directed by hardly a higher intelligence. It is only after he has risen to that stage of development, where marriage ceremonies are observed that he begins to separate himself from his humbler relatives, and to open a career of personal responsibility.

CHAPTER III.

BANKING, AND ITS RELATION TO ACCUMULATION.

MONEY is sometimes called a commodity. It will be better defined when called the representative of all commodities.

Political economists have explained the theory of values in exchange, and the service rendered by a circulating medium. Twice the time is expended in the production of one commodity over the time demanded in the production of some other article of commerce; and here lies the first cause for a difference in values. The commodity produced in the shortest time should have only half the exchangeable value of the commodity which it took the longer time to prepare for the market. Two of the one should exchange against only one of the other in a barter. But other considerations are brought forward to weaken the force of this seemingly fair estimate. It costs time and mental or manual training to fit a man for the production of one commodity, while another may be produced by the most unskillful hands; and it is felt that this difference should be recognized in making the estimate. A recognition of the difference is forced, indeed, by the greater difficulty experienced in obtaining the products of trained workmen. The laborers throng at the gate in search of employment, while the trained workman is comparatively rare.

But these causes for a distinction in values would hardly be offered as a sufficient explanation for the invention of money. They would only show the need for a standard of values applicable to different commodities, and the difference could be still arranged in an exchange of labor for labor. But the final explanation is entirely satisfactory, and, though it may sound somewhat elementary to learned ears, it will be worth giv-

ing on account of its final bearing on the argument. There are formidable obstructions in the way of direct barter. It rarely happens that two men can be brought together who wish to buy of each other in any amount, and still more rarely when they wish to buy in anything like equal amounts. The house carpenter cannot afford to take the product of the artist's studio in exchange for the dwelling which he is able to construct. He wants food, clothing, and, so far as he is able to purchase, books, journals, and other light requirements for the instruction or entertainment of his family. The picture, therefore, must go to some other customer, or to the middle-man who will find a customer, and the house carpenter must have its representative.

This example, carried back to the beginning of mercantile customs when painters, if not, indeed, house carpenters were unknown, gives the true cause for the invention of money. But in the illustration it will be seen that a currency cannot justly be called a commodity. In the case supposed it is only the measure of the difference between the value of the product which the painter wishes to sell, and the value of the food, clothing, and other necessaries which the house carpenter must buy. It may be said, too, that it is not even the money itself in its material or objective form which makes this measure. It is made merely by the units, tens, hundreds and thousands represented in the money. One picture with a numerical value of 2,500 units is exchangeable against a great variety of commodities having a combined value of 2,500 of the same numeral. Here lies the whole significance of a medium of exchange. It is merely a form of notation, a memorandum of service rendered, or of goods bought and sold.

The reader is asked to keep this illustration in view because a clear understanding of the significance of a medium of exchange is necessary to

a just comprehension of the true functions of the banker. The question of money may not at first thought seem to have a very strong bearing on the subject of banking. The banks are institutions with several functions, and their control over what is popularly known as money, or rather their power of issuing money, is not thought to represent a very vital function. The bearing, however, is sufficiently strong. Our political economy has been complicated with governmental affairs until men have lost perception of the just relation of the two forces. It would be better to say that they have never found this perception, for up to the present stage of evolution the chief labor of men has been given to the maintenance of government with its crushing wars, and its long lists of civil and military expenditures. Costly and wasteful to the last degree, and exhausting every resource for obtaining money, without which even a prince cannot set a battallion in the field, government has assumed economic functions, and been made to seem like an economic force. But as the most heavily governed country, the country where government is most frequently an intruder in the field of production and exchange, is always the poorest country we are forced to conclude that it has only succeeded in creating misconceptions. For this reason it is of the utmost importance that we have a clear conception of those elementary principles in finance on which all the transactions of society are founded. It will be seen in the sequel that the true character of a medium of exchange makes it a transcending force, too powerful to be bound to the capacity of a stamping machine.

Pursuing the methods of illustration followed in both the preceding chapters, let us go back to the beginning of the banking system and study, first, its elements, and then its final evolution. Let us trace the processes which are observed in the

details of banking through all their stages, and see what can be found that will aid us to comprehend the relations of banking to the accumulation of wealth.

It will not be necessary to go back to the beginning of social organization. It would be profitable, perhaps, or at least pleasant, to spend some time in investigating the origin of money. It could naturally be traced to a very early period of civilization, and be found to correspond in date with the first conception of personal property. The objects that would become mediums of exchange at such a time would be those which would most generally be desired for personal adornment. It has been observed that savages of only not the lowest grade are extremely susceptible to the love of gewgaws, the passion dating, it is to be presumed, from the dawn of their sentimental instincts. This fondness is about the first manifestation of an æsthetic feeling in the race, and as the desire for the possession of trinkets becomes ardent such objects naturally become, first, a standard for estimating values, and afterwards a medium of exchange. Explorers tell us that in Central Africa a few buttons will enable the traveller to buy service, or the means of subsistence, where fortunes in gold, silver, or bank notes would be of no more utility than clods. We should presume, then, that any savage having a few buttons, painted feathers, or strings of wampum would hold them as something to be preferred in exchange to anything else in the hands of any member of his tribe. His trinkets would correspond to the precious metals of civilization in his own conception, and in the conception of his fellows. This explains the use of wampum as money by the aborigines of the American continent. But this field of observation is a little too elementary for our purposes. It will not be necessary to go back further than the time when the numerals were introduced on a

stamped currency, and this will bring us to a period of some civilization. It will bring us to a period when agriculture was followed with system, and commerce prosecuted with success.

Let us suppose, then, that the age of barter has passed, and that industry has reached a stage where there is considerable variety in product. Men have begun to produce for the general market, and to receive in exchange for their product something that can be hoarded up against future exchanges. By common consent they have agreed upon a numeral currency by which they can measure the amount of their product through successive years, and hold the fruits in the form of accumulated resources. Now, the first impulse of men who had succeeded in laying away something in excess of their immediate needs would lead to hoarding. They would secrete the signs of their opulence in what they conceived to be the safest place to be found, or they would lock them up in strong boxes, and guard the key with the greatest care. They would often become even sleepless under the responsibility of guarding their treasure, and learn to watch at night for the coming of footsteps that might indicate the approach of either the burglar or the assassin. They would grow suspicious of men; and each step in accumulation would only make them the more miserable.

But it would not be long before they would find that hoarding is a very unprofitable as well as dangerous resource. They would soon be taught that a surplus can be put to better service than hoarding, that the men who have not can often better afford to pay for the use of money than to do without, and that it is a property of wealth to produce wealth. This we may be sure would be a discovery soon made. It would be revealed by the first of the neighboring farmers who had not been fortunate in getting together a surplus, but whose crop for the

season had yet suffered a blight. The unhappy farmer would find himself in a dilemma. He would see a threat of impending starvation if he could not succeed in reinforcing his own resources from the resources of some of his neighbors. Naturally, then, he would go to a neighbor, and ask a loan, promising to return the money after the next harvest. He would promise even to give a bonus for the use of the money during the year. But the neighbor, though a charitable man, might not be willing to trust his money to the hands of his needy applicant. He could see the advantage of the bonus offered, but crops are liable to blight, and the disaster that made the loan necessary could occur again. Then he would ask security, and accept a lien on his neighbor's farm. This is the inception of the banking system, the original transaction from which everything else has grown and fructified. But it is only the inception, the first sign of activity in a principle afterward to become most prolific in results.

Advance one step further, and observe the evolution of the idea. The hoarding agriculturist has made his loan, the needy agriculturist has found relief from privation, or a worse distress, by making use of the inert resources of his well provided neighbor; and at the end of the year he returns the amount borrowed with the stipulated bonus for its use. The lender finds himself richer for the transaction by just the amount of this bonus, and both men have therefore been benefited. But the lender has received a suggestion. It was only a portion of his hoarded resources which he had loaned, and this portion, in conferring a benefit on his neighbor, has become fruitful. All the remainder has lain inert and useless, a source of no profit to the owner, and a source of no relief to some possibly needy person who could have turned it to his advantage. It has also been exposed to

danger. Then why should not the holder of the surplus look around and find still other men who are in need of his assistance? There is both philanthropy and profit in the suggestion, and we know of no law that forbids the co-operation of these two forces, one moral and the other physical. No other two yoke-fellows in the world are better mated.

The next step of the money lender, then, can be seen in advance. He decides that he will find other men who are in need, and to whom he may entrust his surplus. He was living, it will be remembered, long before the age of Shakespeare, and had never read the advice of Polonius to his son in relation to borrowing and lending, advice that would forever make the great dramatic poet seem like a poor economist were it not for the vocation and expectations of Laertes, the person to whom it was given. He sets himself, therefore, to his task. But just here he meets with an obstruction. Perhaps all his neighbors are prosperous, some, like himself, having a surplus on their hands; and the remainder, happy in an abundant harvest, not wanting assistance. He sees no opportunity, therefore, to make his resources useful at home. But perhaps he will be more fortunate in the neighboring town. He will make the effort at all events, and if he does not succeed he will be none the poorer for his venture. To the town then he goes, but here he meets with still other obstructions. He will find plenty of men who need his assistance; he has but to stand upon the street corner and cry his wishes aloud to bring around him a throng of customers. Needy tradesmen, young men just starting in life, and old men at the last extremity of some misconceived venture, are all solicitous to obtain his co-operation. But he does not know that all who seek to make loans are honest. He does not know, either, even when their honesty can be trusted, that they

can offer him sufficient security for the repayment of his money. Evidently, then, he must find some trustworthy person to whom the complicated affairs of the town are familiar, and permit him to act as his agent. This third person will demand some compensation for his services. He should be a man of deep local insight into industrial and mercantile affairs, of good judgment, and of unquestioned probity. Such qualifications are not common; and they cannot be utilized when found without price. But perhaps the parties desiring loans will be willing to make up the amount of the compensation required. It seems only a reasonable expectation.

In this new assistant to the opulent agriculturist we discover the first banker. He is the most successful philanthropist that the world has ever known; yet in certain profligate stages of social evolution he has been about the worst abused member of society. He has been badly compromised by profligate oldest sons not yet come to their estate, and by adventurers of varied capabilities and degrees. But what is his real function in society? Studied in this early period of his career we see that he is simply gathering together the hidden and hoarded surplus of individuals, and turning it over to the service of society. Without his assistance this surplus could be of comparatively little utility. Men are too generally strangers to know each other's needs or resources. Dispersed and scattered through the country they are unknown to the denizens of the towns; and, if living in the towns, their pursuits are varied, their affairs often compromised, and their methods sometimes mysterious, well calculated to inspire distrust. Who but the banker could ever bring them together in such a manner that they can co-operate, and make the seed sown in accumulation productive? Here, then, at the beginning of the banking system, we see the banker an indis-

pensable factor in the utilization of wealth, and consequently in its growth. We see him also engaged at a work which can be called little less than benevolent in its results to the individual members of society.

Following upon the advent of the banker comes a long train of consequences of which the end is yet in the dim future. Once recognized as a factor in the negotiation of loans he soon seems to stand at the fountain of all the monetary streams that flow, and to control the gates by which the waters are regulated. He cannot control the funds that enter into production day by day, nor the smaller exchanges of the market. Industry and trade antedated his coming, and prepared the foundation for the superstructure which he has reared. His control, therefore, is neither absolute nor initial. But his institutions are rapidly becoming the representatives of all the surplus wealth of the community, or, to speak more accurately, the surplus wealth of all the individuals who draw incomes in excess of their personal needs. The community can have no surplus. The surplus of one man is the urgent need of another; and the banks hold a medial position for its distribution in such manner that it may contribute to the resources of society. In the execution of their office here they do indeed exert a very large control; and their power to prevent the waste of resources is incalculable.

But before proceeding with this phase of the subject let us go back again and observe what would be likely to happen after the entrance of the intermediary into the negotiation of loans. The first transaction under his management and advice may have been concluded beneath a green tree, or along some public highway. Or, the agriculturist, known for his thrift, may have been sought out in his corn field, and the compact was possibly made and signed over a stump. Either place of business

would have been consistent with the customs of the time; but it is not to be supposed that the intermediary long remained an itinerant. We say long in this case meaning not relatively long, taking the duration of all time as the standard for measurement. It is to be presumed that he would soon have found the negotiation of loans so profitable that he would see the propriety of selecting a headquarters where he could meet customers who were desirous of availing themselves of his services. But the evolution of social institutions is slow, and centuries may have passed between the time when the first banking transaction was completed and the time that saw the virtual establishment of the first bank. But the final period would come; and the intermediary, still busied, perhaps, with some other pursuit, such as gold smithing, would find himself ensconced in comfortable quarters and widely known as a negotiator of loans. Then would come a new step in development. In his double vocation he would see the need of strong boxes and burglar proof rooms to protect not only his commodities as a fabricant but the money of customers held temporarily in hand while the terms were undergoing arrangement. This would offer a new suggestion. Why should he not receive money on deposit equal to the amount of the securities that he could offer for its safe keeping, and receive a small bonus for the service? The money would be much safer in his hands than it would be in the stocking or strong box of the agriculturist, or the till of the shopkeeper. There could be no question that he would soon find customers. They would come from far and from near, not only to bring their money for safe keeping but to enable the intermediary to put it to use more promptly for their own benefit. He would soon find, indeed, that he was building more wisely than he knew. He would discover in the amount on

hand that, instead of asking payment for his services as custodian, he could afford to offer a small bonus for the privilege of holding it in his possession.

This brings us through the evolutionary period of banks of discount and deposit. But the utility of the banking system must not be measured at the time when it becomes the chief agent for handling the surplus wealth held by the different members of the community, and for the beneficent use of what, without its co-operation, would be largely hoarded and useless to the public. By its achievements in even this service it has kept countless forces in motion for the material advancement of society. It has built cities and towns where there would be only swamp lands and malaria. It has covered the ocean with ships, founded colleges and schools, and established our modern industrial system on a basis of unparalleled breadth and variety. But its service barely more than begins at this stage of progress, and in what now follows the reader will understand why this chapter was begun with a disquisition on money, or a medium of exchange. This is an agent which many philosophers seem to think entirely dissociated from banking functions, and subject to orders from some transcendental authority, which, definitely to their own conceptions but vaguely enough to the conceptions of men better grounded in first principles, they denominate the Government. It is because of this misconception that the true significance of a medium of exchange should be clearly comprehended, and that no detail should be neglected in studying the evolution of our financial system. It has been demonstrated by all experience that it is an absolute impossibility for government to control a medium of exchange. This is true, because a medium of exchange is inseparably connected with bank deposits; and there are few truths in our economic code that should be more promptly recognized.

Let us investigate, then, after the old method. Go back to a period not so distant as the time when banks were first instituted, but to the first years when they became fully fledged banks of discount and deposit, the period when bankers began to pay interest to depositors. What will we first observe? A depositor enters the banking room and places a bag of money on the table. It contains, say, £1,000 English currency, and after it is counted the customer receives a receipt for the amount. But this £1,000 represents possibly the entire surplus of the depositor, and though he may hope and expect to keep the account good, and even to increase the amount by future deposits, he may be compelled to draw from time to time to meet emergencies. But this may be found inconvenient. The depositor may have come down from Northumberland, and the banking house is in London. He could hardly be expected to come all the way to the city in a lumbering stage coach every time he wants to draw the trifle of £50. Then he must have some visible sign of the deposit available for small sums, more easily certified than his receipt, and the banker gives him a check book. He may write a check for £50, then, whenever it suits his convenience and the tradesmen in Northumberland will receive this check in payment for merchandise and utilize it again with their correspondents in London. What is the check, then, but a medium of exchange.

But captious hair splitting men will see a weakness in this illustration. The check they will say is not in any sense to be regarded as a medium of exchange, or a currency. It is only the visible sign of the money which is lying in the bank in London. But the money is not lying in the London bank, unless the banker has miscalculated his opportunities. It has been loaned at a higher rate of interest than it costs, and either the money itself, or its

equivalent, is rendering good service in some other field. The money has escaped; and the banker has duplicated its power as a medium of exchange! It is now contributing two thousand pounds to the circulating medium where it formerly had only the power of one thousand pounds.

Still this reasoning will not be thought quite satisfactory. It will be claimed that the transaction rests on a stamped currency foundation, and that the check can do the work of money only because it represented the money, which is still an entity, though it might be difficult to discover its location. But banks receive deposits, whether called by that name or not, of other substances than money, and on these deposits they keep in circulation bank paper of various kinds to an amount of untold billions. In these latter days of a highly developed banking system the amount of these securities is enormous. Think of the bank or bankable paper which rests on real estate or other mortgages, on stocks, on notes, and it might almost be said on mercantile transactions not yet brought to a fruition, in circulation in the United States. It is doubtful if all the gold and silver currency in the country, together with all the legal tender notes, would stand in comparison with bank paper, and paper maintained through the agency of banks, as one to one hundred. This proportion may be somewhat exaggerated, but not enough to make it worth while to try and reach a closer estimate. The preponderance of bank circulation, or of bankable paper that may be converted into a medium of exchange, is overwhelming; and it does all the work of a currency except the payment of small dues. The chief reason why it is not used for this purpose is because its use would be found inconvenient. Do we not find proof here that, as financial intelligence increases and commercial methods are perfected,

we are outgrowing the image and superscription of Cæsar? We shall certainly be justified in making an affirmative answer.

But of course this line of argument will still meet with objections. We shall be told that bank paper does the work of a currency only because it is the representative of a currency, and can be converted into money at the option of the holder. But it would be pleasant to hear an explanation of the process of conversion. It would sound not unlike an explanation of the feat of pouring the contents of a two gallon demijohn into a pint measure without causing the smaller vessel to overflow. We deny the force of the objection *in toto*. The majority of bank paper, an overwhelming majority of such paper, does the work of a currency not because it is the representative of money, and may be converted into money, but because it is the representative of property and needs no conversion. It represents stocks, bonds, mortgages on real estate, secured notes, and various other inventions, and is only put in terms of money because money has been provided with the numerals and denominations which, as heretofore explained, form the memoranda of exchange. Bank paper bears the figures that are borne by the standard silver dollar, only many times multiplied. It tells us how many pounds of cotton are exchangeable against so many yards of woven cloth, and this is the only kind of service that can be rendered by any currency. The industrial age is here. At every point we see the evidence that men are out-growing the swaddling clothes that have so long hindered their footsteps, and putting on new garments to enable themselves to run to and fro without hindrance. In their new garb they will demand enlarged liberty. The very advent of the banking system sounded the knell of communal processes in controlling the ma-

chinery of exchange; and though many generations, many centuries even, have passed since it began to germinate there was never any reasonable chance for doubt upon the final event. True to its instincts government has endeavoured to bind the new giant to its service at various times and places. It has even clothed him in its livery, and compelled him to associate among its footmen. But the absurdity of the attempt is becoming continually more and more evident.

Properly understood, the supply of a currency for an industrial and mercantile community is a banking function; and though the giant of abuse may throw his heavy bulk athwart the way, and by various devices try to screen the light that is dawning, the truth is beginning to prevail. The opposition to progress is not a manifestation to cause surprise. The science of political economy, more important than any other science for securing the welfare of the race, is of all studies the least generally apprehended or pursued. To confess the truth it is an infant and undeveloped science; and here is the first cause for the long failure to reach higher and firmer ground. But there is a second cause possibly still more potent than the first. No country has yet escaped from the incubus of a governing class. In a republic like the United States the power of this class is reduced to a minimum, and there are few who care to see it maintained. But it still lives, and it is not without influence sometimes in suppressing and sometimes in misdirecting the aspirations of men. It is the cue of this class to magnify the functions of government, and to attempt to give it the lead and direction. Thereby comes personal emolument, influence, position, and power; and the parvenue may become more susceptible than the born prince to seductive dreams. But let us not for a moment withdraw our eyes from the chief

purpose for which men labor, and while it remains in view it ought not to be difficult to separate the functions which belong to industry and commerce from those made necessary for the protection of society. Princes may tell us that money was intended to organize, maintain, and mobilize armies, and that it should be created and controlled by the men who make war or peace, and know the extent of their necessities; but we know that its chief purpose, under the ideal conditions towards which the highest republican civilization is tending, will be merely to measure the exchangeable value of products. By whom then should it be controlled if not by those who are trained to industrial and mercantile pursuits? The attention of such men is directed continually towards the market, and they know its needs.

It may be objected that this reasoning attacks the constitutional power of the United States to coin money. The objection, however, would have little force because it is not denied that it might be expedient for the community to regulate the form of that portion of the medium of exchange which remains permanently in circulation and is used for the payment of small dues. Such regulation is not necessary. The wampum of the North American aborigines shows that money is the expedient of commerce, and not the invention of government. It would have grown into being in substantially, or inherently, its present form had there never been a law passed providing for its coinage. It is not the creature of law, but of necessity. Still, it is desirable to have a uniform currency; and this probably could not be obtained except through the cooperation of the law. It remains a question whether the Government is the proper manufacturer of the object which its regulations have defined. But this is not a vital question. The purpose here is merely

to show the impolicy, inconsistency, and at the same time futility of any attempt on the part of the government at regulating the volume of the circulating medium. The banks should have the privilege of putting afloat all the money for which they find a demand, and can secure in circulation. We may be sure that they will print no more than they can use profitably.

In the three functions of the banking system, then, comprehended by discounts, deposits, and the issue of a circulating medium, we find in operation the three most potent forces for the direct accumulation of wealth that have yet been put in motion. In making serviceable the surplus wealth in the hands of individuals the banking system lays the foundations of a structure of almost undefinable extent; but when to this is added the resources of deposits, and the directly following and consequent spectacle of an enormous capital put into active circulation and made to contribute to the demands of exchange, the summit of the edifice towers so high that it becomes almost invisible. There can be little doubt that the astonishing progress of the last hundred years, not merely in the accumulation of wealth but in the arts and in the development of applied science, has been chiefly due to the stimulus offered by the banking system. It represents the arterial structure of the social body, carrying life from the heart to the extremities and from the extremities back again to the heart. None but practical men, or careful students, made familiar with its processes by experience or observation, can begin to estimate the measure of its utility. It represents the Aladdin of modern society, and more than realizes the dreams of the Alchemists who sought to transmute the baser metals into gold. The banks know how to do better. They transmute even gold, inert without their magnetic touch, into the sinews of industry.

Upon the whole, the banking system is of so much importance in relations to wealth that, whatever changes are impending in the structural features of finance, we should be careful to see that it is in no respect weakened. It should be strengthened rather in every particular. It represents a special function which should be kept carefully specialized and distinct. In the evolution of finance it will stand even more completely than now as representative of an exchange service. Through its agency even contribution to the general fund may be made to yield the choicest fruit for personal benefits.

CHAPTER IV.

THE RELATION OF INSURANCE TO ACCUMULATION.

It is not commonly understood that insurance is a large factor in the production of wealth. A person who attempts to borrow money on an insured property cannot fail to discover that it is a powerful factor in maintaining values; but the act of taking out an insurance policy does not prevent losses by fire, shipwreck, or any other of the various casualties against which property is protected by the payment of premiums, though a source of profit to the underwriter is ordinarily thought to be only a precautionary measure of not much influence on the total accumulation of wealth.

This may be the true view in relation to property insurance. The total of wealth secured through underwriting against fire may seem considerable when estimated with regard to the total of accumulation in other fields, but when in comparison is made it will be found quite inconsiderable. It does not compare with the amount of wealth accumulated through commerce, a

even combined with the banking operations, through which insurance companies are largely sustained, it would not begin to equal the accumulations drawn from the market proceeds of many small industries. But when we come to life insurance we reach a powerful factor in the creation of wealth, potentially, perhaps, when we take into view the destructibility of products and the need for continual reproduction to avert the ravages of time, the most powerful of all the agents. We have only to look around us to see the evidence that the payment of premiums on life insurance policies becomes the foundation for an immense capitalization, which, under the prevailing feeble methods in finance, seems almost startlingly large. Witness the huge assets of some of the more successful of our life insurance companies, their palaces that serve for general offices, and their ability to make loans on securities of every description. But these evidences are only the visible tokens of their opulence. Add to the amount of their corporate accumulations the private fortunes created through dividends on stock, and their tables of disbursements credited to the account of life policies paid, and the total is something well worth considering even among the large wealth creating forces.

Life insurance seems to be more firmly grounded in the principles of banking than fire insurance. The same process of capitalization on premiums is of course witnessed under the operations of both systems, but in fire insurance the policy, which represents the newly created value, can be said to have only a provisional value. Before a property which will fall to the policy holder can be created by the payment of the premiums there must be a destruction of property at least equal to the amount of the policy, and sometimes considerably greater than the amount. A policy may be carried for gener-

ations, and in a majority of instances is probably carried for this length of time, without contributing anything except the profits of the underwriter to the total of wealth. In fact it can never be a contributor to this total. It must be limited to the service of preventing the destruction of wealth. But a sustained life insurance policy creates a property with unerring certainty; and though the period of its erection into objective wealth may be deferred there can be no question that it will finally contribute to the total of resources. Measurably, it contributes from the beginning.

But here it will be necessary to become critical. We will admit all that may be claimed in favor of the beneficent character of life insurance, and give it full credit for all its achievements in the creation of wealth. It owes much to the banking system as a wealth producing agent, a system of which all insurance companies are largely exponents; but this cannot be permitted to detract from the credit due. It only entitles such companies to be held in better esteem. But after making these concessions it cannot be said that life insurance, in the present stage of its growth, is more than a germ. We may be told that it is an exceedingly well developed germ from the financial point of view; and were it possible to conceive of no more vigorous growth it would be necessary to admit the claim. But it happens that life insurance has a mission, which, if not transcending finance, compels us to recall the fact that the best services of finance are rendered in the field of benevolence, or produce results that may properly be called benevolent. From this point of view it cannot be admitted that the system has reached a very high state of perfection.

The very causes of the financial success of life insurance have been the causes of its failure to bring general security to society. It costs

too much money to carry a policy for any considerable amount, and it is carried in such manner that the insured person derives no benefit from the payment of the premium during his own life time. Unfortunately, therefore, only a few men are found who are willing to sacrifice themselves for the benefit of posterity. Men rarely look upon death as imminent until they have become so old that they can only obtain insurance by the payment of an enormous premium, and up to that time they usually prefer to pursue fortune with all their resources at their own command. They believe that they can make their means fruitful in bringing returns at least equal to the final returns accruing from a policy, and that they themselves, as well as their posterity, can enjoy the benefits. They are often deceived. It commonly happens that all their efforts to obtain much more than a substance ends in failure; and they often die and even leave their families in distress. But hope is a leading impulse in human conduct, and it follows men even to the portals of the grave. It is probably not possible to ever make life insurance through the agency of what are known as the legitimate companies a truly beneficent force for any except those who have comparatively little need of beneficent agencies. The men who could see most reason for insurance are the men who from physical disability, old age, or poverty are unable to place their families under its protection.

The advocates of co-operative insurance may intrude here, and point to the excellence of some of their own peculiar and varied systems. They will endeavor to show that they have reduced the cost of company administration to a minimum; that they are satisfied with little and sometimes with no profits; and that they are willing to give insurance for the mere cost of carrying the policy, a trifling

cost when able-bodied and robust men are selected as beneficiaries. But in the first place it is not alone the families of robust men and women who are likely to need insurance; and in the second place the career of co-operative companies, including mutual benefit, or friendly societies, has failed to show that any large proportion of men are willing to accept insurance on even the easy terms offered. In truth there seems to be some difficulty in convincing men that death has entered into the economy of nature, or that its advent can entail serious consequences to their families. It is not possible, therefore, to admit that insurance, though potentially a financial force that seems to have been created to supplement the banking system, and to enable one generation to contribute enormously to the wealth of succeeding generations, can be called, at its present status, more than a germ. Let us see if its inefficiency in the creation of wealth cannot be made clear.

The total of policies paid by all the life insurance and benefit companies in the United States during the past generation has been large. It will seem startlingly large to men who have never had occasion to look into insurance statistics. It may be roughly stated at \$2,000,000,000. But during the same period the national wealth has more than quadrupled, or increased, approximately, by \$30,000,000,000. It will be seen, therefore, that while \$1 has been contributed to the general fund by life insurance, \$15 have been contributed by the resources of capitalization working through the agency of industry, and by natural increment. True, this estimate takes no account of the total of private fortunes created or increased by the profits on insurance during the same time. The total of this amount would no doubt be found considerable, enough, possibly, to half equal the sums paid to the policy holders, But the two

combined, it will be seen, make a small total when compared with the material increase of the nation from all other sources.

Now, to still further illustrate the weakness of insurance, and at the same time its possible power when working under easily formed combinations, let us make another calculation. Let us suppose a system that would enable every man to carry insurance to the amount of \$5,000, the enabling feature of the system resting on the provision that the person paying the premium shall obtain the money at once, under proper restrictions for its protection, and invest it for his own benefit. On this supposition it is not to be presumed that any person, unless idiotic or feeble minded, would neglect insurance. Men have rarely such a poor opinion of their judgment that they think themselves incompetent to take care of \$5,000 if they only had the money. They are more prone to believe that they could even make it bring good returns. We will presume, then, that the practice of insuring would become universal under such a system, and that all men would soon seek its protection. Let us see the result at the end of a generation.

First, we must estimate the average adult male population of the country for the period named. The present total is probably about 20,000,000, but a generation ago it was not more than half so great, or 10,000,000. We may then fairly place the average at 15,000,000, and estimate on this number. Let us suppose, then, that during the life of the past generation there had been 15,000,000 adult male inhabitants in the United States carrying insurance for \$5,000 each, and estimate the amount that would have gone to their children, the end of the generation having now been reached. The estimate is easily made. It will be obtained by simply multiplying the total number of insured persons by the amount of insurance carried by

each person, and the product will represent the total of wealth added to the national estate. It will reach the truly magnificent sum of \$75,000,000,000. This is nearly double our estimated total of wealth at the time of the publication of the census report for 1880, all the past contribution of life insurance included. But this amount, surprisingly large as it may seem, is only the product of a minimum calculation. The estimate takes no account of the large number of women engaged in gainful occupations, large already and constantly increasing, who could very well afford to contribute to the general security. Neither does it take any account of the fact that the system of bond insurance, as proposed in Part First of this treatise, could be made self-supporting soon after its adoption, if not, indeed, from the beginning. When it had become self-sustaining there would be no restrictions on the amount of the insurance carried, no matter what the income of the contributors to the fund, and the combined increase, caused by the larger average of insurance and the increased number of insurers, might soon double the product. In this calculation it will be seen that insurance can be made the chief factor in the creation of wealth, surpassing even the resources of banking and credit.

But we shall be met by objections. We shall be told that the calculation is merely ideal; that in the first place it is impossible to conceive of a system that will enable more than a comparatively few men to carry insurance to the amount of \$5,000; that in the second place only a small proportion of these few can be induced to assume the obligation, and that, finally, it is idle to make estimates which are not justified by experience. The life insurance system has been growing painfully into being during the past four centuries; and we can only judge of its possibil-

ities by the results. If it must be admitted that those results are comparatively purile, then we have no reason to dream of doubling the national resources in a single generation through the agency of any system of insurance,

This sounds rational, but from the suggestions already made the reader will draw the inference that the resources of the insurance system are not thought to be yet exhausted. It is possible even that we have not more than reached the threshold of the temple, and have all the gilded interior yet to explore. True, life insurance has not proved itself capable of adding greatly to the general wealth; and while it is prosecuted simply for the benefit of posterity it is possibly true, also, that it will not become highly efficient. The obstructions in its way are many and various. They are not confined to those already suggested, but comprehend the obstacles raised by the mismanagement of companies, to say nothing of occasional dangers springing from dishonesty. But the chief obstructions, after the lack of human foresight and prudence, spring from a doubt if the system is economically sound. After paying hundreds and thousands of dollars on the account of premiums, too many men are heard reflecting that they would have been better off had they put their money in a savings bank, or in some paying investment, and received interest or profits. "See!" they exclaim, "my payments after all these years equal the amount of the policy, and it will never personally be of any use to me. Surely this cannot be a wise use for money." Such reflections are too common, and seemingly too rational, to leave a perfectly free field to the insurance broker. The complainants are generally in the wrong where their investments are made in a perfectly reliable company. In such a depository their money will not only be exempt from the casualties of trade, but the insured person will

practice an economy which few men have the self-denial to practice unless it is somewhat enforced. But the complaints will nevertheless be heard, and the complainants will be reinforced by observers who will point to the number of policies constantly forfeited through the non-payment of premiums, the failure having generally been due to the inability to meet obligations. These complaints and criticisms it must be admitted offer obstacles which will forever prevent the complete success of a strictly life insurance system. They are obstacles, too, which it would be idle to attempt to underrate.

But will it be possible to adopt a system of insurance that can be turned to the direct and immediate advantage of the person who pays the premiums? This is a pertinent question, and it cannot be expected that any man who makes the inquiry will be satisfied by inferences. He will want the answer made specific and in detail. He will wish to know by just what process insurance can be managed so that it will bring either easier living conditions, the chief boon demanded for the security and happiness of society, or direct personal profit. Unquestionably, at first thought, such a system would be deemed impossible. Wealth has already been defined as something due to an exchange of service. It is measured by its capacity of controlling exchanges; and it will be found impossible to create it by virtue of a decree. You cannot receive unless you have first given, or stand ready to give; and the total of any large fund is but the product of a great number of small contributions. To hope to create an insurance fund, therefore, without the sacrifice of personal resources, seems not unlike the effort of a man at lifting himself over an obstacle in a tub. But the resources of finance are almost infinite. It may be called the science of expedients; and it is hard to say if there are any impossibilities when

all its resources in making combinations are brought into service. It is undertaking a Herculean task when it tries to meet all the demands of society with an overwhelming majority of men refusing to recognize its principles, or to contribute to its work. But its labor will reach a better fruition when society has been taught that the creation of wealth is a finally financial exploit, and that all men who expect to share in its benefits must learn to become financially contributors to the general fund. Let us see, first, if it will not be possible to carry insurance not, indeed, without cost to the bearer but without any cost that cannot be recovered.

It can hardly have escaped observation in the course of this discussion that the practice of placing money at interest is held to be the chief secret of accumulation in all the ordinary transactions of production and exchange. The money thus loaned sometimes represents a surplus which would lie idle and unproductive were it not for the arrangement through which it is put to use; but it is often only the terms of money which are in use, the substance finding its true form in convertible property such as lands, houses, stocks, bonds, or notes. The amount of so-called money upon which interest is drawn is therefore enormous and incalculable. It lies at the foundation of all the industrial and mercantile operations of the community. But observe what follows. It is an agent performing a double service. It serves both the borrower and the lender. But it is not necessarily a condition of the arrangement between these parties that it should serve them equally. Whatever the circumstances of the lender he will be satisfied with smaller returns than he would expect to derive from more active operations. This is the first condition demanded for money lending, indeed, for there would be no borrowers, except among men in absolute distress (who find it difficult to borrow), were it not possible

to make a profit on the loan. There will generally be found a margin, therefore, between the profits drawn from the market for commodities and the interest drawn from money, and in this margin lies the most wonderful possibilities. To say truth, all business men are habitually performing a feat which looks like successfully trying the experiment of the obstacle and the tub. They are even lifting themselves by turning to their advantage the very forces that seemingly bind them to the earth.

The road, then, to a system of insurance where the burden may be carried without cost, or without any sacrifice that cannot be turned to gain, will be found in putting into operation the resources of interest and profits, and making the latter a contributor to the fund from which the insurance is drawn. In such a system life insurance, as it is commonly comprehended, will be only incidental. The real object insured must be the capital which the contributor to the fund will be enabled to create and use for his relief or profit, the product to go unincumbered to his family after his death should he not himself be successful in relieving it of all liens during his life time.

The alternative to life insurance, then, must be bond insurance. Insurance companies most broaden into large combinations of men whose personal income, drawn from whatever trade, profession, or pursuit they may happen to follow, can be made a basis for capitalization. In these companies the common words that belong to the ritual of banking must take the place of such terms as policies and premiums. A policy must be simply a bond which may be deposited in bank and checked against for the benefit of the depositor, a premium a certain percentage reserved from the income of the same person and paid as interest to the bank by which the bond is held. The money thus obtained will, of course, be held subject to investment

at the option of the bond giver.

Considered simply as a question of insurance, this seems to be the system demanded to overcome the weakness of prevailing methods. The mere suggestion that it will enable men to carry insurance without loss, a suggestion that will be justified by the most cursory examination, should be sufficient to recommend it to general favor. But it may still be doubted if the system can be made a source of possible profit. The illustration of the obstacle and the tub may still be floating in the imagination of the reader. In estimating on the death rate for a system that would undertake the protection of every member of the community, the sick not less carefully than the well, it will not be safe to make calculations on less than fifteen deaths annually for each one thousand members in a company. This would make the payments due to the insurance fund \$15 per annum for each \$1,000 represented in the bond. One thousand persons, that is to say, each paying \$15 per year, would make a fund of \$15,000, enough to give to the heirs of each person deceased during the year \$1,000. This payment would be one and one-half of one per cent. on \$1,000; and in some cases it might rise slightly above this percentage. The cost of company administration, too, would be something. It would not be large; but it would amount to a quarter or a half of one per cent., which united to the percentage on insurance, makes nearly or quite two per cent. This must be added to the interest on the bond; and it will be presumed, off hand, that the rate will be six per cent., or the legal rate, which is approximating six per cent. in all the States. The total charges against the insured bonds would, therefore, be eight per cent., a charge which few investments of the day can be made to cover. We may be asked, then, to indicate the sources of profit in a system of bond insurance.

On this calculation the obstacles in the way of profit seem considerable. But there are many points to be considered; and when they have been studied apparent obstacles will be found to greatly diminish. In the first place the chief cause at this time for the narrow margin of profit on investments is to be found in the intensity of competition. It seems to be the deliberate purpose of almost all operators to beat their rivals, not only in the magnitude of their enterprises but in the reduced price at which their services shall be rendered. The general public, too, with its usual discrimination in economic affairs, either looks on applaudingly at the spectacle, or finds fault because the services are not given at a still more ruinous sacrifice. A disposition to reflect on the consequences of a too reckless indulgence of this spirit has been recently observed; but it is still generally prevalent, and while it lasts the rates of interest, stimulated by the demand for money for investment, will naturally rise, while the margin of profit on operative transactions will fall. But the circumstances will change when all men have become investors. A different spirit will then prevail. Money will be found in abundance for all the investment uses to which it may be turned; and the chief solicitude of each person making an investment will be for large margins of profit. In this case, the work of the wrecker, as all men should be called who deliberately undersell the market, would be found both difficult and unpopular. It would be found so exceedingly unpopular that a man would be likely to be displaced from a managing position if he failed of making the property under his management bring good returns. It is easy to see, therefore, that a day might come when the absurd spectacle of to-day, the spectacle of interest rivaling profits in magnitude, would be seen no more.

But the hopeful prospect is not

bounded by the probabilities of better commercial management. It rests, also, upon a financial principle. It cannot have escaped observation that certain low interest bearing securities, such as government and municipal bonds, are eagerly sought by banking institutions. This is commonly thought to be due to the trustworthy character of those securities. But this does not tell the whole story. It may not be the only reason for seeking the investment. In coming into the possession of such bonds the banks exchange money, which bears no interest when lying in the vaults, for bonds which bear a low rate of interest, three or four per cent., and on the foundation of these bonds they may make new loans at higher rates of interest. Of course this could not be done profitably were the banks in their turn compelled to borrow money at high rates to replace the money paid for the bonds. But the power of issuing money, founded on the securities in their possession, cannot fail of adding doubly to the strength of those institutions in their support of investments; and this certainty helps to explain the reason for advocating, in the preceding chapter, an extension of the power. Its bearing on the securities of companies organized for the protection of the bonds of their members will be directly seen. The bonds of such companies, as we shall soon find, will be the safest securities in the market. The bondholders will be doubly protected, first, by the property in which the bonds have entered, and afterwards by the liability of the company to assessment if any default be made. The credit of the companies, therefore, would be altogether impregnable. It would be protected without and within, and at every point of attack; and there would be no good reason why their securities should not become the basis of the entire banking system of the country. Standing at the foundation of the money circulation of the

banks, their bonds could be made a profitable investment at no more than three per cent., and we could look to see them finally taken at even a lower rate. Then insurance operations could be conducted profitably for the men by whom the costs were met. The total charges against their bonds would not amount to more than five per cent.; and on this charge, with the additional security of a better regulated market, chances for profitable investment could be readily found.

In relation to the payment of rent, too, it can be easily shown that bond insurance can be made, if not directly profitable, a source, at least, of very considerable economy, which, in this case, amounts to the same thing. The tenant now pays in rent the equivalent of ten per cent. on the value of the rented premises. In this payment he gives to the landlord not only the interest at, approximately, six per cent. on the value of the premises, but he pays the taxes, the cost of repairs, and contributes also to the profits of the fire insurance companies, or, to what would be their profits had they not begun to put all their gains into their expenses. The tenant must meet these charges, too, and there is no possibility that he can escape their payment. The value of the premises means six per cent.; and were the landlord to attempt to reduce his own returns he would simply succeed in reducing the value of the property. The tenant is forced by an economic law to pay all charges that would cut the current rates of interest. But there is not one of these four charges, interest, taxes, cost of repairs, and insurance, that will not be reduced to the tenant when he becomes his own landlord through the agency of bond insurance companies. His payment in interest will be reduced through the operation of the causes explained in preceding paragraphs. His contributions towards the payment of taxes will decline, because when the in-

visible process of tax paying gives way to direct payment all men will become more watchful of public expenditures, and hold public men to a stricter sense of responsibility. The cost of repairs will be less when every man becomes his own householder, because proprietors, taught by the need of economy, are always more careful than tenants in their care of property. And, finally, insurance charges will fall when it is seen that there is no good reason why a bond insurance company should not protect the property of its members against fire at no considerable increase in the dues demanded. For this service no extra premises, no insurance brokers, no profits, and few additional officers would be required. There would be a reduction, then, on all these charges. But the chief gain would be in the payments that go to the landlord's interest account. As already explained, the interest on insured bonds would be much lower than the profits drawn from investments; and the member of a bond insurance company, for the same annual payment, could live in a house of twice the value and elegance of the home which he occupies as a tenant. Or, he could own the same premises, and live at a great reduction in cost.

These are reasonable calculations on the possibilities of bond insurance, and the idea of such companies can strike no practical man as contrary to the principles of finance. It will be recognized at once as on the line of financial evolution, differing only from prevailing systems in matters of detail. But the question that will be first raised will refer to the basis of security. Will not the companies be subject to mismanagement? Would not their operations be open to fraud, and possibly speculation, on the part of the officers? And, finally, not giving any pledges in objective wealth, could the members be depended upon to meet their obligations? These questions will be asked, and it will

have to be seen in advance that the ground can be made secure or it would be idle to propose the system.

First, then, with regard to company management. Whether or not such companies would be open to mismanagement and fraud would depend altogether on the powers entrusted to the managers. Were they permitted the control of a large fund, and left at liberty to invest it in corporate speculation, it would probably fare with them as it has fared with other men having like powers and opportunities. They would sometimes speculate, and they might fail; and then they might possibly try and cover up their tracks by fraud. But if they were allowed no such opportunities there could be no danger. If they were restricted to the mere duties of receiving the percentages reserved from the income of members as they were paid in, to discharging the interest on the bonds deposited in bank as it fell due, and to redeeming the bonds as fast as the death of members called for their redemption, there could be little chance for mismanagement. And, again, if the necessary reserves in the treasury were kept so small by statutory limitation, or even by restrictions in the by-laws, that they would no more than cover contingencies there would be little danger of speculation. It will be one of the easiest tasks in the world to so organize bond insurance companies that there would not be the slightest reason to fear any dereliction in duty on the part of the managers. In their administrative features they will be more like automatic machines than like organizations demanding a high order of executive ability, and a superlative degree of honesty. Honesty is commendable in any service; but it is not strictly necessary where the opportunities for the practice of dishonesty may be withheld.

Against the danger of default or irregularity on the part of members, the ground is equally well entrenched.

It is not to be presumed that any bond insurance company would fail to make regulations in its by-laws by which the members would be protected against the dangers of assessment, a danger that would always follow a default greater than the resources of a small treasury reserve. It would not, for example, allow a member to go to the bank and draw the money to be paid for his bond without assurances that it went into some tangible investment that could be held for its security. There would be little danger here, and with reference to the danger of default in the payment of the percentages to maintain interest the peril would be even less. The defaulting member would be the only sufferer. By failure in meeting his obligations he would forfeit his rights in the company, and lose the control of the property in his hands. It could easily be transferred to some more reliable person. There is nothing to be feared from any weakness to be detected in the securities of bond insurance companies whether we look to find the danger in the management or in the membership. Such companies will be incomparably safer than any industrial or speculative company ever organized. As time rolls on they will probably be found safer than any form of organization yet essayed by society. Their strength will arise from their ability to protect both their corporate bodies and their members.

Can it be questioned that when all the advantages of bond insurance are offered to the public we shall see directly an immense development of insurance, a development that will justify the assumption that the present growth is only a germ? What degree of stupidity would it not take to oppose the system? The most effective agent for the transmission of wealth from generation to generation is potentially insurance, and when it is shown that the final product may be

made not a fruit of economy and self-denial on the part of the generation by which it is carried but a result of wise financial management, bringing instant returns to the investors, the promise is exceedingly brilliant and encouraging.

CHAPTER V.

THE CREATIVE AND BENEVOLENT FEATURES OF FORTUNE HUNTING.

MUCH has already been said in preceding chapters that seems to make the subject of this chapter, unnecessary. Interest, dividends, profits, and, prospectively, insurance seem to be the chief factors in the creation of national wealth; and as the operations of both the banking and insurance systems are evidently creative and beneficent to even the most casual observation a further discussion of the subject might seem superfluous. Nevertheless, there is much to be said that bears upon the subject from points of observation where neither banking nor insurance are directly concerned. An equally good field for illustrating the phenomena of money getting is to be found in industrial and mercantile operations.

There is too much reason to believe that a general misconception exists on the meaning of the word accumulation. It is commonly thought to signify a gathering together of atoms already existent among the nebulous masses of property floating through the community, and that each segregation of particles leaves elsewhere a vacuum that can be painfully felt by all sentient beings who live beyond the boundaries of the newly formed crystals. It is supposed that the gain of one man is the loss of some other equally or more deserving person; and it is in great part due to this belief that large fortunes are often regarded with jealousy. It is not assumed

here that the belief is in any way positive or definite. The idea is only floating vaguely through the minds of men and coloring, or discoloring, their views of the relations maintained by society.

This misconception is very natural to persons not in the habit of analyzing economic processes very closely. Money passes from hand to hand, and, superficially, it seems beyond question that the men who have become most opulent are those who have been most successful in depleting the pockets of their fellows, and appropriating the gains to their own personal use. Hence the popular idea that the fortune of the millionaire is a direct fruit of public spoliation, either a product of excessive charges for goods sold to customers, for rents drawn from tenants, for service rendered in transportation, or of sharp unscrupulous practices in dealing with other operators or with employees. So commonly are these opinions held that it is not unusual to hear men say that no man, beginning at the bottom round of the ladder, can get together a million dollars honestly; and the very possession of an immense fortune, accumulated by the possessor through his own efforts, is sometimes looked upon as evidence that he is defective in moral sense.

Now, instead of these notions having any real justification in fact it is much easier to earn a million dollars honestly than to gain them dishonestly. Against dishonesty the way is hedged by innumerable obstructions. Society is in arms against the man who is commonly suspected of unprincipled practices; and by the time your true rogue has reached his first hundred thousand dollars the obstacles in the way of further spoliation have been reared to formidable proportions. Exceptions, due to the complicated nature of business transactions, and the fact that dishonesty may for a considerable time veil its operations from public scrutiny, may

sometimes be found to this rule. But the exceptions are not common. Men are boycotters by instinct. Observation teaches that the merchant cannot overcharge and thrive; and that the landlord who asks an excessive rental will soon find himself in the possession of vacant premises. So, too, with regard to the service of transportation. Whatever opportunities it offers for the accumulation of wealth are not offered at the expense of the public. Judging from the condition of a large majority of our railways it is the service itself that is subject to spoliation. Its engineers are kept continually at work bridging the abyss of bankruptcy. The man who attempts to obtain a fortune by dishonest means will find the rewards so limited that, if still found at large at the end of a long career, he will be prepared for nothing but small ventures, suggestive rather of units, tens, and hundreds, than of thousands, hundreds of thousands, and millions.

The accumulation of wealth is the creation of wealth. The process approaches more nearly to the orthodox idea of the creation of the universe, when non-existent substance was supposed to be spoken into being, than to anything else that can be brought forward for comparison. The wealth accumulated by any person in the prosecution of legitimate trade or industry is wealth in excess of the amount that would be found in the world had he made no personal exertion. His wealth represents neither the spoils of society, nor of the individual members of society. It represents a veritably new substance, formed, it is true, unlike the orthodox creation from existing elements; but they are elements which inhered to no individual before they were moulded into their objective forms.

We may go even further than the assumption that accumulation usually represents new wealth. We may say that no man succeeds in becom-

ing rich without carrying many other men on the road toward riches. A man successful in the pursuit of wealth improves the circumstances of many other individuals while adding to his own resources; and instead of representing a leech on society he represents not only a public but a private benefactor. He contributes to the resources from which many other men draw subsistence or profit. But men do not act as if they perceived this fact clearly; and it may be worth while to draw some illustrations from the ordinary transactions of life to show the soundness of the proposition.

The examples to be found in industrial operations are all very common and familiar. It is in the transactions of the market where the work of spoliation is supposed to be most successfully practised. But there is an interdependence among all the departments of industry and commerce which forbids their separation. Men move and act in groups, even when they think themselves standing most supremely alone; and it is impossible to completely divide the artisan from the tradesman. One cannot stand where the other falls. We may very well look then for our first illustration in the field of industrial production, and we will find it where processes will be most readily apprehended. We will select the building industry. One work of construction would serve us as well as another; but house building offers such a familiar example that there seems to be a peculiar propriety in selecting it to illustrate the beneficial results of fortune hunting.

We will presume that the person, who undertakes merchant house building as an occupation begins without resources. He may have been originally a house carpenter; but too ambitious and enterprising to be content with the merely mechanical work of construction he has determined to follow the natural line of his evolution, and to develop,

through all the various stages that lead up to the man of fortune. He begins, then, at the bottom round of the ladder, and at the very first step in the ascent he finds it necessary to do an act which will benefit his neighbor. A landholder living near at hand has lands on which he is obliged to pay taxes, but from which he can draw no income; and as well for the purpose of making a part of his estate productive as for the enhancement of his remaining lands he is desirous of selling a portion of the property. He welcomes the ambitious house carpenter whom he thinks trustworthy and deserving, then, and gladly considers his offer to buy a building site. But he is not necessarily desirous of obtaining at once the entire value in money in exchange for his property. He is perhaps following no active pursuit where money could be made productive; and he is willing to accept a mortgage at five or six per cent, the payment of the money to be deferred until the house carpenter has reached the first step on the ladder. He may be willing to do even better than to await the payment of the principal. He may give a building loan with the land, sufficiently large to cover the cost of the foundation and pay the wages of workmen while the house is under construction. It may be said in this case that the fortune hunting house carpenter is the person chiefly benefited. But both men are probably seeking to increase their goods, and the benefits are reciprocal. The conduct of the landholder may seem hie more beneficent; but this is only on account of his more independent circumstances.

But go another step and watch the continued operations of the law of reciprocity. The arrangement between the two men has led to an increase in the income of the landholder to the extent of the interest on his mortgage, and it has had a favorable influence on the value of his estate. It has also been the means of putting

afloat a little more money, which, like ripples caused by the falling of a stone in still water, will flow a long distance in every direction, and benefit the entire community. But the builder has gained no profit. His eye is still upon the future. He has gained only a foundation for his structure, with the means of proceeding with his work. His next act, provided his plans and specifications are prepared, will be to visit the men who supply building material, and try to make a contract. The illustration is founded on the supposition that he is working with no capital of his own except his good character and business qualifications, and in this case the new step might be found extremely difficult. But it will not be impossible. He will find the men to supply the material, even to the last lintel or door post of a manufactured dwelling, and consent to take a second mortgage in present payment. Such a transaction might not be prudent on the part of the mortgagee if the first mortgage covered a building loan as well as the land; but men are to be found willing to sacrifice their prudence to their benevolence when they see a fairly good chance to make benevolence profitable. We may presume, then, that the builder will secure his material, and after it is obtained he will call in his workmen and complete the undertaking. But before reaching the completion we must not fail to observe that the builder has gone on dispensing benefits. That he has done anything for his workmen it might not be prudent at this time to assert. But with the giving of the second mortgage he begins the payment of interest to the mortgagees, and has thereby created to their hands a property equal to their profits on the transaction.

The building is now completed, and here enters the real estate broker. He is a personage who must needs have magical gifts, for it is in his province to make vital a substance

which is still inert and lifeless, and needs the touch of his extremely potent art before it can be endowed with a real being. If he is not successful in handling the structure on the market, much of the attempted creation will revert to its original chaos, and to the landholder only will go all that remains. The dissolving bricks, too, will carry down into nothingness considerable good material that has gone to the account of labor and other costs, and the ambitious house carpenter will stand as well as he stood in the beginning, except that he will find it more difficult to try any new venture. But the broker will generally be successful, and not only obtain enough for the house to clear off all mortgages, and pay his own percentage, another clear creation, but to give the builder a small profit.

Of course this illustration is to a trifling extent an exaggerated picture of the methods to be observed in house building. After a few years, and even at the beginning of their career, most builders have a little property of their own; but their possessions only somewhat modify processes. They do not affect principles. Builders do not put their own property in their work, except to the extent of giving a pledge of their good faith, unless they find a bad market for their product, and, after the sacrifice of personal resources in the payment of interest, are compelled to sell at a sacrifice. Neither will it do to say that the new building represents new wealth to the extent of its full market value. It represents new wealth only to the extent that each person engaged in its construction, either directly or cooperatively, makes a profit on his contribution. The final purchaser must cover the entire cost from his estate; and the new property, therefore, will be obtained only through a transfer of values.

Then you surrender the whole argument, it may be said. It is this

final purchaser who will be despoiled, and the spoliation will result from overcharges for land, labor, material, and interest. All the men engaged in the production of the property, from the builder to the commonest laborer, were combined for his spoliation. But it is not to be presumed that the purchaser will pay more than the market value of the structure. Nine times in ten he will felicitate himself over the shrewdness of his bargain, and think himself the richer for his new possession. Or, if he buys for the purpose of renting the property to a tenant, he will expect to draw in rents, after the payment of all charges, enough to realize six per cent on the investment. If he succeeds in his expectations the builder will certainly not transfer any part of the buyer's fortune into his own pockets. It would rarely happen that the buyer of a newly completed building would consent to sell on the day following the purchase unless he could obtain a considerable advance on the price. This shows that he thinks he has been made richer by the transaction. Then all through, from first to last, every man concerned in the work has either been made richer, or been provided with increased means of subsistence.

A still more forcible illustration of the process of creating wealth, and of its beneficent operation, could be found in the construction of a railway. It would be more forcible because of the more marked influence of railways on the values of adjacent property. Towns spring into being, and farm lands double, sometimes quadruple, in value along the route of a new road; and every dollar of increase, over the bare cost of construction, represents new wealth brought into being by the talismanic art of the promote. The total increase in values produced by railway building sometimes surpasses by many times the actual transfer of property represented by the money expended in construction. But,

differing only in degree, the hand of the house builder has also magical power over all property that lies adjacent to his field of operations, and increase follows upon his footsteps. It may not be so marked as the increase that follows upon railway building; but it is generally considerable, and sometimes enormous.

But, after all, argument and illustration drawn from any work of construction seems more like adding to entertainment than to knowledge. It should be so clear to the commonest observation that the accumulation of wealth through such works is the creation of new wealth that it seems like a waste of time to prove the assumption by an examination of details. It should be equally clear, too, that the increase made is not an increase that accrues to any one man at the cost of other men. In the illustration drawn from the house building industry the increase goes to the original landholder, to the dealers in building material, and to the manufacturer, as well as to the builder; and the golden shower is dispensed over all who come within its reach. If it goes in the larger proportion to the man who conceived and undertook the enterprise, and to whose energy all the increase is due, there should be found no cause for dissatisfaction. It would be the utmost limit of folly to assume that the man who obtains his fortune through works of construction reaches his ends by any acts that bear the most remote resemblance to public spoliation.

But it is over the commercial field where the atmosphere is most beclouded, and it is in this field that careless observers are more likely to think that men gain wealth at the cost of their fellows. But even here the idea, when entertained, is founded on a misconception. In the mercantile not less than in the industrial field the accumulation of wealth is the creation of new wealth, though

the process is not so directly visible to the superficial observer.

Let us try and make this process intelligible. But to relieve it of all obscurity this fundamental principle must be held in view. Wealth, properly comprehended, is represented not by an object but by the value of the object. The man who brings a commodity on the market is as much a factor in its production, using the word to mean the production of values, as the artisans by whom it was fashioned, or the agriculturist through whose labor and care it was grown. This declaration will not sound quite orthodox to men who believe that society should be organized, and its affairs administered, only for the exercise of their own special vocations. Such men do not comprehend the need for a multiplicity of pursuits. They would have everything cut to the measure of their own limbs. They look upon all who are termed middle-men as leeches on society, and fancy that their own circumstances would be greatly improved could all such persons be deprived of their occupation. But let us see what this would signify. All men, no matter what their occupation, are middle men. We must take society as a whole and consider it as the general employer, or manufacturer. It demands service for the supply of all its wants; and in its capacity of employer it sets the members of its household to their various tasks. It calls for some men to delve in the mines. To others it assigns the work of fabricating fine clothing or jewelry, while still others, again, are made to run to and fro upon errands. All men have their offices and their special fields of duty; but they all occupy equal ground. The house carpenter is as much a middle man as the corner grocer. Does he not stand between the builder and his final customer, and add to the cost of the structure by every stroke of his hammer? So, again, of the men following other pursuits

or callings. All the men engaged in the transportation of merchandise in the United States, and by sequence all the men engaged in the construction of the machinery of transportation, including not only the railways but the locomotives, cars, and steamships, are middle-men. So, too, are the engineers, brakemen, and firemen. They are engaged in the supply of wants which are only by indirection domestic wants, and it might seem to be very desirable to escape the need for their services. Finally, at the end of the list, stands the agriculturist. He, too, is a middle-man, and is simply engaged in bringing the products of the soil over the first stage in their progress to the market. Primarily, the soil is the real producer, and society at large the consumer. The agriculturist is only a producer in the secondary sense which places him on a level with all other men. Would it not be fortunate, then, for the denizens of the towns could the farmer be abolished, and his place supplied by automatic machinery which would do his work at no cost? But, in this case, where would go the labor of the towns, now employed in supplying the wants of the many million agriculturists and their families throughout the country? The agriculturist is trying to abolish himself by the purchase of reapers, mowers, and thrashing machines, to take the place of cradles, scythes, and flails. It is fortunate for the people of the towns that he only succeeds in reducing the hours of labor, and lightening his toil.

Society, in its capacity of employer, has need for all its workmen. It must be continually on the alert to try and increase the number of its servants, and to vary their employment. The labor of supplying the market with commodities, either at the hands of common carriers or of tradesmen, may be called a distinct industry; and its prosecution is just as strongly

a factor in the production of national wealth as the work of the agriculturist, or manufacturer. It is equally important, too, to the individual members of society. The new hat may be worth only \$1 at the factory. By the time it reaches the counter of the fashionable bazaar it will be worth \$2. But to whom will the increase form the chief source of profit? It will be distributed, first, among the employees of railway and express companies. It will go in the second place to the hands of porters, salesmen, and book-keepers; and a portion will aid in discharging obligations for rent. But wherever it goes it will form a contributing rill to the larger stream that represents the resources of the community. The second dollar will be of just as much importance to society, and to the individual members of society, as the first dollar; and though its loss might seem to represent personal gain to the final purchaser of the hat it would be a gain, which, if made habitually by all men in all their transactions, would finally prove their loss. The contributing rills from a thousand sources that have helped to swell their income would dry away, and fail of bringing their customary supplies. If the purchaser has succeeded, then, in obtaining the hat for \$1 he has been the only despoiler.

No, it is not true that men accumulate fortune at the expense of their fellows. The logic which makes the accumulation of wealth the creation of wealth is irresistible; and men earn their fortunes or subsistence by a system of beneficent co-operation. The increase, too, which comes from the power of wealth to duplicate itself through the contribution of interest, either alone or co-operating with profits, is subject to the same general law. It gives through its thousand distributing channels more than it takes from the individual, and returns double fold to the community. As to the much

abused law of unearned increment, that powerful factor in the creation of wealth, it is the contribution of Providence co-operating with men, and it is the chief agency through which that beneficent power operates. The other agencies are mainly of human invention. But it cannot be denied that a peculiar combination of circumstances in human experience almost compels their adoption. So it all seems providential at last.

CHAPTER VI.

WEALTH AN ENFORCED CONTRIBUTOR TO THE PUBLIC WELFARE.

The subject of this chapter grows from the subdivision just closed. It was seen in the argument maintained in that chapter that the process of creating wealth is carried forward by co-operative agencies, and that every man on the road to fortune contributes to the resources of a great number of other men, the rewards of the operator having a close proportional measure to the extent of the benefits conferred. It is the purpose now to show that the conferring of these benefits is really enforced by laws that regulate and control the conduct of men, and that it is impossible for any man to pursue or to hold wealth without contributing to the prosperity of a great number of men, many of whom may be very remotely connected with his operations.

The reverse of this proposition, commonly entertained, grows out of the sharp contrasts between wealth and poverty, and the apparent selfishness, or exclusiveness, with which the rich pursue their interests or pleasures. They seem to study the interest of no men but themselves. They buy where they can buy cheapest, and they even take advantage of opportunities for gain where some other person seems palpably forced to lose. Finally, they pay for all service only up to the price that they are forced to pay or forego the

advantages of its employment. The possessors of large fortunes seem, therefore, to hold them for their own exclusive benefit; and as their accumulation was apparently due to processes suggestive of spoliation its continued possession is looked upon as merely personal gain for which there is no beneficent counterpoise. Of course such opinions are not held by thoughtful men; but they are sufficiently prevalent to misdirect the public mind in social and political movements.

In favor of these opinions this much may be conceded, and in the minds of a few men the concession will no doubt strengthen the view. Unless the emotions inspired by family sentiment can be called benevolent, no man pursues fortune with a benevolent object. Or, perhaps it would be better to say that only a few men have any such object in view in the pursuit of wealth. A few men have seemed to accumulate for the purpose of giving their accumulations away, men, for example, like George Peabody or Peter Cooper. They were generous souls, known rather as philanthropists than as men successful in the pursuit of gain; and their money was unquestionably used to promote higher objects than if it had been handled by men of less benevolent views. But it is safe to assume that even these men did not begin their career either with any design of creating a fortune for distribution in charitable work, or of rearing educational institutions of no material benefit to themselves or families. This determination was the result of after-thought caused by the observation of mature years. Their first inspiration to activity was drawn from their own interests; and let men deceive themselves as they may, a sense of self interest and personal enjoyment, each man directed by his own instincts, forms the basis of all the philosophy of youth. Of course, then, we must concede that the motives of men who pursue fortune are

selfish, and that few great fortunes would be reared were not selfishness the impulse to exertion.

But at this point the concessions must cease. We can go no further than to admit the selfishness of the motive; and after this admission will be at liberty to follow the results. Wealth, whether held in large or small totals, owes its very being to its power of contributing to the general welfare. The moment it loses this power it loses the character of wealth, and degenerates into something neither worth pursuing nor holding. It is the treasure of the miser found stored away after his death in the crannies of old tenements. Nay, it is not worth even so much. When it becomes useless it is resolved into its original elements, and remains no longer an entity.

We must again undertake the task of dissection, and look into the substance of the thing which men pursue with so much avidity. Of what is it composed? The answer has already been given in general terms; but it must be recalled to meet the demands of this subdivision. Fundamentally, then, it is simply a power of exchange. We confound it often with its objective forms, and call it by the names under which it has been classified. But every living body must have a soul, or interior principle of being, and we must search out this soul before comprehending the true significance of wealth. Intrinsically, the object considered is a mere title to something which enables the holder to command the services of a definite number of persons, this number to be estimated by the total amount of the resources in his possession. Year by year, sometimes painfully and with great effort, and sometimes with facility, the man in pursuit of fortune goes on piling up the signs in notation by which the services rendered to other men are kept until he finally finds himself able to control hundreds of thousands, or, it may be, millions of dollars. But not

a dollar has been won in the pursuit of legitimate gain for which the holder was not compelled to give an equivalent in service. Perhaps the wealth is represented in merchandise. But the stock of the tradesman cannot be gathered together without putting in motion every resource from which men draw subsistence or profit. Labor, the machinery of transportation, and the resources of finance, are all involved; and each has received its contribution, or, let it be said, rather, its tax money, from the hands that seemed to work only to compass their own overflow. To obtain his supplies the merchant has been forced to stand in a subject position before all these potentates, to study their demands, and to yield obedience to their laws. Perhaps the fortune hunter is hopeful of increasing his gains by holding railway stock. The very value of such stock, and its power of returning income, is dependent on the utility of the service rendered. It will be more dependent on the utility of the service, indeed, than upon its efficiency. Profit may be gained from uncomfortable and dirty cars, and from ill-mannered agents and conductors; but it never can be won from a useless service. Perhaps the fortune hunter is satisfied to keep his possessions in the form of gold and silver, or bank notes. Then it must be loaned out to use, and made productive in the service of other men. Lying in the bank vaults it will become covered with rust or go to decay. The hand of death has placed its sign upon everything objective. It is only principles and modes of motion that endure forever, and the very existence of wealth is dependent on its continued activity. Whatever the form assumed it must serve the public or vanish; and no man's fortune can be called exclusively his own. He may hold it under his control; but he must make it generally useful or it will desert him, and he or his posterity will be left stranded and without resources.

It will be worth while to pursue the discussion with the usual illustrations from real life, heretofore depended on to strengthen the argument. Let us suppose, then, that the rich man is a large householder; that his wealth is represented exclusively in houses and lands; and that his entire income is derived from rents. There seems to be less reciprocity of service between the opulent householder, holding for investment, and society at large than between rich men and society when the former are engaged in more active fields. The householder has perhaps bought his houses after the builder had discharged his workmen, and placed the property on the market. It can no longer, then, as it seems, contribute to the resources of the skilled artisan or the laborer, and at the best, after swelling the bank account of the landlord, can only add to the resources of the agent, and a few janitors, and give high priced shelters to those few tenants who find themselves compelled to lease. Without reflection, it seems to be a case where all the service is rendered to the householder, and little, except the boon of shelter, is given in return.

But observe even here the impossibility of escaping the operations of the general law. Before the purchase of the property the builder had finished his labor, and discharged his workmen. He had been compelled to discharge them because his capital was all locked up in the venture, and he could not proceed with his building operations. But in the purchase of the property the householder released this locked up capital, and permitted it to be put to the construction of other work. Since its release it has not ceased to be active; and it is still active in giving employment to possibly the same housecarpenters and masons who were formerly employed. It will continue active, going from venture to venture, as fast as the transaction is repeated. Then the new proprietor

remains practically an employer to the full extent of the employment given in the construction of his property. The builder would have been powerless without his cooperation, or the cooperation of some other person with corresponding motives. But with this cooperation he has been enabled to undertake new ventures. There is no escaping the logic that leads to this conclusion. We see here simply an illustration of the law which compels cooperation; and we discover at once that the new proprietor could not come into possession, of his property without becoming a beneficent agent.

But we need not end with this illustration when demonstrating that the landlord is necessarily a contributor to the general good of society. That he is a powerful agent in helping to sustain the structure of finance is beyond question; for we see his hand at the foundation of all institutions designed to maintain credit and provide security. But it is among the smaller operations of men just beginning, like the builder, to ascend to fortune, or struggling to escape from the embarrassments of poverty, that we see his greatest usefulness; and it is only by a close analysis that we can find the full extent of his enforced contributions to industrial and mercantile success. There is always a good reason when a man takes possession of rented premises, and the reason is not always to be found in his poverty. It may be sought in a sound economic motive. Many comparatively rich men are tenants. They simply substitute the payment of rent for the payment of interest. They prefer to carry the wealth represented by the house in stocks or merchandise. It can be made more productive there than when embodied in the more inert brick and mortar. At first thought the exchange may not seem sensible. Rents, in their combination of charges, cost more than interest. But here is the saving feature. Rents

can be paid without giving any security; but money cannot be obtained without some pledges for its safe return. The business man is therefore willing to pay the equivalent of ten per cent in rents and invest his own money in operations that may return more than ten per cent. He might own the house and mortgage it; but taxes, and other charges, would still cause it to stand him ten per cent out of pocket, and he would besides be subject to the discrediting, though often unbusinesslike, aspersion that rests against the proprietor of a mortgaged domicile. Neither could he obtain its full value on a mortgage. He therefore pays rent, and thinks it good policy. He compels the landlord to contribute to his mercantile resources. It cannot be denied that reciprocal service is rendered here, the landlord helping the tenant to enlarge his operations, and increase his market. It will often happen that the tenant will win largely increased fortune through this enforced cooperation of his landlord, though superficially, and perhaps profoundly, the latter is governed by selfish motives.

Again, among the men who pay rent not from choice but from necessity we can find innumerable examples to show that wealth invested in houses and lands, is forced to contribute liberally to the public welfare. The men of this class may find rent paying a hard and oppressive obligation. They unquestionably do find it a very distressing burden; and ought to look earnestly about them to find legitimate means for escaping the load. But how many of the now opulent owners of factories and mercantile warehouses would have risen above the position of clerks or journeymen mechanics had they all been compelled, as a preliminary to their career, to come into possession, under prevailing methods, of a title in fee to the little shops and store rooms where their ventures were first undertaken. Very

few, it is to be presumed. It would have taken them the better part of a life time to prepare for their true beginning. Broken in heart and courage, they would finally have come to regard service as their only alternative and hope.

Let us descend still lower in the scale, and, leaving the premises appropriated to trade and industry and the quarters rented for the purpose of increasing operative capital, find among the enforced tenants of the tenement house neighborhoods, and elsewhere, examples to show that wealth invested in houses and lands can remain wealth only so long as it is made to serve on a mission of benevolence. It is common to speak of the landlords of these houses as an especially rapacious class of men, and they are made the chief objects of attack by social revolutionists when inveighing against the selfishness of what is called capital. The tenement house landlord is a hard master. True, but the elements are a much harder master. The tenant would like more space, better ventilation, and less objectionable neighbors. He could gratify all these desires in the green fields, or in the forest. It was wealth that brought the cave dwellers out of their fastnesses, and it is still wealth that gives them such comforts as they enjoy. We should be forced to maintain that the inhabitants who once peopled the territory adjacent to Central Park, and covered it with slab huts, the domiciles at once of the proprietors, their ragged families, and their pet pigs and goats, were better housed than the tenants of the east side tenement houses before we could admit that even tenement house property is not a boon to the poor. Their environment in such quarters might be improved. It will unquestionably be improved; and it is to be hoped that the improvement will come in the near future. But it will not come as a result of any of the various wild attempts, from time to time made, at

the destruction, or what means the same thing, the impairment of wealth. The difference is only in degree.

In holding the argument so strenuously to the defense of wealth represented in houses and lands it is not the purpose to imply that the relation of landlord and tenant is a proper, or sensible, relation to maintain. On the contrary, it is the consistent purpose of these pages to show that it is not a proper relation, and that its maintainance is a relic of a low state of civilization, soon to pass away and give place to a better system of interdependence. The purpose is only to show that, even in the field where it is thought to be most oppressive in its effects, wealth inherently represents only a beneficent force.

But there may be men who will say that all this can be granted without breaking the force of the charge that great resources are often used oppressively. Men are selfish and exacting, and disposed to insist on the fulfillment of the letter of their bond, no matter what suffering follows. This may be true; but it is impossible to admit that it is a cause for complaint. It is a cause for admiration when we meet men who seem totally unselfish, ready to forgive a debtor, and, apparently, almost willing to place their fortune at the disposal of the unfortunate and needy. But it is doubtful after all if such men do more good with the wealth of which they come into possession than many of your hard, pushing operators who insist on making every dollar under their control contribute towards the production of still another dollar. One of the best charitable institutions in the world is the factory which gives employment to a thousand men. It is only excelled by the factory which gives employment to several thousand. Think of the amount of food and clothing which such an institution distributes, of the number of doctors it keeps in the service of

needy invalids, and of the means afforded for, acquiring intelligence, culture, and even refinement. We have no wish to disparage kindness of heart. It is altogether an admirable trait; and it dispenses blessings upon all who come within its influence. When joined to great wealth it is capable of alleviating an infinite deal of suffering. But when deprived of this ally it is altogether powerless. It cannot even prevent the distresses of the heart by which it is indulged. We are unable, therefore, to place the merely kind-hearted and philanthropic man by the side of the great operator, and to pronounce him equally capable of providing social emollients. We find ourselves compelled to largely judge of his usefulness in society by the amount of wealth that he controls.

There is something that looks like an infinite and all wise design in the operations of the law which compels all who study their own material advancement to become contributors to the general resources of society. The more strongly a man is selfish and self-seeking the more actively will be set in motion the machinery which works towards ends that cannot be called other than benevolent. The most rapacious man in the community, when his operations are confined to legitimate fields of enterprise, may be among its greatest benefactors. If truly rapacious, and his traits are publicly known, his benefactions will go unheeded. He may be denounced, even, for a public enemy. But the public will share in the fruits of his victories, though it may refuse to water his grave with tears.

CHAPTER VII.

THE IMPAIRMENT AND DESTRUCTION OF PROPERTY.

We have sketched hastily in the preceding chapters the origin and

evolution of wealth, and have endeavored to make plain the real significance of the word property. We have found it to be a substance created at the birth of sentiment, and designed to contribute to its sustenance. It was found, also, to have sprung inherently from an individual and not from a communal instinct, and to owe its very being to personal aspirations and desires. But we have not failed to observe that in the course of its development it acquires a much broader meaning than it possessed in the first stages of its growth, and that, under certain aspects, it seems to become an appurtenance to society. In these changes, however, it loses nothing of its original distinction. It can never surrender its inherent personal quality without rendering up its own being, and reverting to the chaos from which it sprung. But as society becomes more complex there rises a growing condition of interdependence among its members, and wealth becomes more and more an object of general utility. As explained in the preceding chapter, it finally, through the specialization of employments, reaches a plane of development where it cannot be enjoyed without seeming like a general fund from which all men draw their subsistence. It is after it has reached this plane that it must now be considered.

It should go without saying that, so far as wealth has societary relations, the larger the amount in existence the greater will be the general benefits conferred. If wealth furnishes employment, stimulates trade, promotes education, and adds to refinement, and to civilization, then we cannot go forward too rapidly in the work of accumulation. The factory engines cannot be driven at too high a pressure, the merchant, when not unmindful of his health and means of cultured enjoyment, cannot sit too long in his counting room, nor should the laborer ever become weary with his toil. To them and to their

children will come the rewards of their activity. In recompense for their exertion, they can sit more securely within their homes after night-fall, and rise more cheerfully on the morrow in the confidence of a still better and brighter day. If all that is to be done is to make haste and increase the national estate, in the full confidence that the work will supply increased means of enjoyment, the world's task is simple, and men cannot mistake their duty.

But here, directly, we break down. We discover at once when we undertake to assign men to their places that the old idea of property as a personal appurtenance has lost nothing of its force. Men are not working for society. They are working for their own personal benefit, and the benefit of their families, the results of their work to extend through two or three generations. Nay, it is certain that the old idea of wealth as something inherently a personal possession is gathering force, and that it is stronger now than at any former period of social development. We know this to be true, first, because we have seen that every advance in civilization is an advance towards greater self-consciousness, or selfishness exaggerated into selfishness, if you will, and in the second place we know its truth because history teaches sometimes the gradual and at other times the violent breakdown of communal institutions in all countries that begin to move in the direction of political freedom. It follows, therefore, that we will have to deal with wealth in the future as it has been dealt with in the past. It must be treated as something designed for individual gratification, and not for social or communal use. Men are beginning to even look askance at a political economy which teaches merely the art of accumulating national wealth, and leaves to undeveloped financial and industrial methods its distribution among the members of society. The community

is at a discount. The individual passes at par, and he demands for his ideas the free circulation that a currency at par will always receive.

Nevertheless, the societary character of wealth is still maintained, and it will always be maintained with a constantly increasing tendency, we have the right to presume, to a more widely distributed usefulness. As it grows in amount it will grow in its power to lift all men to a better environment. It is to be hoped, too, nay it is believed, that the day is already at hand when better theories of production, and a better system of distribution, will give to all men a competency, and relieve even the most abject from the distressing poverty which has so long held an over-whelming majority of the race in fetters. But this is in the future, while the national wealth as it is now constituted and distributed is our immediate concern. It is our duty to preserve and increase the total by every wise and legitimate means to be found within reach.

But this does not seem to be the view of certain philosophers and statesmen. Because wealth is unequally distributed they apparently think that all that exists in excess of a fair allotment to each person should be destroyed. "Beware! of the coming billionaire," exclaims one. "Confiscate the land," ejaculates another. "Reduce charges on transportation," says the third; and then a chorus rises from all quarters which calls for such a summary repression of profits that the merchant or manufacturer stands dazed and bewildered. He does not know from how many nor from what points of the compass the next attack will come.

Now, as to the coming billionaire, it would be a consumation devoutly to be wished were there a hundred thousand such opulent citizens in the United States. The amount of good which they would be forced to do to make their possessions productive is

beyond calculation, They could find it to their profit to dry up all the swamp lands, and free us from malaria. They would need to open innumerable new channels of communication to be even able to reach their fields of investment, and hold their property in hand; and we should see start into being such numberless new picture galleries, libraries, and colleges that we should almost fancy ourselves a nation of artists, authors, and professors. We should have a national opera company, and a national conservatory of music, without question. But, unfortunately, (and it is one of our disabilities) we are not yet certain that any person has passed his first hundred millions, while an incalculable number of men will not consent to control so much as a few paltry hundreds. As to the suggestion looking towards a confiscation of the land, it is even worse than the warning against the possible billionaire. Were it possible to abolish property in land, without finding somewhere in interstellar space a spot for the occupancy of our corporal bodies, which it is not, we could not abolish it with inflicting on ourselves an almost irreparable injury. Land, or to speak more comprehensively, space, now represents nearly half of our national estate. It is a powerful factor in the organization of enterprise, and were its value destroyed we would be like men building a marble palace on a foundation of clouds.

When we come to consider the question of dividends and profits we reach a subject that should be treated seriously, because in their efforts at its comprehension men commit their most serious blunders, and fall most fatally by the way. Let us have a bit of the economic catechism.

What are dividends and profits?

They are the net income derived from investments and trade.

And what is income?

It is the substance of wealth itself.

Wealth has absolutely no economic

being except when it represents a certain intangible principal founded on what is produced in income. Put it in any way you please and it is still stated in figures, units, tens, hundreds, and thousands; and these figures stand upon a row of still other figures many percent lower down in the column. The lower figures stand for income. They are like the degrees of temperature that send the mercury in the tube up to summer heat, or let it drop below zero. There may be unproductive property; be it owes its relation to live property to its promise of future returns. Deprive it of this promise, make it certain that it will never produce again, and its value has forever departed. It is no longer wealth.

Men are often clamorous against excessive charges for service, sometimes in one department of traffic and sometimes in another. But, abstractly considered, no charges can be called excessive. Price is merely a matter of conventional usage, established by circumstances. The East Indian employer who employs his laborers for the equivalent of five cents a day would think a hundred cents for the same labor excessive. And it would be excessive in the East Indies. But, in America it is thought a riotously low price to offer an able bodied man. We see, therefore, that charges are founded upon no abstract principle that subjects them to any certain gauge. They may be high or they may be low, and we judge them simply by comparison with what we have witnessed in corresponding cases. But we hear a great deal about excessive charges; and of course it would not do to say that they are not sometimes higher than custom has established. But let that pass. The purpose here is merely to know the meaning of the clamor for reduction.

What, then, is the significance of the outcry against excessive charges for service in any department of traffic? Largely, it is a demand for

a reduction in the value of the property on which those charges are founded. It exposes a determination, not fully comprehended, perhaps, to take from the national estate a certain percentage of its estimated value, and to destroy this proportion as completely as though it had been swept by fire and obliterated. A railway nets eight per cent. to its stockholders on its charges for carrying passengers and freight. On these returns the roadbed and rolling stock can be kept in good condition. The cars may be sumptuous and convenient, the service on the trains, at the stations, and along the road will be ample, and the traffic can be handled with safety and despatch. But reduce the charges so that the profits will not begin to equal the profits drawn from other fields of investment and what do we directly see? Demoralization; an effort on the part of the stockholders to get rid of their stock for the purpose of making more profitable investments, and the value of the property will at once fall to correspond with the new level of income. But what then follows? Men will not see themselves despoiled of their wealth without a struggle; and an effort is made by the managers to recover their ground by a reduction in operating expenses. Needed, but not absolutely indispensable, employees are discharged, and the wages of remaining employees are reduced. For the purpose of maintaining the effect, and disguising the hand of retrenchment, the cars may be maintained in good condition; but the bridges will go to decay, and the tracks will remain unguarded. They will be left open to the attacks of the tempest and flood. Soon the road will be in such condition that no man knows half the peril encountered when he takes passage on a train. There can be little question that nearly all the recent disasters on the railways, startling for their frequency and

magnitude after a long period of comparative immunity, were the direct result of the deterioration of the roads following upon an unprofitable traffic. Shocking accidents are among the results of a demand for ruinously low rates. But they are not the only results. They are even proceeded by the unfortunate results that follow directly upon the reduction. Millions of wealth which was formerly a powerful force in sustaining the market have disappeared, and the entire community, bound together by interdependent relations, suffers. Has a gain been made for the travelling public? Men have different ideas of gain. Some men might be willing to risk a broken head for the purpose of saving a few dollars on the price of a thousand mile fare; but what they gain in money they will lose in time which is the equivalent of money to the good husbandmen. They will lose, too, in attendance and comfort, advantages for which liberal minded men are willing to pay.

Let us try and see if we can find any considerable number of persons in the community who will gain by the decline in the value of railway securities. We will not visit the Stock Exchange. It is about the only place on earth where the art of making a profit on losses has been reduced to a sometime successful practice. Let us look abroad in the community elsewhere, and see if we can find any industrial or mercantile worker who is benefited by unprofitable freight and passenger rates. Will it be worth while for the commercial traveler to save \$5. on the cost of a ticket from New York to Chicago when the reduction helps to bring about a depression in trade which will prevent his making any sales on his arrival at his destination? Evidently, it would be a dearly earned economy. But the farmer who secures cheap transportation for his products at the same cost will fare no better. What will it avail him to be able to trans-

port his wheat to market at a saving of ten per cent when his gain is won at a cost of a twenty per cent reduction in the price? There can be no question that the price of every commodity on the market in the United States is largely dependant on the prosperity of our railways.

It is evident that we can look to see no business man or agriculturist benefited by the impairment of railroad property. A few opulent persons, intent upon traveling for pleasure, might think they found some gain in greatly reduced fares. But they must be persons whose income is in no way complicated with railway stock, or their gains will be more than offset by reduced dividends. We cannot concede that even the man of leisure can be benefited by cheap fares, for, whatever his source of income, it will be reduced by an amount equal to his saving when the railway property of the country is demoralized and unproductive. Except, possibly, salaried men, not much affected by the times, few persons in the community are in a position to derive benefit from a reduction in the charges for railway service. When we come to unreasonable reductions in the cost of merchandise until the price of commodities falls below the cost of production, or below the margin of profit, we meet with similar manifestations. But here the causes for reduction are not, as with railways, due to combined competition, mischievous legislation, and public clamor. They are due to competition alone; but there are destructive forces enough in competition, when left completely unbridled, to make legislative or other folly unnecessary. There was never a very disastrous panic that was not the direct fruit of an inadequate margin of profit. There may be other causes for panic. There may be panics that spring from financial rather than mercantile complications; but such disorders, if they are ever experienced, are of short duration,

and do not compare in their consequences with the crises that result from a gradual fall in prices until it is no longer profitable to buy and sell. After a panic springing from this cause the work to be done is not so much a work of readjustment as of rehabilitation, with all the forces operating against its accomplishment. The train has been brought to a complete standstill; and every locomotive driver will tell us of the power required to put a stationary train in motion. At such a time no man earns money beyond his mere living or operating expenses, and many fall below even this amount. Then large dealings are impossible, and every man puts a check on his disbursements. There has been overproduction, it is said. But had no panic come the merchandise on hand would have disappeared in a year. It is not overproduction, then, but no profit in production, or, rather, production below cost, that has caused the trouble, and to increase prices when there is no market is a very difficult undertaking. To make the situation worse the mill-wheel must still be kept moderately in motion, or the poor would starve. Hence comes a double cause for embarrassment. There is too much merchandise on hand for the market, yet the quantity must be continually increased. Through the operation of these two causes the effects of a panic caused by reductions in charges are never overcome in much less than five years, and sometimes they are prolonged through even a more extended period. They can never be overcome until the cost of production is reduced through a reduction in the prices paid for labor so that a margin of profit can be again secured. When it is obtained, and not until then, the revival will begin. Something might be done in these cases by combination, and stimulants administered to the market; but the patient is usually left to recover in the natural way.

Men must not deceive themselves with the idea that either society or the individual members of society gain by any reductions in price that do not spring from cheapened processes in manufacture. What to any man is a difference of a few cents in the dollar on the commodities which he is forced to buy? He will hardly detect the amount in the total of his accounts; yet it will be just these few cents, not more than six or seven, which make the difference between an active and a depressed market, and by an active market the loss will be restored in the form of personal gains. In good times the wages of workmen range from ten to twenty percent higher than in depressed or panic times, and employment is constant. But under the depression or prostration that precedes or follows a panic wages always fall to the lower level, if it can be said that there is any bottom on which a level can be drawn, and it is often impossible to obtain employment on any terms. Then would it not be better for these workmen to pay constantly from their higher wages this six or seven per cent. that is required to sustain the market than to see the reduction? No answer is required to this question. Every man must see at once that the economy has resulted in a frightful loss.

When we consider the commodi-

ties that are brought only by men of opulence the lesson is not less instructive. In the manufacture of such commodities the poorer members of society are concerned only in their wages. They are not buyers of luxuries; and a depressed market will reduce their income gained in production without giving even the poor return of an equal advantage in savings. What they gain in the common saving on necessities they will more than lose on income; for in panic times it is the market for luxuries that suffers most heavily.

There can be no question but that the best interests of the community will be best subserved by keeping every department of traffic on a margin of not only fair but stimulating profit. It is a difficult subject to regulate. Competition, combined with the frequent disasters, culminating in forced sales, that follow upon misjudged enterprises, are continually at work lowering the standard of prices, and the danger signals are often made manifest to astute men even when the sky is clear to common observation. To these evils must be added the evils of ignorant legislation. We shall never have the subject right until all men become investors, and find an interest, visible to all, in maintaining the profit of market transactions.

APPENDIX A.

The argument showing the possibility of maintaining insured bonds bearing a low rate of interest, page 35, Chapter IV., must, of course, concede the necessity for limitations. Were an attempt made to supply money on all such bonds that could be offered at rates below the legal, or market, rates, after the system of bond insurance had become universal, it might happen that the market demand would be completely met,

and the effort would not only fatally impair the banking system but defeat its own ends. It would be necessary to limit the amount of bonds so taken to the requirements of moderate insurance. They might cover the cost of a low priced, dwelling and such small investments in good dividend paying stock as might be thought necessary for the protection of families. But the total amount should not, in the beginning, exceed

\$5,000 to each member of a company. All investments made with anything like a speculative purpose, or even with the object of carrying a very large insurance, should be subject to the ordinary laws of demand and supply, and made to pay the highest market rates of interest. By observing this rule we should preserve the indispensable banking system intact, and at the same time aid that portion of the community most in need of assistance. The banks themselves, however, could be trusted to draw the just line of division.

APPENDIX B.

In Part First of this treatise the theory of bond insurance companies was outlined in general terms, and the character of the law under which they should be managed was illustrated in a bill drawn in a form suitable for introduction in Legislative bodies. To those who have read and carefully studied the provisions of this bill any further statement of details should be unnecessary. But for the information of persons who have not seen the first number, and to whom the idea of bond insurance is new, it may be worth while to give here a synopsis of the measure, together with some reflections not heretofore made. Briefly, then, it may be outlined as follows:

I. The plan rests upon the idea of general, or large, organization, and a capitalization on personal incomes. The affairs of a bond insurance company should be administered by a board of trustees, and the organization should contain as many members as a board numbering not more than thirteen, and holding a supervisory control over the investments made with its endorsement, could conveniently superintend.

II. A company so organized, and containing, say twenty thousand members, will maintain a fund drawn from an established percentage reserved from the income of members, and

paid into the treasury in accordance with regulations adopted by the trustees. The total of these payments is made the basis of capitalization. Bonds bearing the name of individual members of the company may be issued to an amount that will leave in the treasury, after covering the payment of interest, the cost of company administration, and losses by fire, a fund sufficient for their redemption on the death or permanent disability of the members in whose names they were issued. These bonds are to be used in obtaining money either for the purchase or construction of dwellings, or for general investment under regulations imposed in part by statute and in part in the by-laws of the company. On a majority vote of the members the percentages reserved from income may be increased to meet any benevolent or educational plan that may be thought expedient. But everything like corporate speculation is forbidden.

III. Investments must be made subject to the consent of the trustees. In case any losses are met on investments made without such consent the company cannot be held liable; but in its attitude of endorser for the bonds of its members it is held liable for all investments that are made in accordance with this regulation.

IV. The trustees have no power to order an assessment on the members of the company. But, on the application of the trustees, the Supreme Court is empowered to make the order when an assessment is found necessary to meet the demands of a judgment obtained against the company in a court of law, or to cover unusual losses caused by fire, pestilence, or the disability of members.

V. The company must protect its members against inability to pay their percentages. In case of sickness, or any incident that results in a temporary loss of income, the per-

centages must be maintained, and the interest on the bonds carried by the disabled member, paid from the treasury reserve. But in this case the member is held liable for the payment of a double percentage to meet the deficiency when his income is restored.

There are other minor provisions; but these are the main features deemed necessary for the successful administration of bond insurance

companies. To go into the detail of management would be simply like reporting the proceedings and describing the forms of every incorporated body. The only difference between such companies and any other trust or financial organization will lie in their greater complexity. Their functions will be more diversified than the functions of other companies, and comprehend a wider range of objects.

THE END.

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