

wake of political unity; wherever we see one nation spring up where there were two before, we see a great impetus given to trade as a result of removing the two barriers. But where the States remain distinct we see no general disposition to take down the barriers even though their maintenance involves considerable loss to the nations on both sides. The implied opinion seems to be that proficiency in advanced manufactures is the main test of a nation's greatness and especially of its strength in war, a consideration which practical statesmen cannot ignore, and that the economic loss, if any, which would be involved by maintaining that proficiency would be more than counter-balanced by the political and social security which it would confer on the people. If foreign nations, both by tariffs and bounties, bribe their manufacturers to undersell Great Britain, the intention being to destroy her manufacturing industry and compel her to "go way back and sit down" to the more primitive employments of her earlier days, the situation thus created is one that will bear looking on from other than the economic standpoint. Great Britain, while still at heart a free trading nation and desiring competition with the world on free and equal terms, yet recognizing the fact that the tide does not flow in that direction, is constrained to pause and ask herself whether as a matter of preserving her industrial characteristics and her international influence, she should not swim with the tide instead of against it, trusting to a gradual turn of the tide in the future to bring about that desirable economy of national effort which the present state of international feeling seems to forbid. The situation is, indeed, a momentous one. To predict the outcome would be foolhardy in view of the falsification of the free trade prophecies of half a century ago. It is sufficient to reflect that if the principle of free trade is a true one, as we believe it to be, it will take care of itself and find its compensations and vindications in the experience of the world at large.



## FREE TRADE IN MONEY.

*(Expressly for the Review.)*

BY WHIDDEN GRAHAM.

That the "money question," as an issue of national importance, will not down at the bidding of any set of politicians, is every day becoming more evident. That question arises from conditions urgently requiring a remedy, and until these conditions have been changed there can be no permanent side-tracking of the issues growing out of them.

The reason why there is a money question in politics is primarily one of monopoly. Our currency and banking laws confine the issuing of currency to the Government of the United States and to National banks whose notes are secured by deposits of United States bonds. On all currency issued for circulation by private individuals or State banks, there is imposed a tax of ten per cent., which is, of course, prohibitive, no banks or individuals being able to pay this tax.

The result of this prohibition of what may be termed "private currency," as distinguished from notes issued directly or indirectly by the Government, is to make our currency system rigid instead of elastic, and to arbitrarily limit the supply of credit currency. Consequently we find the most orthodox of the gold-standard advocates, who a few years ago were vigorously asserting that there was plenty money in the country, and that the free coinage of silver was therefore unnecessary, now demanding legislation by Congress which will provide for a more elastic currency system. And there is no longer any talk, even

in the most conservative newspapers, of there being plenty money, but on all sides it is admitted that the situation is one demanding immediate relief.

This, then, being the confessedly undesirable condition of our currency system, there remains to be considered the proposed remedies. Of these there are many, ranging from the proposals for a larger volume of greenbacks or Government notes on the one hand, to the demand for the abolition of the restrictions on private currency, which now make impossible the use of the note of State banks or individuals as a substitute for money. Between these extreme views all sorts of elaborate schemes are suggested, which, while differing in details, are agreed upon the main point that the issuing of currency should be done under the supervision of the federal Government.

I do not propose to criticise here any of the more prominent measures, such as the Fowler and Lovering Bills introduced at the recent session of Congress, which are designed to furnish what is known as an "asset currency" under Government regulation, and which are all defective in that they propose to arbitrarily restrict the note-issuing function to certain approved banks, but to briefly indicate what in my opinion is the line of money reform that should be urged by those who believe in the principle of free production and free trade.

There are, and can be, only two consistent theories of a currency supply. One is that "greenbackers," whose views are largely shared by the advocates of the free coinage of silver, who hold that the federal Government alone should provide a sufficient supply of currency, which should be issued directly, and not through the medium of a national bank system. The second theory is that which holds that the issuing of currency is not a proper function of Government, but should be left entirely in the hands of the people, either as individuals, or when associated as banking corporations.

I am firmly convinced that the latter is the correct theory, and that all the evils of our insufficient currency supply are directly due to the unwise interference of the Government with a matter with which it has no right to meddle. Believing this I think it most desirable that the radical Democrats, who hope to have no small share in shaping the future policies of the country, should endeavor to reach some agreement as to the nature of the currency legislation which they would enact if they had the power.

As a suggestion toward this end I would submit the following bill, which, if enacted, would go a long way to settling the money question on the only basis upon which it can be permanently settled, viz., free trade in currency:

#### A BILL

To Repeal the Act Imposing a Tax on notes of State banks, or persons, used for circulation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Sections 19, 20 and 21 of the Act of February 8th, 1875, entitled "An Act to amend existing customs and internal revenue laws and for other purposes," be, and are hereby repealed.

The enactment of this bill would at once make it practicable for the thousands of state banks and trust companies scattered all over the country to furnish an abundant supply of a sound and safe currency, without regard to their holdings of Government bonds, and would effectually solve the problem of the annual currency stringency. At the same time it would materially aid in the production of more wealth, through making practicable the utilization of commercial credits on a much larger scale than is now possible.

Of course in the long run any advantages gained by the adoption of such a currency system would be chiefly absorbed by the owners of land, and it may be possible that the increased speculation in land which would follow an increase in the volume of currency would neutralize any benefits which would be derived therefrom. But this is merely another proof of the unwisdom of our

present systems of land ownership and taxation, and does not in any way detract from the soundness of the proposition that along with freedom of production, and freedom of exchange, there should go freedom to issue the currency by which exchange is facilitated.

WHIDDEN GRAHAM.



## HENRY GEORGE'S THEORY OF INTEREST.

*Expressly for the Review.*

BY JOSEPH FAIDY.

NOTE.—For the information of persons who have no previous knowledge of political economy and especially of the Single Tax doctrine it may be well to state that the terms land, labor, capital, wealth, rent, interest are used, in the sense in which they are defined in "Progress and Poverty." Land means the earth; labor is all kinds of labor both physical and mental; wealth means labor products, useful for the satisfaction of human needs; capital consists of labor products that are intended not for immediate consumption but to aid in further production; rent is the return from land; interest the return from capital.

That Henry George's theory of interest is fallacious begins to look like a certainty. However regrettable it may be that this defect should exist in his work it is a matter for congratulation on the other hand that the new theory, if it is sound, not only reinforces the rest of his social philosophy from the theoretical standpoint, but will tend to greatly facilitate and expedite its practical accomplishment. Furthermore, the new discovery was made possible by his work and the exponents of it admit their indebtedness to his teaching. It is the case of the pigmy on the shoulder of the giant and seeing further than the giant; the comparison can be made without derogating from the merits of the two writers to whose works it is the purpose of this article to call attention. To be compared at all to Henry George is distinction enough; most men in such a comparison would acquire the quality of invisibility. That the new theory is well founded there can be little doubt; for, besides the internal evidence which it bears on account of its reasonableness and simplicity, it has also been reached independently by different persons.

The honor of making the discovery or of being the first to publish it appears to be between Mr. Michael Flurscheim, of Germany, author of several books on economic subjects, and Mr. Lewis H. Behrens, previously known as one of the authors of "The Story of My Dictatorship." As to the cause of interest both are agreed, and both are of the opinion that with the withdrawal of land from the market as a means of investment interest would be abolished. But whereas Mr. Behrens stops there and says that after all the question is merely academic, Mr. Flurscheim carries the discovery to what, in the writer's opinion, is its logical conclusion, to wit, that it is entirely possible to nationalize the land and achieve all the objects of the Single Tax (and much sooner at that) by simply paying the present owners for their land. It is not quite clear which of these writers was the first to announce the new theory. The preface of Mr. Flurscheim's book, "Rent, Interest and Wages" in which his ideas are set forth, is dated 1890; Mr. Behrens's book "Toward The Light" is a new book which has been but recently published, but his "Story of My Dictatorship" was published many years ago, and in that little work the idea that interest would cease with the taxing of land value is indicated fairly distinctly. It is very evident that both of these books were made possible only by the writings of Henry George. Mr. Flurscheim in his preface speaks of his book as an appendix to "Progress and Poverty." Mr. Behrens does not specifically state that his book was inspired by George's writings, but its tenor shows his discipleship, and both of the books are practically commentaries on "Progress and