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## **Politics that Mean Something**

By Henry George

The war brought the nation one good thing — the taxing out of circulation of the notes issued by state banks, and the substitution for these local issues of a currency of uniform value throughout the United States. But the institution of the national banking system had nothing to do with this beneficial change. That was simply a sop to the banks — the bribing of these powerful corporations, by giving them special privileges at the expense of a people whose patriotism made them for the time careless of how they were taxed. While the ordinary citizen who bought a government bond, parted with his money in consideration of the interest he was promised, the favored corporations who took advantage of the national banking law were given back in government notes, bearing their names, nine-tenths of the face value of their bonds — thus getting back nine-tenths of the money they were supposed to loan the government while continuing to draw interest on the whole amount.

This virtual subsidizing of the national banks has cost the people far more than the vast sums paid to the national banks as interest on money they never loaned. The influence of the national banks upon our fiscal legislation is largely accountable for a policy which seems as if expressly designed to make the payment of the debt incurred during the war as costly as possible to tax payers. And now that the redemption of the debt threatens the withdrawal of the national bank circulation based upon the deposit of bonds, all sorts of plans are proposed to secure the continuance of the special privileges of the banks.

The proposition of Senator Farwell of Illinois to issue fifty-year two and a half per cent bonds for the use of the banks, on which they are to be allowed circulating notes to full par value, and to permit them to

substitute for United States bonds, as a basis of circulation, state, county or municipal bonds at seventy-five per cent of their par value, is the latest of these propositions to perpetuate the national banks, and bring into striking light the preposterous nature of the whole system. The issuing of a bond means, or ought to mean, the borrowing of money. Yet under Senator Farwell's proposition the United States is to issue bonds bearing two and a half per cent interest, to hand back to the purchasers all the money they pay for the bonds, and then to go on for fifty years paying them interest on money it has not borrowed and they have not loaned. And then to secure the perpetuity of this system of subsidizing the banks at the expense of the people. Senator Farwell proposes that the United States shall go into a similar one-sided banking business with these corporations on other securities than its own. Reduced to its simplest terms the proposition is simply that when these favored banks lend a state, county or municipality \$100 at four, five or six per cent interest, the United States is to lend them \$75 without interest.

If it should do this for the banks, why should it not do this for merchants, and manufacturers, and miners, and farriers, for the publishers of books and newspapers — and, in short, for everybody else?

Banks are useful things, it is true. But farms, and factories, and ships, and dry goods stores, and carpenter shops, and boot black stands, and some newspapers, are also useful things. And if the national banks, who take good care to charge other people interest when they loan them money, are to be suffered to borrow money from the federal government without interest, why should not the United States go into this business of lending money free of interest to everybody?

Senator Farwell's preposterous proposition is only carrying one step further the existing system of bank subsidies. It is but a natural result of the manner in which the people of the United States have for years permitted themselves to be taxed for the benefit of a few favored corporations. There never was any good reason for the institution of the national banking system, and there is not to-day any good reason

for its continuance. Like all special privileges, it is but a taxing of the many for the benefit of the few, and like all using of governmental power for private advantage, its results have been governmental extravagance and political demoralization. The pretense that there is some mystery about currency and banking that common people cannot understand, is like the pretense that no one but the members of the protected rings and trusts are competent to say what tariff taxes shall be levied on the people. The pretense that the national banking system rendered necessary aid in putting down the rebellion, and that it has given us a uniform currency, is like the pretense that we owe our growth and prosperity to the tariff. The national bank notes are current over the United States and fulfill the functions of generally acceptable money, not because they have the name of a bank printed on them, nor because bonds (on which the banks continue to draw interest) are deposited for their redemption; but because they are issued by the general government, bear its stamp, and rest upon its credit. They are in no wise better than the notes directly issued by the government, but derive their security and usefulness from the same source that gives the greenback its security and usefulness — the fact that they are issued by the government and are receivable for its dues. The only reason for continuing them is the enrichment of the few at the expense of the many. Every single dollar of the two hundred and seventy odd millions of national bank notes outstanding represents a dollar on which the people of the United States are taxed to pay interest, but which is loaned by a paternal government to the privileged banks without interest

There is no legitimate connection between the functions of government and the business of banking.

The proper business of banking is the receiving, the keeping and the loaning out of money, and the facilitation of exchanges by the extension, interchange and cancellation of private credits. With the issuance of money the proper business of banking has nothing whatever to do.

It is one of the proper functions of the general government to issue

money. But with the proper business of banking the government has rightly nothing whatever to do. There is no more reason for national banks subsidized by the government by loans of its money without interest, than there is for national grocery stores or national restaurants, for which government should supply the capital while private individuals took the profits.

Outside the bank of England there is not a single one of the many hundred English banks and banking institutions that has anything whatever to do with the issuing of money, and even in the United States, where this monstrous system of national banks has been suffered to grow up, a great part of the banking business of the country is conducted by banks like the Bank of America, Wells, Fargo & Co., and Drexel, Morgan & Co., that have nothing to do with issuing money, and yet discharge all the proper functions of banks as satisfactorily as do the subsidized corporations.

To withdraw the national bank currency and to substitute for it notes directly issued by the government would be annually to save to the people millions directly, and still more millions indirectly; but it would not in the least interfere with the proper business of banking. If any of the national banks chose to wind up when their one sided partnership were dissolved, private banks would quickly take their places.

The national banking system is but an outgrowth and a part of the protective system. It having been conceded that it was a legitimate part of the business of government to levy taxes for the "encouragement" of capitalists who put their money into manufacturing enterprises, it was very natural that the capitalists who put their money into the business of banking should demand and should receive their share of "encouragement." Then the silver mine owners of the Pacific, who were able to buy seats in the senate, wanted their share of encouragement also.

And taking advantage, on the one side of the false ideas propagated by the promoters of the conspiracy to enrich the creditor class at the

expense of the debtor class, by the forced contraction of the currency; and on the other, of the crude notions of those who have wished to resist and reverse this process by a depreciation of the currency, they have got the United States government into the business of buying, coining and locking up \$2,000,000 of silver every month, for no other real purpose than the creation of an artificial demand for silver.

Not merely has all this been aided by the governmental extravagance fostered by the protective system, which has for its object the keeping up of taxation for the sake of taxation; but the first and most important of all the false steps made in the administration of our national finances during the war grew out of the popular acceptance of the protective fallacies. Our national currency was dishonored at the outset, a tremendous speculation set up in its depreciation (for gold having a comparatively uniform and stable value, what was called speculation in gold was in reality speculation in the greater or less depreciation of the currency) and the burden of the war debt was enormously enhanced by the law under which greenbacks were repudiated at the custom house, and the payment of duties required. The underlying motive in this provision was to keep up protective duties.

Now that the subsidy system is being called in question, and a great national campaign is to turn upon the issue between the theory of protection and the theory of free trade, it will not be long before the currency question also comes up. And the lines on which it ought to be settled are the simple lines of free trade—the equality of all citizens and no special privileges to any one. Let the buying of silver and the hoarding of gold be stopped. Let the bonds be called in and paid as fast as they mature, either in government notes to be issued for that purpose or in specie if it be preferred. Let the silver be sold for telephone wires, to which it is better adapted than any other metal and would be far more useful than lying in vaults. Let a two and a half, or possibly a two per cent bond, be issued to whoever wants to pay for it at par, for which any one, whether he be a national banker or not, can have issued to him government notes to its face value whenever he chooses to present it at the treasury—the interest of course to cease

the moment the bond is thus redeemed.

With, perhaps, some provision for meeting general charges in the rate of interest by the issuance of bonds at a slightly higher or slightly lower rate of interest—a matter that could be far more safely left in the president's hands than the enormous powers of deposit and purchase now confided to him—we should then have a currency that would automatically conform to the wants of the country, expanding when more currency was needed and contracting when it became superabundant.

Our national finances ought to be conducted on the simple principle that would govern any business man—that of paying as little interest as possible and putting his capital to its most productive use. But as we have been, and are now going, it is conducted on principles the very opposite.

The use of money is worth to the masses of the American people from six to twelve per cent—in fact, great numbers of them, in purchases on credit or on installment pay far higher rates. Yet by a system of taxation that takes from the ultimate tax payers at least five dollars for every dollar the government gets, we are wringing from them not only enough to maintain a most extravagant government, but to keep an enormous surplus idle. The federal tax gatherers are virtually taking seed wheat from the farmer, tools from the mechanic, machinery from the manufacturer—capital in some sort from every producer, in order to hoard coned bullion in treasury vaults, to pay off bonds at a high premium before they are due, to deposit money with national banks without any charge for the use of it. And while we are paying enormous sums in interest on the public debt we are virtually lending hundreds of millions to these national banks without interest.

But at last, in the revolt against protection, the struggle against the system which prostitutes the powers of government to enrich the few and impoverish the many, has begun. Thanks partly to the courage of a few of its leaders, and partly to the attacks of its opponents, the democratic party is at last beginning to face in the direction of the

principles of Jefferson.

Talking to a group of our friends a little while ago, when the expediency of running an independent ticket was being spoken of, Benjamin Urner of New Jersey, whose name is known to every old greenbacker in the country, said some very impressive things about the manner in which a reform movement might be retarded by being forced prematurely into party politics, instancing the greenback movement as an illustration with which he was thoroughly familiar. Just prior to the organization of the greenback party, Mr. Urner said, the masses of both the great parties were rapidly awakening to the injustice and waste of our financial policy; and the halls of congress rang with speeches from prominent and influential men among both republicans and democrats as earnest and radical as any subsequently delivered from the greenback stump.

"But when," said Mr. Urner, "a lot of us enthusiasts, despite the advice of cooler heads, insisted upon organizing a third party upon this issue, I can see very clearly that we really set back the movement we wanted to advance. The people were ready to think about the question, but they were not yet ready to leave the old parties and vote with reference to that alone. We had no prospect of immediate success, and so only a few of those who really believed with us were willing to "stand up and be counted." The consequence was that we polled a miserable vote; at the same time we made it impossible for men to openly express greenback views and remain in their old parties. Men of position, ability and influence, who up to that time had been advocating our principles, stopped and remained silent, leaving a few of us to make an independent struggle, so hopeless as to make our cause insignificant and throw on it in popular view the onus of crankism. "I point with pride," said Mr. Urner, "to our greenback struggles; but to what purpose were they? A few local victories were won, always by alliances with our opponents. We did what a small political organization, acting independently, could do to arouse attention. But we became more and more insignificant until now even the name of the party we hoped so much from is among the records of the past. It really hurt, not helped, the cause it was formed to serve—

really deadened, by making it seem hopeless and ridiculous, the agitation we wanted to promote. But now that the greenback party has ceased to exist, the idea is already beginning to awaken among the old parties as the fear of odium is beginning to be lost."

Mr. Urner also went on to speak of the assertion sometimes made by those whose knowledge of the American political history is very vague, that the anti-slavery men gradually won their way by an independent movement in politics. "The truth is," he said, "that the real leaders of the anti-slavery struggle, such men as William Lloyd Garrison, Wendell Phillips and John G. Whittier, were steadily opposed to political movements, and that the third party movements which attempted to bring the anti-slavery struggle into practical politics were engaged in by men indoctrinated with anti-slavery ideas, but impatient of what seemed to be their slow dissemination in the public mind—men so rash as to wish to begin the battle against disciplined hosts when they were but a bare handful of undisciplined enthusiasts. These third party movements really retarded instead of advancing the growth of the anti-slavery movement. The republican party did not grow out of them, but out of the quiet permeation of anti-slavery sentiments through the elements of the old parties. And while they did something, perhaps, to advance the discussion in some ways, and by alliances in some localities with the old parties, elected some members of congress, they at the same time, stirred up party rancor and awakened a bitter opposition which made it inevitable that the evil of slavery could only be removed by violence and blood."

And so, from what to him had been costly experience, Mr. Urner argued that it would be in the highest degree injudicious to attempt to organize a third party on the single tax principle so long as the majority of the people were not informed about it; as that would necessarily be to arouse prejudices, which would be most difficult to overcome, and to give it an appearance of ridiculous insignificance that would prevent men from seriously considering it. The history of our country, he said, gives no instance of a third party beginning small and gradually growing to be the leading party of the nation. On the



contrary, parties which show themselves so small as to have no chance of success inevitably tend to become smaller.

I am inclined to think Mr. Urner right, and that both in the ways he pointed out and in the fact that small and insignificant parties attract ill-balanced extremists, the attempt to form an independent political party on the currency question has led to a widespread notion that any opposition to the existing financial policy of the government means a belief that wealth can be created and interest abolished by running enough printing presses on government notes. But the time is coming—and the changed attitude of the democratic party hastens it—when the whole question must be fairly discussed.

In the mean while everything goes to show that our principles, instead of being relegated to the background because there is to be no real attempt on the part of single tax men to go into independent politics this year, are really coming into wider and more general discussion.