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PINHEADS THRIFT OR CLAY

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Pinhead's Thrift or the Financiers

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PRELUDE

PINHEAD'S THRIFT was published for presentation to Congress in April, 1911. It was not distributed then, because the Monetary Commission's Report was delayed: But the general nature of the report having been made public, opportunity was afforded for this prelude of criticism and correspondence with well known financiers, so compiled as to form a suitable and more nearly up-to-date introduction to the book.

It is to be regretted that so much importance has been attached to the manner in which the proposed Reserve Association is to be organized, while the currency plan itself, which lies at the bottom of the movement, has been almost ignored.

Pinhead's Thrift and this prelude is an effort to bring the nature of the currency itself into the discussion and leave the banks to their own devices, so far as may be consistent with the Public welfare.

The Author is not opposed to banks or banking, but is opposed to the creation of the Nation's Currency thru a system of unpayable Debt-Making, and advocates a Currency Reform which will intelligently and progressively abolish Public Debt, at the same time offering a possibility of payment to a larger proportion of the corporate and individual debtor class—which class under the present or the proposed system, has not the slightest chance to escape financial disaster.

Notation: As it would be superfluous to publish the criticisms and correspondence in full, a few italicized phrases have been interpolated for the sake of clarity and brevity.

A

Correspondence with Mr. George M. Reynolds, President of the Continental and Commercial National Bank, Chicago, after reading a pamphlet entitled

"The Aldrich Currency Plan Interpreted"

Chicago, May 3, 1911.

Dear Sir:—

" * * * The kind of currency proposed is similar to the present National banknote, and is to be created and loaned into circulation for interest * * * The fundamental error about it is, that it has a greater debt-making than debt-paying quality * * * Is it not a scientific fact that no dollar which is created and loaned into circulation for interest is capable of paying the debt it creates? * * *"

Answer From Mr. Reynolds

Chicago, May 6, 1911.

Dear Sir:—

" * * * I hope you will pardon me for saying that I do not seem to grasp the thought which your letter suggests * * *"

An Attempt to Enlighten Mr. Reynolds

Chicago, May 8, 1911.

Dear Sir:—

" * * * The result of my study is that the loaning of money or *monetary credit* into circulation for interest, whether the money is stamped or indicated on discs of metal, or pieces of paper, or whether the transaction is simply registered with numerals on bank ledgers, constitutes a contract that is impossible of fulfilment by the borrowers as a class, unless some additional provision is made." *I find no such provision in the Aldrich Plan.*

Answer Number Two From Mr. Reynolds

Chicago, May 8, 1911.

Dear Sir:—

" * * * even at the expense of the probability of having you feel that I am very stupid in the matter, I must confess that I do not yet grasp the point that you make in the premises."

B

A Kindergarten Attempt to Enlighten Mr. Reynolds

Chicago, May 11, 1911.

Dear Sir:—

" * * * let me see if I can place it before you from another and simpler point of view * * * Suppose I loan you one thousand dollars at five percent for one year, with which you purchase material and labor. The immediate result is that you have what may be called the finished product *which you must sell to pay me*. But there is no more money or monetary credit from the transaction, than the amount you paid out, which is the original thousand I loaned you, and no provision has been made for the extra fifty in money that you agreed to pay me. * * * Where is the fifty in money to come from? This transaction in its essential features is like every other transaction, *for the aggregate monetary purchasing or distributing power can never be greater than the sum paid out in the productive effort.* * * * The kind of currency the bill provides for has a tendency to increase the already gigantic debt, rather than diminish

or pay it. * * * If you will try out the problem under the proposed system of creating, loaning and circulating money, *or credit*, you will convince yourself of the truth of my analysis. Or if, *on the other hand*, you are able to find a debt-paying possibility under the present or proposed system, for the debtor as a class, please let me know about it."

Mr. Reynolds Remains Noncommittal

Chicago, June 10, 1911.

Dear Sir:—

" * * * Inasmuch as I shall be away from the city considerably in the near future * * * I regret that I cannot take the matter up with you by discussion or correspondence."

Notation: The Author had offered to meet Mr. Reynolds in a public discussion of the issue, but had refused to discuss it in private.

The offer is still open, to him or any substitute.

C

Correspondence with Mr. Frank Vanderlip, President of the National City Bank, New York, after reading a report of his address on

Safeguards Against Panics

Chicago, Aug. 8, 1911.

Dear Sir:—

The President of the National City Bank. " * * * says about the Aldrich Currency Plan that it follows, develops, and legalizes the same general procedure which the banks themselves *illegally* resorted to * * * in 1907: If this is good—why not have the Government follow the same general procedure which it legally resorted to in 1861 to 1865? If a bank currency issued against bank assets is good, why is not a Government currency issued against all assets, including bank assets better?

"A Government dollar will exactly pay the debt created by its issue, *when demanded back in taxes.*

"A bank dollar (loaned for interest) cannot pay the debt created by its issue."

Yet both perform identical functions when in circulation.

Answer From Mr. Vanderlip's Secretary

New York, Aug. 12, 1911.

Dear Sir:—

"In Mr. Vanderlip's absence from the city, I beg to acknowledge your letter * * * which will be called to his attention at an early date."

Notation: The letter is still unanswered.

Letter to the Chicago Tribune, after reading a report of Prof. J. Lawrence Laughlin's address on

"The Pith of the Scheme"

Chicago, Sept. 14, 1911.

" * * * Professor Laughlin is quoted as summarizing the Aldrich Currency Plan as follows (omitting unnecessary words).

'The pith of the scheme is that a local bank * * * can change one asset * * * into another asset, lawful reserve money, * * * thereby enabling it to increase its loans.'

"According to this rather frank confession the proposed currency will go into circulation thru making more and more debt * * *. It seems inconsistent to claim that the plan will avoid disaster and with almost the same breath declare that the 'pith' of it is to enable the banks to increase their loans. Financial disaster can only be avoided by the payment of debt, and no machinery especially adapted to increase debt can more than delay the final catastrophe. * * *"

"But if the 'pith' of an intelligent currency is to make debt without attempting to complete the cycle by *supplying some means of paying it*, then the plans of the Aldrich Debt Factory can be marked O. K."

Notation: How would it be if the "Pith of the Scheme" could be extended to business men generally, so that they also could change one asset into another asset, Lawful-money; thereby enabling them to pay their Debts.

D

Chicago, May 23, 1911.

Dear Sir:—

" * * * I take the liberty of asking a question or two in reference to the proposed currency plan * * * I may say in advance, that I can clearly understand the debt-making facilities afforded the banks * * * but I do not find any provision for the payment of debts by the people to whom the banks loan the money * * * . What I am trying to find out is; what provision is made in the Aldrich plan to help the debtor pay his debts in money? *Which is always the stipulated condition when money or credit is loaned.*"

Answer From Mr. Wing

Boston, May 25, 1911.

Dear Sir:—

" * * * I do not think I can answer your question. * * * I do not think, even with the

plan in operation, it will do away with panics. * * * It should, however, do away with money panics."

Reply to Mr. Wing

Chicago, May 27, 1911.

Dear Sir:—

"I thank you for your very candid reply. * * * I think I must come to the conclusion that there is no provision in the Aldrich Currency Plan for the money to pay debts with. Your statement leaves me to suppose that you regard the Aldrich Currency plan as a method for saving banks. * * * from the cash liabilities assumed * * * under their system of loaning credit * * * while you still expect to have the other forms of business panics."

Notation: If self preservation is the law of nature which professional financiers are acting upon, why should not the layman debtor also take a hand in the game?

E

Correspondence with Mr. John Grant Dater, Financial Editor of Munsey's Magazine, after reading articles explaining the Aldrich Currency Plan.

Chicago, April 21, 1911.

Dear Sir:—

"I have been reading your articles on the proposed currency reform as outlined by Senator Aldrich.

"It is not surprising that bankers generally commend the idea, for they seem to obtain a two fold special privilege. First: The privilege of creating legal tender money (or currency) to meet their *own* obligations * * * instead of the illegal certificates they issued during the flurry of 1907. Second: The privilege of creating the Nation's Currency to be loaned into circulation for interest."

"But can you explain how the new currency reform helps the debtor class, which includes most, if not all, of the merchants of the National Board of Trade, whose commendations appear in your April number * * *?"

Answer From Mr. Dater

New York, May 3, 1911.

Dear Sir:—

" * * * in reply I beg to say that I cannot undertake to discuss any phases of the Aldrich bill unless I can make the material available for use in Munsey's Magazine * * * .

"I do not read into the Aldrich bill any such special privileges to bankers or interpretations as you do * * * ."

Notation: Nevertheless, Mr. Vanderlip proclaims the first special privilege. (See page D.)

The second privilege is announced by Prof. Laughlin as the "Pith of the Scheme." (See page D.)

Mr. Wing very candidly admits the merchant or layman debtor's ultimate failure. (See page E.)

F

Chicago, June 1, 1911.

Dear Sir:—

" * * * as I do not get any satisfactory reply from others, I thought I would put the question up to you * * * if there is any provision in the Aldrich Currency Plan by which it is even possible for the debtor class to pay its debts, will you kindly tell me what it is?"

Answer of the Professor

Chicago, June 2, 1911.

Dear Sir:—

"So far as I know the only way of paying a man's debts is by getting possession of articles of value * * *. The banking proposition we have in mind will make it easier for a man to pay his debts if he has valuable goods." * * *

Reply to the Professor's Easy-Going, Debt-Paying System

Chicago, June 6, 1911.

Dear Sir:—

" * * * At first glance it would seem that

* * * it could be so; but if we look deeper we will see that the trouble is not in possessing * * * but in dispossessing himself of articles or services, whether * * * of value or not, * * * so as to repossess himself of the money he borrowed and paid out, * * * and if he borrows, for instance, ten thousand dollars at five percent for one year, he creates a monetary debt of ten thousand five hundred, but creates a monetary purchasing power of only the original ten thousand * * * the sum total of these *individual* debts, amounting to many millions each year more than the purchasing power created thru the productive process, *makes dispossession for cash impossible* and brings about a periodical climax in which monetary debt can only be cancelled thru bankruptcy."

Notation: That is what constantly happens; that is the fundamental trouble with the system, and the reason why so many men fail. But does Prof. Laughlin or any of them tell us how the Aldrich Currency helps it?

G

FINALLY

These views from acknowledged Financial Authorities demonstrate the complete inaptitude of the Aldrich plan as a relief measure for the people: Indeed! it is not even an intelligent relief measure for the banks themselves. Nevertheless its advocates proclaim it "the only way" and throw out covert hints of dire disaster for "manufacturers, farmers and wage earners;" if the plan is not adopted; [Read the Hon. Ed. B. Vreeland's speech at Buffalo, December 2, 1911, and others of a similar nature.] while Mr. MacVeagh, the Secretary of the U. S. Treasury, boldly makes the anarchistic threat that "if we don't provide a legally organized monetary democracy, we will have to accept a self-organized monetary oligarchy." The solicitude of these gentlemen for the people is truly pathetic.

If the people wish to escape the toils of unpayable debt now is their opportunity, and this is their warning: They may be unafraid in their opposition, for the task of creating a currency that will help pay debt is not a difficult one.

The Tragedy of "Pinhead's Thrift" presents the dramatic action of the present and proposed system in all essential features. This is followed by an analysis and solution of the problem, showing the first steps that *must* be taken if the idea of benefiting the people, as a whole, is to be entertained, and the idea of a true Monetary Democracy realized.

Notation: If a Government Currency Plan is followed, instead of another issue of fifty millions, 3 per cent 50-year Panama Bonds, the people will save one million five hundred thousand dollars a year, or seventy-five millions all told; which is one hundred and fifty per cent on the issue—and if the plan is pushed to the limit, bonded public debt will speedily become a thing of the past. See the New York example—page 45—Pinhead's Thrift.

H

Pinhead's Thrift, or The Financiers

CONSECRATED TO

The Abolition of Public Debt

PRESENTED TO

The President and Vice President of the United States, The Cabinet,
The Monetary Commission and Members of Congress

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BY WILLIAM W. CLAY, F. A. I. A., CHICAGO, ILL.

THE AMERICAN ANTI-SOCIALIST
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FORENOTE



PINHEAD'S THRIFT is a pictorial Tragedy, illustrating the Mechanics of Finance as applied to the Money Problem, which is the most important problem in the Economics of today. Because—

¶ Having to do with the Creation and Initial Issue of Legal-tenderized Credits, it lies at the very root of all Economic and Equitable Distribution of Wealth, and of all Civic and Industrial Development in which Money or Credit is called upon to play a part.

THE AUTHOR

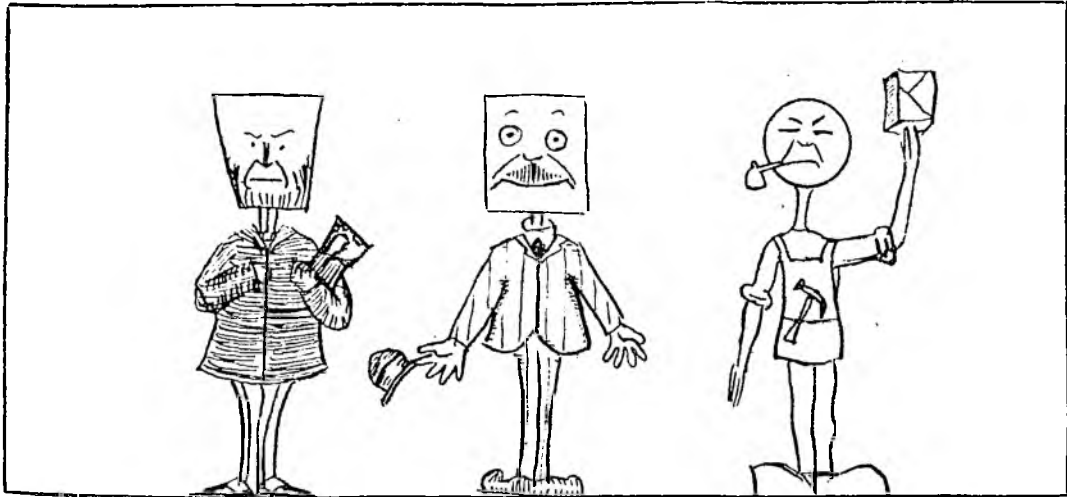


The Three Financiers

BRAINHEAD—A Financier of the Percent, who Lends the Money.

BLOCKHEAD—A Sergeant of Industry, who Borrows the Money.

PINHEAD —A General Utility Man, who Earns the Money.

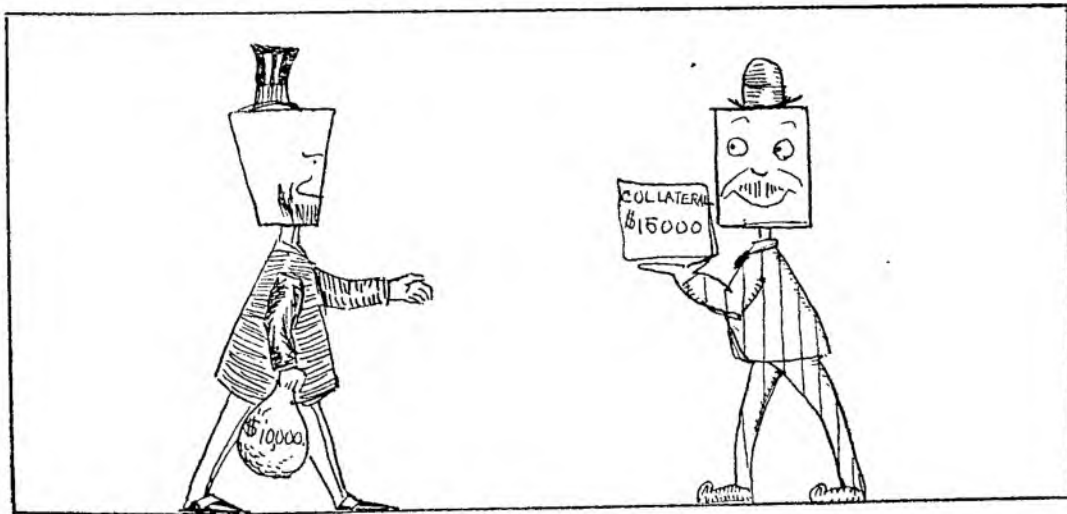


THE THREE FINANCIERS

A Business Meeting

BRAINHEAD and BLOCKHEAD meet in the Mart of Trade.

BRAINHEAD has the Money; BLOCKHEAD has Collateral.



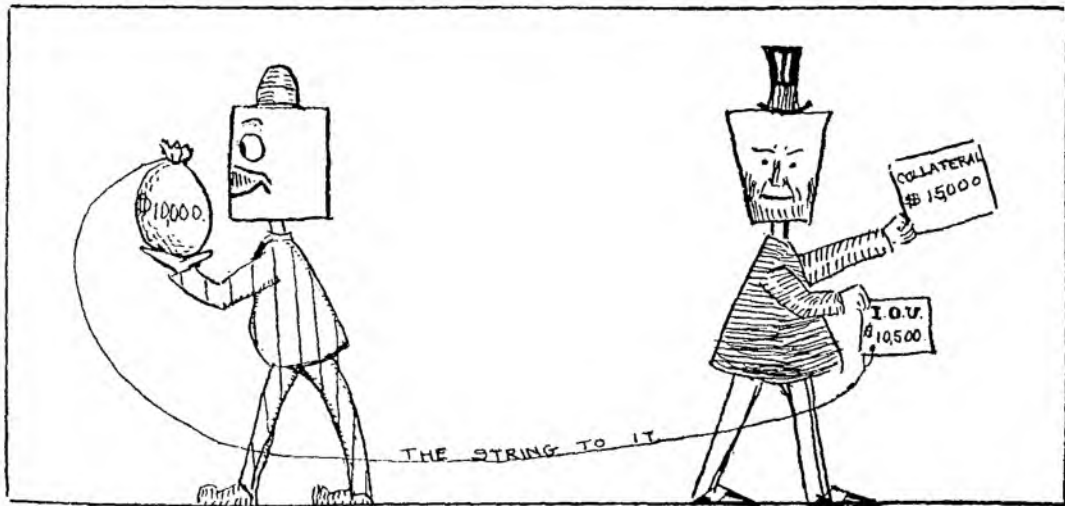
ACT I.—A BUSINESS MEETING

They Depart Rejoicing

BLOCKHEAD gets the Money.

BRAINHEAD holds the Collateral and an I. O. U. for \$10,500, having loaned the \$10,000 to Blockhead for one year at 5 per cent.

¶ The total of such transactions will show all our Money similarly involved many times over.

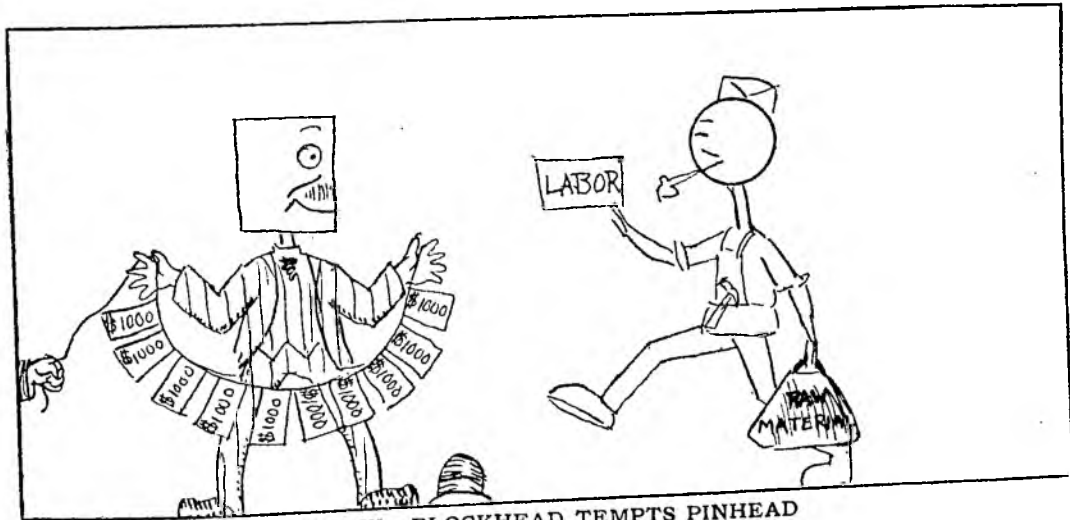


ACT II.—THEY DEPART REJOICING

Blockhead Tempts Pinhead

BLOCKHEAD, observing Pinhead standing idle in the Market Place, displays the money attractively about him.

PINHEAD, entranced by the glisten of what he thinks is Gold, rushes in upon the scene to exchange his Labor and Material for the borrowed Money.



ACT III.—BLOCKHEAD TEMPTS PINHEAD

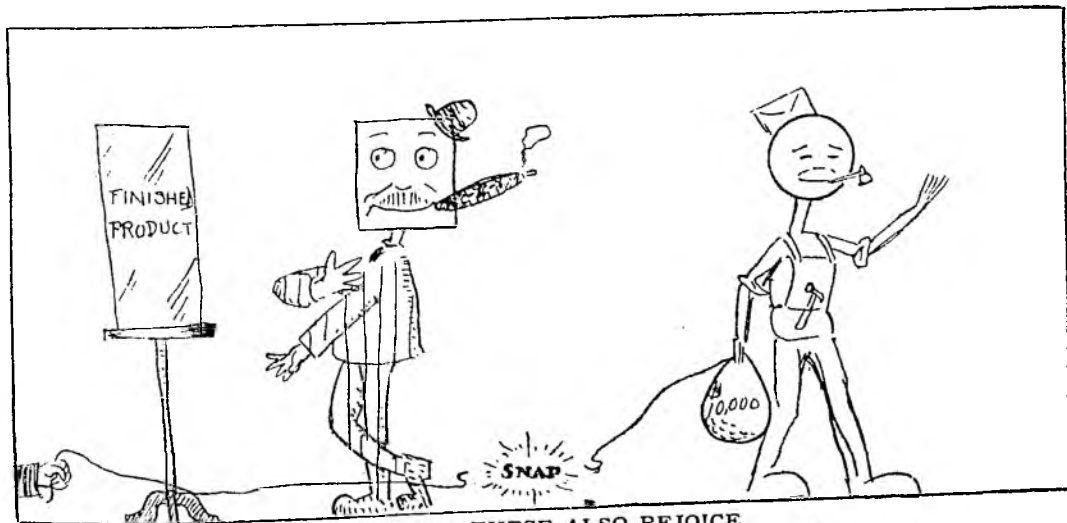
These Also Rejoice

PINHEAD gets the Money.

BLOCKHEAD gets the Product.

¶ At this juncture Brainhead's string to the Money snaps, and what was borrowed Money in the hands of Blockhead becomes free or liberated Money in the hands of Pinhead.

¶ The significance of this Transformation is not generally understood.



ACT IV.—THESE ALSO REJOICE

They All Rejoice

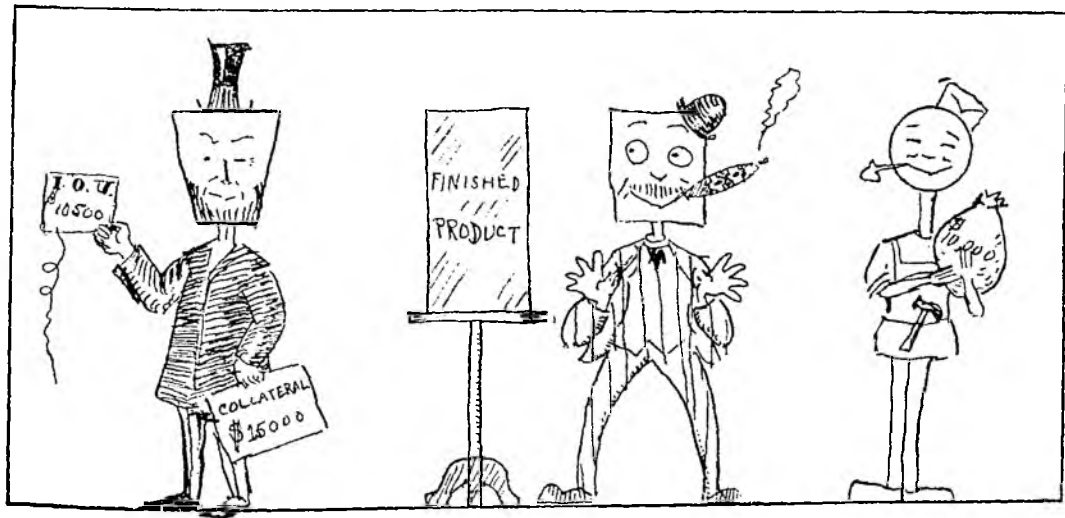
EVERYBODY seems prosperous and happy, the Money having passed down the line into the hands of Pinhead.

BLOCKHEAD must get this Money, and more, in order to pay his debt.

BRAINHEAD must also get it into his hands again if he expects to remain in the Money-Lending business.

¶ But the operation has not produced any more money than the original \$10,000.

¶ This failure to Transform itself into more money is worth while taking note of.



ACT V.—THEY ALL REJOICE

Aspirations and Reflections

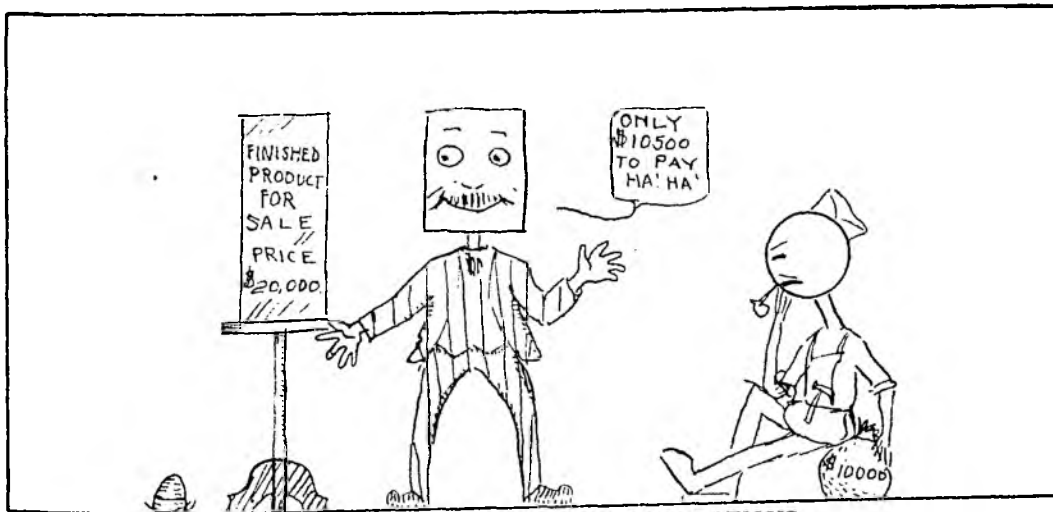
BLOCKHEAD puts a stiff price on the Product, aspiring to pay Principal, Interest, and a big Money-Profit to himself.

¶ But how can it all be done with only \$10,000 in sight?

PINHEAD, contemplating the Product-of-his-Labor, is reflecting as to why he cannot trade back at somewhere near what he received for it.

¶ Some day he may realize the strength of his position, since he now holds the entire Monetary Purchasing Power developed and liberated by the transaction.

¶ Statistics show that instead of putting the price at double the cost, Blockhead tries, at first, to get much more than that for the Product.



ACT VI.—ASPIRATIONS AND REFLECTIONS

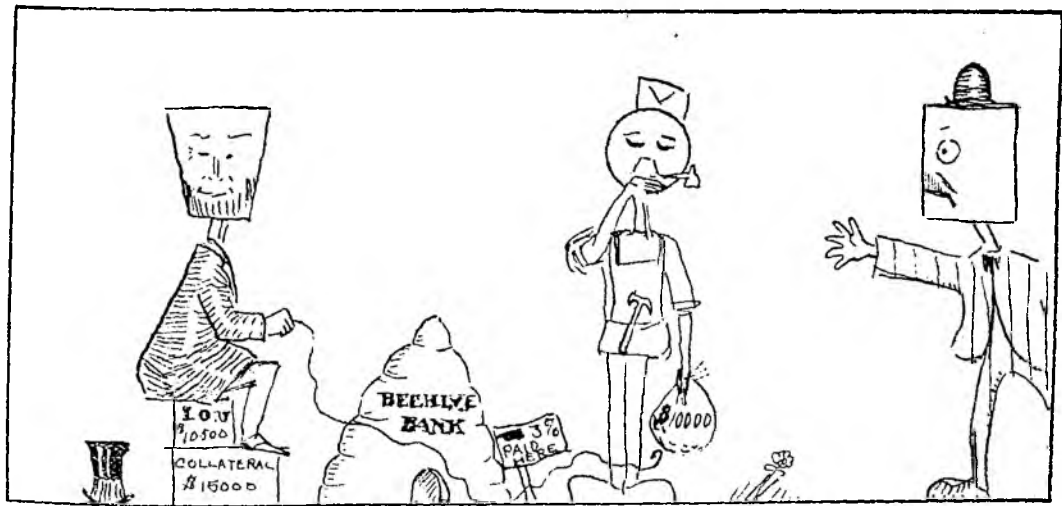
Now Brainhead Tempts Pinhead

BRAINHEAD, fearing that Pinhead will waste his substance in the purchase of Blockhead's Product, sits on the Collateral and endeavors to control the Money before it reaches Blockhead—

¶ By placing a Beehive Bank and a large 3 per cent sign where Pinhead will be likely to see it.

¶ It is here that the interests of Brainhead and Blockhead begin to clash, as they plot and counterplot to get at Pinhead's Money.

¶ See advertisements in all Daily Papers.



ACT VII.—NOW BRAINHEAD TEMPTS PINHEAD

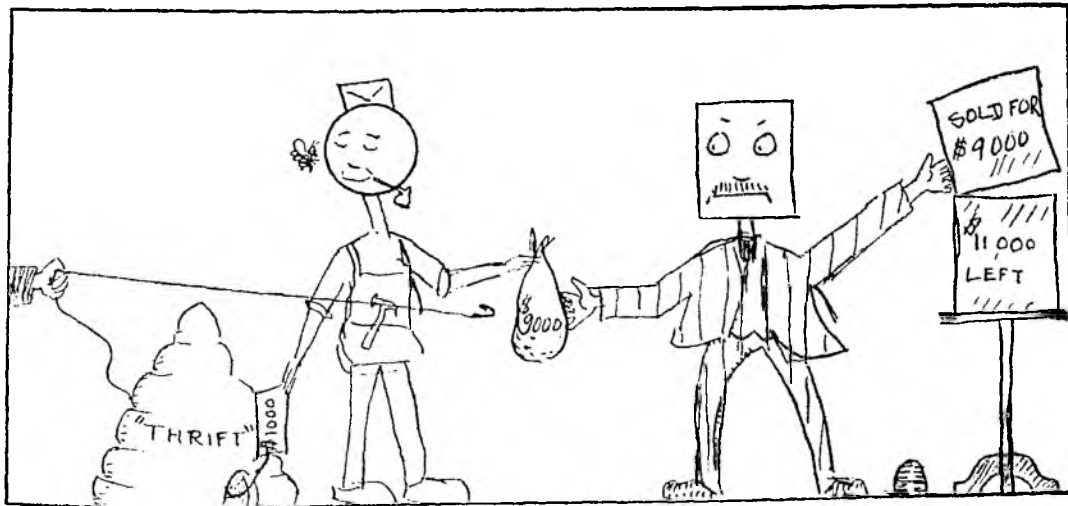
Pinhead's Thrift

PINHEAD gets a Bee-in-his-Bonnet, who tells him about a "Rainy-Day" and shows him the Honey-in-the-Hive.

¶ So he decides to buy only the necessities of life and to place \$1,000 with Brainhead at 3 per cent in the Beehive-Bank.

¶ Thus entering into what he thinks is Brainhead's game.

BRAINHEAD winks.



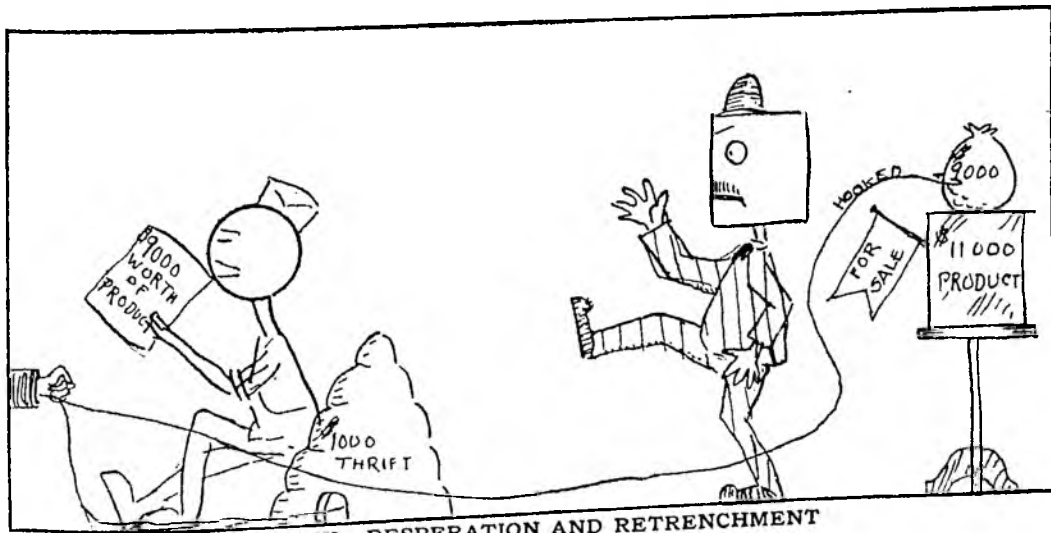
ACT VIII.—PINHEAD'S THRIFT

Desperation and Retrenchment

BLOCKHEAD, having sold only \$9,000 worth, finds himself \$1,500 short in cash, and, realizing his danger, thinks he will cut prices and retrench by discharging Pinhead.

- ¶ Which will entice or force him to purchase some of the Surplus-Product—
- ¶ With Savings, instead of with Current-Earnings.

PINHEAD sits confidently on the Beehive eating up his \$9,000—worth (?).



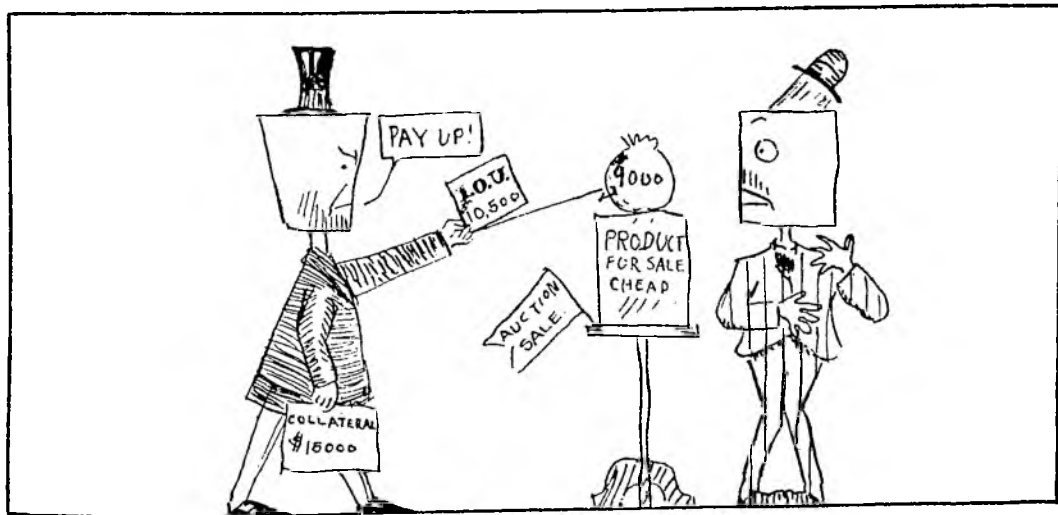
ACT IX.—DESPERATION AND RETRENCHMENT

The Economic Crisis

BLOCKHEAD'S weakness and attempt to get at the Savings alarms Brainhead, who demands payment.

- ¶ Nothing will satisfy this demand but Money.
- ¶ Which the complication of the situation makes it impossible to pay.
- ¶ Altho Blockhead still has quantities of unsold Product on hand.

¶ This condition is not "over-production," but lack of distribution, brought about by high prices; which have exhausted the Free-Monetary-Purchasing-Power before a complete Distribution-of-the-Product was possible.



ACT X.—THE ECONOMIC CRISIS

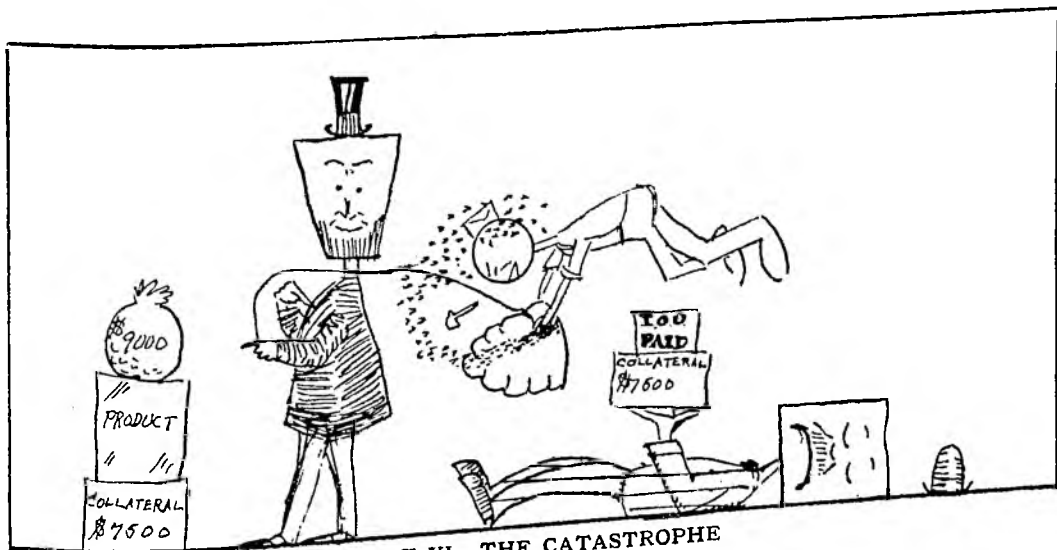
The Catastrophe

BLOCKHEAD is thrown down and liquidates. Accepting the best terms possible from his Creditors.

BRAINHEAD restores the I. O. U. and some Collateral. But takes the Surplus-Product at Auction-Prices.

¶ In this way he absorbs, from time to time, the great mass of Permanent-Wealth.

PINHEAD is Aviating-with-the-Bees, but contends with Brainhead for the Money-in-the-Bank.



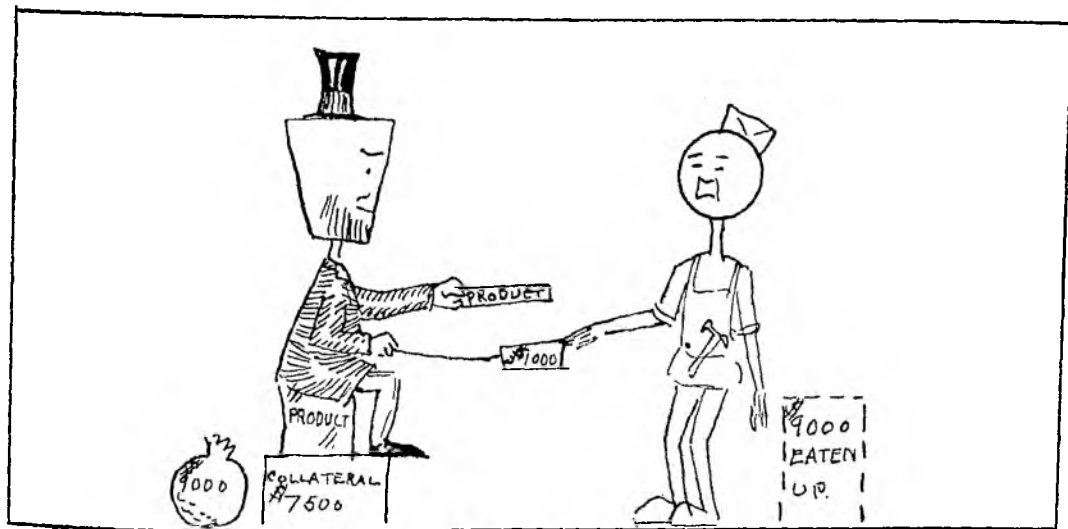
ACT XI.—THE CATASTROPHE

The Tragedy of the Percent

PINHEAD, having lost his job, experiences a Rainy-Day. And has to give up his savings until conditions are adjusted.

¶ Meantime, thousands lose their Mortgaged-Homes. While their services to Society as Producers-of-Wealth are also lost thru forced idleness.

¶ Under an Intelligent-Monetary-System the People's Homes need not be lost to them as a climax of the financial struggle.



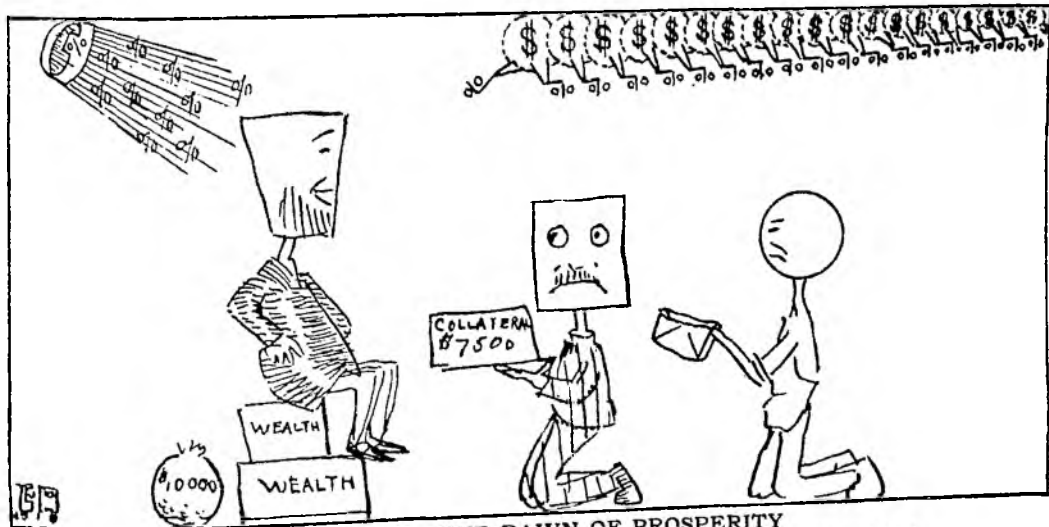
ACT XII.—THE TRAGEDY OF THE PERCENT

The Dawn of Prosperity

THE CYCLE of events having returned to Brainhead the Money, and a large share of the old Collateral and new Product in the form of Permanent-Wealth, things shape themselves for another whirl.

¶ Under the guise of Returning-Prosperity.

¶ But the kind of Prosperity it will be is the old-old kind. In which the Tragedy-of-the-Percent is to be the culminating episode. Because the machinery we use can produce no other result.



ACT XIII.—THE DAWN OF PROSPERITY
(Introducing the Halo of the Percent and the Gnomes of the God of the Little Gold Disk.)

FOOTNOTE

EVERYDAY experience and a careful study will convince you that the dramatic action of Pinhead's Thrift represents substantially the operation of our Money-Lending-System.

¶ The Tragedy does not concern itself with speculative or dishonest deals, but with transactions having the production of Useful-Wealth in view.

¶ If these, as a class, must ultimately fail thru the borrowing of Money under the present system, what can possibly help the others as a class?

¶ These others are often precipitating incidents, but never fundamental causes.

¶ If you think the Tragedy is a Joke, throw this little pamphlet to the winds.

¶ If not, read the first steps toward an understanding and solution of the Money-Problem from the following pages.

A Review of the Play

IN a more serious vein then, the Tragedy resolves itself into this: Blockhead, the Borrowing-Class, who borrows Money from Brainhead, the Lending-Class (Acts 1 and 2), and pays it out to Pinhead, the Earning-Class (Acts 3 and 4), must look to Pinhead for its return, since the Monetary-Purchasing-Power developed and liberated now lies with Pinhead, and with no one else (Acts 5 and 6).

¶ But Pinhead's Thrift, encouraged by Brainhead, manifests itself in setting aside part of this Money to lend (Acts 7 and 8), and since Blockhead did not have enough to pay Principal and Interest in Money at the start, the impossibility of a final settlement with Brainhead in Money, according to contract, must be apparent, as shown in the subsequent incidents of the play.

¶ These incidents vary in actual experience and lead to confusion in the search for fundamental causes.

¶ But one thing stands out vividly in every Tragedy-of-Industrial-Affairs, and that is: *Monetary-Debt and the impossibility to pay it in Money.*

IF we consider the transaction outlined by the pen-pictures as a composite one, representing the totality of innumerable individual transactions appearing in the Business-Life of any one period, we will find sufficient evidence in our Tragedy-of-the-Percent to establish *two fundamental laws of modern finance*, which, so far as the writer's research has gone, are not set down in any hitherto published analysis of the subject.

FIRST—*The Monetary purchasing power developed and liberated thru any transaction cannot be more than the amount paid out in the productive process.*

¶ This is the reason that Blockhead, in the Tragedy, cannot realize from the transaction enough Money to pay his debt, never mind how high a price he puts on the product.

- ¶ If any Individual Debtor gets more money than he paid out, and thus clears his particular part of the general debt, it must come from other individual transactions, which in turn get less:
- ¶ Because the sum-total of transactions is incapable of freeing more monetary credit than the total amount paid out, except as assisted by the minting and free issue of Gold-Money.
- ¶ This is the only exception to the 1st law.

SECOND: *When the Monetary Debt is at least equal to the total amount of Free-Money-or-Credit (which is the condition of today), then the debt cannot be paid under a System-of-Thrift which retains from the purchase of the Product any part of the Money or Credit paid out in creating it, or any part of the interest accruing thereon, unless enough additional Money or Credit is put into free circulation to take the place of that which is retained.*

OUTSIDE the very limited amount of gold money that goes into free circulation, the prevailing method of supplying the deficiency is thru a substitute for money known as Bank-Credit. This Bank-Credit is always loaned into circulation for interest, and never clears a debt except by establishing another to take its place.

- ¶ With a further tendency to increase the general debt until a climax is reached and the structure topples.
- ¶ In the case of Gold, a man might expend a hundred borrowed dollars, for instance, and extract enough gold, which, taken to the Mint, would give him Free-Monetary-Credit to the tune of a thousand or more.
- ¶ This would pay his debt with interest and leave him a handsome cash profit besides.
- ¶ But no other industry is privileged to convert its product into Legal-Tender-Money.
- ¶ Most of this new Gold Money is now corralled and loaned into circulation for interest, thus nullifying its free circulating quality.

So while we may admit that most Monetary obligations for interest are entered into with an honest expectation and confidence in the possibility of fulfillment, by both lender and borrower, we find absolutely no provision for fulfillment, thru creating the necessary additional money (interest) required to cancel them, or to supply the deficiency created thru the operation of Pinhead's Thrift.

IT is a Startling-Fact that the system of Thrift which finds expression in lending money for interest, *without providing free credits to pay with*, has plunged this country into a condition of public, corporate and private debt estimated at something like forty-five billions of dollars (\$45,000,000,000) on which interest averaging five per cent is required to be paid.

¶ This amounts to about \$25.00 per year per capita of population, including babies, or \$125.00 for each family or group of five persons: Enough to clothe them or to nearly pay the average annual rent.

¶ All this without the slightest prospect of ever getting rid of the burden except thru Death, or those worse-than-Death convulsions by which part of it is periodically thrown off thru Bankruptcy.

¶ And that is the Tragedy of it all.

¶ For Deaths, tho plentiful as men, are not abundant enough or frequent enough to clear the financial score.

¶ But in Death there comes an occasional loss to Brainhead, because, thru the beneficence of our laws, the heirs are not compelled to work out the individual debts of deceased parents.

¶ But they do have to work out the Public-Debt created by their ancestry, and the ponderous Corporate-Debt, which is rapidly taking the place of the Individual-Debt, is also bequeathed to them to pay.

¶ Thus are the Living, thru a tremendously increasing Public and Corporate Debt, being forced to bear the Burdens-of-the-Dead.

THE MONEY POWER: Not only the People, as individuals, but the Governments of the World, including States, Cities and Towns, are now under the thralldom of what is known as the Money-Power. Some one has recently said that this Money-Power in the United States is controlled by seven individuals out of a population of ninety millions. What do you think of that?

¶ Under the present Monetary-System this Government cannot institute an improvement of any magnitude without what amounts to the approval of these seven men—

7 out of 90,000,000

¶ But when we understand the mechanics of Money and what Money really is, so as to *issue* it for our needs instead of borrowing it, we will soon discover that this Money-Power is nothing but a Bogey and a Fake, based on that other Bogey and Fake— The God-of-the-Little-Gold-Disk.

PUBLIC UTILITIES AND MONEY: Today the country is being swept by a sentiment favoring Public-Ownership of Public-Utilities, and every Utility Company is preparing to sell out at greatly inflated values, expecting to be paid thru gigantic Bond-Issues, which will enslave the masses with Public Debt.

¶ From which they will be unable to escape so long as the Bond System of raising Public Funds prevails.

¶ *To demonstrate that this deadly method can be eliminated is the purpose of this book.*

¶ In the orderly evolution of things, the first step toward Public-Ownership is an Intelligent-Monetary System; under which these purchases may be made at reasonable prices, on the installment plan, without interest.

¶ Which, when we understand Money, as explained further on, will be perfectly Feasible, Practical and Safe.

¶ Exactly the same plan will provide all the people with decent homes to live in, *at cost*, within a generation of time; and will do many other interesting things that we, as a people, may wish to accomplish.

THE PHILOSOPHY AND MEANING OF MONEY: The more intelligent Man-of-Finance has long since abandoned belief in the God-of-the-Little-Gold-Disk.

Also in the supposition that money is a piece of metal with an authorized value mark upon it.

- ¶ He has discovered that Money is a Legaltenderized Credit.
- ¶ Which, while it may be, and is, stamped on disks of metal in a duly authorized manner; may be, and is, stamped upon pieces of paper in a duly authorized manner.
- ¶ So that the credits thus established and indicated may be passed from one party to another in balancing accounts.
- ¶ He has also discovered that it is possible to keep credits on a ledger without the duly authorized disks of metal or pieces of paper.
- ¶ In such a manner that Credits of this kind (generally known as Bank Credits) may be transferred by mutual consent from the account of one party to the account of another by means of checks.
- ¶ With only an occasional demand that these checks shall be cashed in the disks of metal or pieces of paper above described.
- ¶ Thus this transfer of bank credits by means of checks in balancing accounts is done by mutual consent.
- ¶ But the duly authorized disks of metal and pieces of paper, or currency, are tendered in balancing accounts thru legal authority.
- ¶ That is, they are legaltenderized, and you are forced to take them or nothing in liquidation of balances due you.
- ¶ But you are not forced to take Bank Checks.
- ¶ This substitution of ledger accounts and checks for money is the foundation stone of the present Banking System.
- ¶ But the operators of the System have not yet been able to fix upon a satisfactory method by which these Bank Credits, or substitutes for money, can be legaltenderized.

¶ Such an arrangement would be of great assistance when more checks than can possibly be redeemed are presented for redemption in the disks of metal, or the authorized pieces of paper, which all holders of Bank Checks have a right to demand.

¶ An approach toward legaltenderizing Bank Credits was made thru an act of Congress after the financial flurry of 1906-7.

¶ By which, in times of Monetary stringency, combinations of National Banks may place certain classes of Public and Private securities with Government and receive bank notes having all the legal tender qualities of our present National Bank notes.

¶ Previously, National Bonds only could be used for this purpose.

¶ The issue is limited to five hundred millions, on which the Government is to receive such an extortionate rate of interest, or fee, as to turn every Brainhead who tries the game into a veritable Blockhead of the extremest type; because he will have contracted an unpayable debt.

→ ¶ Unless some hidden ambiguities exist in the law to let him out.

¶ This law, however, can only be regarded as a temporary safeguard while our Monetary Commission is searching for a solution of the problem.

¶ But what has been let out thus far by members of the commission is still on the old lines of the Percent, which will only steep the people into further debt.

NOW, if you give discussions of the subject any attention, you will find no talk about increasing the volume of money by stamping it upon disks of any commodity having a value equal to or approximating the denomination given by the stamp.

¶ Which is the assumption in regard to our gold-money-disks.

- ¶ The only talk—and I wish to emphasize it, so you may always have it in mind—is about a kind of money called Currency, *which shall be stamped upon pieces of paper.*
- ¶ Don't forget this when you recall the days of the "16 to 1" craze, and all the talk about "sound" money and "honest" money and "fiat" money, and the triumph (let us hope the *final triumph*) of the God-of-the-Little-Gold-Disk.
- ¶ For the Gold of the God-of-the-Little-Gold-Disk has utterly failed the people in its mission.
- ¶ And being a primitive, unwieldy, unjust, practically obsolete, as well as impossible solution of the problem, the financial thought of today is centered, as previously stated, upon what shall be the proper basis for the creation and issue of paper money or currency.
- ¶ This thought of today is also powerfully influenced by the fact that the great increase in the output of gold, with its constantly diminishing cost of production, is likely to so disproportion it to the value we are trying to maintain thru our coinage laws, as to render it completely uncontrollable as a "Standard of Value."

THESSE discussions as to what shall be a proper basis for the issue of paper money, or currency, must result in a fundamental difference of opinion in the matter, which may be termed—The Monetary Issue. Which you might just as well know about if I can put it clearly before you—

- ¶ *This Monetary Issue is:* Shall our legaltenderized paper money, currency or credit be issued at discretion of groups of private individuals for interest, and incidentally for their private gain, or—
- ¶ At the discretion of Government for value received without interest or gain of any description whatever?
- ¶ **NOW**—If a man borrows sewing machines, for instance, from those who have a special privilege to make sewing

machines, but who will not sell them, and will only loan them on condition that more *sewing machines* be returned, you should be able to see what sort of difficulty the poor chap would soon be up against.

¶ He could return the borrowed sewing machines (if he has not handed them over to Pinhead), but he cannot return *more* sewing machines: Because the borrowed sewing machines do not create any more sewing machines.

¶ In this, however, we have a parallel case to the loaning of Money or Credit into circulation by groups of persons who have the special privilege of creating it, but who will only loan it to you on condition that you return more Money or Credit than you borrowed, when they, and not you, are privileged to create this additional Money or Credit.

¶ You can, and do, create a lot of other valuable things, it is true, and you may be industrious and all that, but it counts for little against the fact that you cannot create Money, which is what you borrowed.

¶ And you owe more Money than you borrowed, which more you will also have to borrow (directly or indirectly) until your credit is exhausted: However much, in the meantime, your hopes and energies are stimulated by the fact that individuals among your fellow borrowers pay their debts, and here and there mass fortunes.

¶ Because you do not seem to realize the other, and more important fact, that *they pay with part of the money which you borrowed*, leaving you just that much less to pay with.

¶ So this creating of Money to be loaned into circulation for interest results in a sort of endless chain arrangement with added weight at each turn until the chain snaps, which we all know it does with persistent certainty, cruelty and disaster.

NOTWITHSTANDING the periodical calamities which befall this system, it can hardly be expected that individuals, or groups, will continue to loan money except for private gain.

- ¶ And it is rather difficult to see how the credits, which the gigantic enterprises of today demand, can be obtained except thru concentrations of private credit, so long as the enterprises themselves are for private gain.
- ¶ And perhaps it is better that they should be for private gain.
- ¶ The author is not discussing that problem.
- ¶ But as the authorization of Money for the use of the People is a constitutional and exclusive privilege, as well as a duty of Government itself, it is evident that its Initial-Issue should be either for no gain whatever, or the gain should accrue to the people, and not to individuals.
- ¶ If Government shall create and loan money into circulation for interest, it is bound to result in the same impossibilities to pay which the present system entails. And for the same reasons.
- ¶ But it is manifest that Government should not create an institution to bankrupt its own people.
- ¶ We are therefore brought to a consideration of the alternative—MONEY or CURRENCY ISSUED INTO CIRCULATION WITHOUT THE PERCENT—or the other side of the MONETARY CONTROVERSY.

A DOLLAR FOR 100 CENTS: If I was paying \$1.50 in installments for something and a fellow came along offering to show how I could get the same thing, on the same installment plan, for an even Dollar, I would be a fool not to give him a hearing.

- ¶ There are lots of things you and I are forced to pay \$1.50 and \$2.00 and more for that we could get for the even Dollar, if we only understood Finance-without-the-Percent and backed that understanding with instructions to our Representatives in Congress: Unless they should happen to get on to it first.
- ¶ Financing the Panama Canal in the old way by issuing some three hundred and fifty millions of 2½% twenty year bonds makes the Canal one of the things we may be paying at the rate of \$1.50 for, when we need only pay at the rate of One Dollar straight.

- ¶ It is not important whether the figures given here or elsewhere are exact, as the examples used are merely to illustrate principles.
- ¶ So we may assume the Panama Issue to be three hundred and fifty millions for twenty years at two-and-a-half percent, and examine it in the light of the Bond-Issue (the way we are doing it) and then in the light of the New Finance, the way we might do it.
- ¶ The collateral which stands behind a U. S. Government Bond-Issue is the entire Public and Private Property of the People.
- ¶ Including all the Gold and all the Bank-Assets.
- ¶ Accompanied by the power of Government to collect thru direct and indirect taxation a sufficient amount to meet the obligations of the Bond.
- ¶ This combination of all the property and the taxing power is the one essential thing behind a National Bond Issue.
- ¶ And it looks like enough.
- ¶ Upon this the Money or Monetary Credit is obtained from the purchasers of the Bonds.
- ¶ Then Government proceeds to collect, thru its taxing system, the 2½ percent necessary for each year's interest, paying it over to the Bond-Holders; and at the end of twenty years will have paid them one hundred and seventy-five millions, or fifty cents on each Dollar borrowed.
- ¶ Still owing the entire Dollar.
- ¶ So, after twenty years of that sort of thing, we, as a people, will not have paid for one-single-solitary-cent's-worth-of-a-cubic-foot of the excavated space down at the Isthmus.
- ¶ Altho each and every man who worked on the job will have been paid in full and we will have been taxed for one-half the cost.

- ¶ If, at that time, Government shall have taxed us for enough more to pay the principal, don't you see that the Panama Canal will cost us \$1.50 of our labor, in tax installments, for each \$1.00 of labor put into the big ditch?
- ¶ But, if Government shall not have the cash to spare, the Financiers-of-the-Percent will gladly renew the Bonds.
- ¶ And the People will shout themselves hoarse because of their established credit; having now agreed to return two dollars for each dollar borrowed.
- ¶ That is the Plan-of-the-Percent—
- ¶ The way we do it now.

LET us examine the other plan of Financing Government enterprises, and see if we cannot save for ourselves that extra one hundred and seventy-five to three hundred and fifty millions, more or less, as each particular instance of Public endeavor may require.

¶ Start with exactly the same collateral and exactly the same Taxing Power: But have Government issue its own Money or Monetary Credit against this Collateral and Taxing Power, instead of borrowing from citizens who need it badly in their own affairs.

¶ Or still worse, from foreigners, which is profoundly ridiculous.

¶ Government money would, of course, be printed on pieces of paper with the entire assets of the Nation behind it.

¶ The same quality of paper, with the same expensive little silk threads running thru it, as the proposed "Emergency," "Bank-asset" or "Elastic" currency, would be printed upon.

By the way—

"Elastic" currency does not mean that Rubber Threads are to be substituted for the silk ones, so that the bill may stretch over more Debt, or even be enlarged to include the Interest.

Not on your life!

- ¶ Each dollar of this Government Money will represent a full dollar earned for the whole people's benefit in digging the Canal.
- ¶ It is therefore a Justifiable-Legal-Tender-Credit, as between the people, and from the people back to the Government in payment of taxes.
- ¶ Which very simple process cancels or redeems it.
- ¶ This justification does not exist in the Gold-Disk or in the Bank-Asset theory of Money. And—
- ¶ Why should the product of the Gold Miner's Industry, or the product (assets) of the Banking Industry, or the product of Your Industry or My Industry be the privileged basis for a National Money or Currency as against the product of our Combined Industry, represented in a National Enterprise?
- ¶ Such as, for instance, this very Panama Canal.
- ¶ I don't see! Do you?
- ¶ Now, having issued the Money, let Government tax in exactly the same way as in the Bond Issue example, so as to spread or distribute the cost and benefit among the people, thus collecting 2½ percent of the issue each year and retiring it or its equivalent.
- ¶ Don't you see that in twenty years, one hundred and seventy-five millions, and in forty years, the entire three hundred and fifty millions will have been cancelled, and the people will have gotten each dollar's worth of that hole down at the Isthmus for one dollar straight, and will own that canal at cost?
- ¶ To be handed down as a free heritage and not as a forced burden for future generations to pay.
- ¶ The individual may still find it necessary to jeopardize himself as shown in the Tragedy by borrowing money on the Plan-of-the-Percent, but the issuance of Money by Government cannot fail to help him, for it increases the free supply which requires only dollar for dollar to be returned; whereas all issues of Bank Credit currency,

tho issued to increase the supply also, are loaned into circulation and demand that more money, often twice and thrice as much, shall be returned.

¶ However it may be with the individual, no Government, having within its territorial jurisdiction the elements that go to feed, clothe and house its people, need ever, *hereafter*, borrow Monetary Credit to perform Public functions.

¶ And when true Monetary Science is fully understood, it will be unnecessary for any State, County or Town, having self supporting certainties, to pay more than dollar for dollar on public expenditures.

¶ Nor are they worth any more. Nor is a dollar worth any more than one hundred cents.

A STRIKING example of public debt-making is the recent bond issue of the State of New York for Canal improvements.

This bond issue is for ten million dollars at four percent for fifty years.

¶ Which means that the people of the State have agreed to pay twenty millions interest, plus the ten millions borrowed, or thirty millions all told, for this ten millions of improvement work.

¶ Isn't that a Hummer?

¶ Especially when you consider that the ten millions is to pay for all the labor, all of the material, all the Contractor's profit, and all the private and public graft (if any) that enters into the transaction:

¶ Why the whole of it is a mere bagatelle to the twenty millions bonus that goes to the money-lender under the Plan-of-the-Percent.

¶ But New York City is going the State six times worse by issuing \$60,000,000 of similar bonds.

¶ You cannot make yourself poorer or the other fellow richer by any surer process than by paying three dollars for one dollar, that you can get only a single-dollar's-worth for.

THIS is what the London Times is said to have said of the attempt to introduce an intelligent Monetary System in this Country, years and years ago in the days of Abraham Lincoln.
Read it carefully.

"If that Financial Policy, which had its origin in the North American Republic during the late war in that country, should become indurated down to a fixture, then that Government will furnish its money without cost: It will pay off its debts and be without debt: It will have all the money necessary to carry on its commerce, and it will become prosperous beyond precedent in the history of the civilized Governments of the World."

¶ That commentary was written in 1865, nearly half a century ago.

¶ But the mysticism of the God-of-the-Little-Gold-Disk prevailed.

¶ And the Money that freed the black slave was used to shackle both white and black.

¶ For most of it was taken out of circulation and put into Bonds.

¶ On which the soldiers of the Republic and Confederacy alike, with their children and their children's children, together with the united nation as represented in the present generation, have been paying the war debt over and over, and will continue to pay throughout the generations to come—

¶ Unless some of us STOP it.

¶ It can only be stopped, without repudiation, when we understand how to issue our Money, instead of borrowing it.

¶ The same National Credit and the same taxing power lies behind both methods, while the ability to return and cancel the exact sum issued is much greater than the ability to pay back from fifty to one hundred percent *more than is borrowed.*

¶ If it can be done at all.

IT will not do to allow the **Financier-of-the-Percent** to dominate in councils for Monetary Reform: He should be treated fairly and his past services to society acknowledged, for after all, he has only used the poor tools we have placed in his hands.

¶ *But he should no longer dominate.*

¶ As it is clear that his business depends and thrives on Debt, and all his proposed reforms have a natural tendency in that direction:

¶ A "Safe and Sound" Finance-for-the-People will only come thru legislation, the tendency of which is to reduce Debt, and that is what Government Money will do if issued for value received in the discharge of Public Functions.

REMEMBER: Both Bank-Asset and Government-Money will be printed on pieces of paper, and both kinds will have the Government Fiat printed upon them. But one kind means the everlasting maintenance of an unnecessary Debt, while the other will open the door for the Economic Freedom of the State, and also aid the individual in the discharge of private obligations.

¶ It is now up to you to choose.



CLAY WILLIAM W

PINHEADS THRIFT ■ OR ■

CLAY WILLIAM W. CLAY



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