

THE CAUSE OF PANICS.

The Truth That Production is Dependent on Consumption.

LEECHES WHO IMPOVERISH US

How to Make Panics Impossible—Abolish Usury by a System of Government Banks and Loans on Good Security.

Financial System which we Advocate

Donohue's Magazine, the great American Catholic organ of Boston, Mass., for December publishes a powerful article from the pen of J. M. L. Babcock upon "The Cause of Financial Panics" that is worth committing to memory. The writer says:

After a certain number of discharges, a cannon bursts. When the strain on a cable exceeds the proper limit, the cable snaps asunder. A panic bursts upon commerce and industry by a sequence as inevitable. To an unhealthy extent the transactions of business and manufacture are conducted on credit.

Now a forced liquidation begins. There is an immediate demand for the payment of all debts. Banks, even if honestly conducted, have loaned their deposits, and cannot meet their liabilities. Securities are sacrificed, and prices are reduced to the point of ruin. Factories close, and stagnation chokes the channels of trade.

That a panic is not an accidental calamity, is seen in the fact that the evil falls upon us at almost regular intervals. It appears that 20 years of so-called prosperity are enough to exhaust the limit of credit, with the exception of one period when disaster overtakes us in 10.

UNPRODUCTIVE CLASSES

Why is it, when the labor of the country produces a net increase of wealth every year, that the blight of bankruptcy must fall upon it every 20 years? There must be, in the existing economical system, some inherent evil that demands an immediate remedy.

Labor does not produce its numerous forms of wealth for the singular purpose of throwing them into the sea. There is no truth in economic more vital than that affirmed by Ruskin: "The crown of production is consumption; and the wealth of a nation is to be measured, not by what it produces, but by what it consumes."

LEECHES.

Who are the leeches that fatten on the labor of the great army of production? Let no fear or prejudice restrain the question, nor ignorance falsify, or malice defile the answer.

1. The banks, they add nothing to the productive wealth of the country. What do they do for it? The 3,700 national banks do business on a capital stock (in round numbers) of \$700,000,000. They have an average of individual deposits amounting to \$1,800,000,000. They loan this sum of \$2,500,000,000 (deducting reserves), which gives them an income that may fairly be estimated at \$139,000,000. The interest they receive on their deposited bond may be estimated (deducting tax) at \$25,000,000 more. And for all this increase they perform no productive labor.

2. The Railroad Magnates, by their unpaid show up, their annual increase is \$250,000,000. This sum is what they call their "net earnings" after they have taken pay for all the labor involved in transportation.

3. The Money-Lenders. There are no exact statistics of the amount absorbed by these gentlemen. But from the vast amount of property revealed by the last census as under mortgage, as well as from the study of other data, it may be considered as an understatement to put the sum that interest exacts of the actual producers at \$500,000,000. To sum up:

- 1. Banks, \$145,000,000
2. Railroads, 250,000,000
3. Money-Lenders, 500,000,000

Total, \$995,000,000. So much taken from productive industry without an equivalent.

Besides the parasites whose gains are widely concentrated, there are the landlords, the coal barons, the telegraph and telephone monopolies, the numerous trusts and combinations—in a word, all the organizations and agencies that fill their coffers with unearned increase, whose annual extortion cannot fairly be estimated at less than another sum of \$1,000,000,000.

Who pays this yearly tribute of \$2,000,000,000? There can be but one answer—the productive labor of the country. The burden falls alike on the manufacturer, the farmer, the tanner, the manufacturer, the farmer, and all those who are engaged in legitimate business of transportation and exchange. When labor produces its stores of wealth, the unproductive

classes come and exact their toll; then the varied forms of national state, and municipal taxation (a necessary burden when kept within proper limits, and restrained of its present exorbitant ravages), take a considerable slice of its products—and all these exactions must be met before the actual producer can call anything his own.

Now, when you take from a man 25 or 50 per cent of what he has honestly earned what is he to do? He cannot consume as he has produced; and this reduces consumption. If, as so many do, he attempts to tide over the deficit in his resources (for which he is not at fault) by means of credit, he is only postponing the evil day; the Phillistines will be upon him when the bubble bursts in the crash of a panic; failure is inevitable, and poverty stares him in the face.

To make panics impossible, usury must be abolished,—because the \$2,000,000,000 which productive industry pours every year into the vaults of the unproductive few is exported mainly in the form of usury,—the honor of which is distinguished under the euphemism of "interest."

THE WAY OF SALVATION.

Can a nation be saved from panics? Certainly, if it can establish an economic system under which no man can thrive on the labor of others. Shall we continue to copy the financial methods of the Old World? With all the freshness and freedom we have found on these western shores, can we make no improvement on the old forms of European life?

Must it not shame us to confess that we can do no better than to accept the foul bequest of discord and robbery, now afflicting the mourning millions of the lands beyond the sea? There is no possible reason why we should borrow our ideas and methods of finance from the Rothschilds, than that we should establish a national church, or set up a large standing army.

Shall we remain blind to the facts of our own history? In the midst of the mad denning contention over gold and silver, shall we forget that within the knowledge of men now young we lived, and manufactured, and transacted business, without seeing a single dollar of coin in the legitimate channels of trade and industry; that such a period continued for eighteen years; and that it embraced a time of magnificent prosperity,—the most glorious ever experienced in our commercial or financial history?

Shall we ever escape the humiliation of seeing our national public servants, in every stress of finance, going to seek counsel and take orders from the usurers of Wall Street, whose interests are antagonistic to those of the people? Then over whom the panic has no power; who can smile in the midst of the general devastation,—surely these are not the men to whom we should confine the direction of financial affairs, in a time like this.

Suppose that we, as a brotherhood of 65,000,000, bound to defend with our lives the land we love, should take the management of our affairs into our own hands, to administer them for the common good, instead of leaving our store of wealth to the spoils of those who thrive on our misfortunes,—what would be the difference? It would be all the difference there is between the Post Office and the Western Union,—the owning the people's work without profit, and the other extorting toll on millions of watered stock. For that is the mighty distinction. The railways, the gridiron the land and span the continent, extort hundreds of millions from the people in the form of profit, after taking pay for their labor. It is for the people, not for the railroad wrecker, to say how long this extortion is to continue.

MONEY SCARCITY.

In every panic the fact is fearfully revealed that the country is distressed by the lack of a circulating medium sufficient for its business needs. The scarcity of money compels failure, which otherwise might be avoided. The failures are so numerous and so alarming that the most desperate expedients are resorted to that they may be hidden from the popular sight. In Chicago one day last summer the police were sent about the streets on the singular duty of arresting every newspaper who was heard to cry, "Another bank failure!" The banks are vaunted as the financial bulwark of the country. They are the last resource in every time of trouble. Yet how many are the banks that have not already failed?

When a man in business cannot meet his obligations, he must make an assignment. Not so with the banks. In the great centers of trade, where the banks are entrusted with individual deposits of extraordinary amount, and the vast resources of which, if the theory of banking is not utterly worthless and deceptive, should enable them to breast every storm, the bank failures are most conspicuous. They try to hide their failure under the illegal mark of "clearing house certificates," while refusing to honor the checks they are legally bound to pay. And grave senators will stand in their places to urge that such violations of law must be winked at, while the starving man who steals a pie's foot is inconspicuously sent to jail.

But no devices are invented to spare the business man. He may be conducting a legitimate enterprise with honesty and ability. But when a panic strikes his business, and discloses the scarcity of money, he is driven into bankruptcy. For a panic exacts a double revenge. The scarcity of money compels the failure, and, at the same moment, destroys the value of his assets. The market value of commodities is gauged not by a gold standard, but by the volume of money in circulation; and an entire solvent concern finds its means sacrificed to the deficiency of currency which the panic sharply reveals.

It is attempted to countervail these facts by saying that in a panic money is "hoarded." No pretense is more preposterous. Do men who have money lend less occasion to use it in a time of panic than at any other time? Do firms with large means hoard their money instead of placing it where it may share off bankruptcy? When prosperity abounds money may be hoarded; but not in the financial straits that drive men to desperation.

The winter conditions forbid. Men are benumbed by the terrible facts; and a sentiment cannot obliterate a fact. When men see banks and business firms tottering all about them, and tumbling to swift ruin, what a mockery it is to cry "confidence!" The cry would have as much effect in the midst of an earthquake. No! If the people are to find relief, let them enlarge the circulation of money,—the life-blood of business and industry.

Have we not seen what an abundant currency could accomplish? In the throes of civil war, when craven, cowardly gold deserted the flag, the government was compelled to issue vast sums of money, under a necessity that the usurers could not countervail, and unexamined prosperity followed. While Wall Street was madly gambling in imaginary gold, the prairies of the West sparkled with bountiful harvests of Nature's annual gold; and the price of the poor man's flour was no more affected by the quotations of the Gold Room than it was by the rings of Saturn. No Black Fridays then filled the land with panic.

To make panics impossible, usury must be abolished,—because the \$2,000,000,000 which productive industry pours every year into the vaults of the unproductive few is exported mainly in the form of usury,—the honor of which is distinguished under the euphemism of "interest."

Whether the claim of usury has any just economic or moral basis is a debated, if not debatable, question. On this point it is enough to say, that any device which enables a man to live without labor on the labor of others is a self-evident and eternal wrong. Did not the anti-slavery agitation convince this people that no man had a political or moral right to make another man his slave? As usury does this, there is an end of the question.

In abolishing usury it is doubtful whether the banks will no longer remain a part of our financial system,—because, without usury, banks could no longer exist. There can be no hazard in this—for the disappearance of an unproductive class can but give new wings to production. What! shall we take our industrial prosperity upon the existence of an institution which, when its obligations cannot pay its debts?

REAL BASIS OF MONEY.

The money of the country is the people's money; and may not a man order the use of his own, if he does it justly? There is not a dollar in legal circulation today that does not stand on the faith and integrity of this great people. It has no other basis. And this is what passes current all over the land without discount or depreciation. Now, which is wiser,—for the people to use their own money for their own good, or permit a few usurers to lay a vast annual tax on the productive industry of the country? Does this need an answer? To effect a complete reform, it is only necessary for the people to do this: Withdraw the currency they have gratuitously loaned the banks, and issue all money directly from the fountain head,—the central organization of public service. Then—and this is the fundamental provision—let the people decree that their money may be loaned to all who give good security without interest, and without other charge than the expense of transacting the loaning business. Do this, and usury is abolished in a single blow, and without pointing out all the far-reaching blessings of such a reform, it can only be said now that it would tend mightily to secure to every man the value of his own product, that it would make panics impossible, and that commercial wrecks would be unknown.

For the convenience of business, the depositors could be made the safe receptacles of individual deposits, a hitch, to the unspeakable gain of the commercial world, depositors' checks would never be dishonored.

With the establishment of the system thus briefly sketched, there would be money enough for the use of manufacturer and commerce, productive industry could be freed from the snare of the money-lender, and production and consumption go hand in hand. It would ask the imagination to foretell what new achievements would gladden the land, what undreamed of energy and enthusiasm would inspire the people, when men could engage in any legitimate enterprise in the happy consciousness that the terror of no panic hangs like the sword of Damocles, over their head.

The Missouri Pacific route are selling round trip tickets to San Francisco (Cal.) for \$65.50. Tickets good until April 30th, 1894.

PROCLAMATION.

Cheap Rates—Something Everyone Should Know. That the rates to all points west via the "World's Pictorial Line," Union-Pacific system, are very low. For instance, Denver, Colorado Springs and Pueblo, \$10 75; Salt Lake, Ogden, Helena, Spokane and Portland, Ore., \$25 00; first class, \$18 00, second class Round Trip rate for California, mid winter fair, \$65 50, San Francisco, Los Angeles and Portland. As has been their custom for years, the Union Pacific will run the famous Pullman tourist-sleepers to California and Oregon points. Multitudes have tried them and pronounce them just the thing they are run daily.

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THE SUNDAY SCHOOL.

LESSON XIII, FOURTH QUARTER, INTERNATIONAL SERIES, DEC. 24.

Text of the Lesson, Rev. xlii, 8-21 (A Missionary Lesson)—Memory Verses, 16, 17. Golden Text, Rev. xlii, 17—Commentary by the Rev. D. H. Stearns.

Impressed with the fact that in this so-called missionary lesson we have also a grand Christmas lesson, bringing before us His coming again, which draweth near, we make choice of this.

8. "And I, John, saw these things and heard them." Then he tells us that he fell down to worship before the feet of the angel. He actually saw these wondrous sights and heard these faithful and true words. It was probably before this that he wrote, "That which we have seen and heard declare we unto you, that ye also may have fellowship with us" (I John i, 3). How do the things of God which we see and hear affect us?

9. "Then saith he unto me, See thou do it not, for I am thy fellow servant, and of thy brethren the prophets, and of them which keep the sayings of this book—worship God." Compare xix, 10. Only satiation of all creatures seeks to be worshiped (Luke iv, 7). Let us remember it when tempted to desire applause, and may it be our whole aim to honor God. See how this book is honored in heaven.

10. "And he saith unto me, Seal not the sayings of the prophecy of this book, for the time is at hand. Whosoever doeth the commandments of this book, he shall have his right to the tree of life, and shall enter in by the gates of the city." The R. V. says, "Blessed are they that wash their robes." Well, we cannot keep His commandments till we have washed in His blood and received the new heart which only can do His will. If we, like Abram, are looking for the city (Heb. xi, 10), we will delight to be found doing His will.

11. "He that is unjust let him be unjust still, and so with the filthy or the righteous on the holy." When the end of this stage of our life comes, whether it be death or the coming of Christ, as we are then found so shall we continue, whether unjust or holy. This verse, however, may teach that we are to proclaim the truths of this book whether it make people more holy or more unholly.

12. "And behold, I come quickly, and my reward is with me, to give every man according as his work shall be." Compare verses 7, 20, and chapters i, 7; ii, 25; iii, 11, and note the oft repeated "I come" and the admonitions. Salvation is all of grace, but reward is according to work. See I Cor. iii, 8, 9; Luke xli, 16-19. These rewards are not given at death, but at resurrection, when Jesus shall come (Luke xiv, 14; I Pet. v, 4; II Tim. iv, 8).

13. "I am alpha and omega, the beginning and the end, the first and the last." When our souls can say, Lord, Thou art all this to me, first and last in everything, beginning and end of everything, then all is well.

14. "Blessed are they that do His commandments, that they may have right to the tree of life and may enter in through the gates into the city." The R. V. says, "Blessed are they that wash their robes." Well, we cannot keep His commandments till we have washed in His blood and received the new heart which only can do His will. If we, like Abram, are looking for the city (Heb. xi, 10), we will delight to be found doing His will.

16. "For without are dogs," etc. Compare chapter xxi, 8, 27. And if you are glad that your name is in the book of life, and that by His grace you are neither fearful nor untruthful, then seek those without.

16. "I, Jesus, have sent Mine angel to testify unto you these things in the churches. I am the root and the offspring of David and the bright and morning star." The first clause of this verse, taken in connection with verse 6, seems to me one of the clearest proofs that the Lord God of the holy prophets and Jesus are one and the same. The root and offspring of David, taken with Isa. xi, 10, show Him to be both God and man, David's Lord and David's Son. As the bright and morning star He promises himself to the overcomer in chapter ii, 28. The watchers all this dark night will see and meet Him as the morning star and come back with Him as the sun of righteousness (Mal. iv, 2) when He appears for Israel.

17. "And the Spirit and the bride say come, and let him that heareth say come. And let him that is athirst come, and whosoever will let him take the water of life freely." The first clause seems to be the cry of the church to her Lord to come in response to his "Behold, I come quickly." The others—or at least the last two—are invitations to the sinner to take the water of life freely. They remind us of Isa. lv, i; John vii, 37; Rom. xii, 24. There is nothing to hinder those who hear but their own will.

18, 19. "If any man shall add. If any man shall take away." Now comes a most solemn warning to any one who would dare to add to or take from the words of this book. Read the same warning in Dent. iv, 2; xli, 28; Prov. xxx, 6; Jer. xlvii, 2; xliii, 28, 29, and say how it is that men dare in these days, in spite of these warnings, to commit both of these sins. Is it because, turning from the truth, God has sent them delusion (II Thess. ii, 10, 11)?

20. "He which testifieth these things saith: Surely I come quickly. Amen. Even so, come, Lord Jesus." How could He say "quickly" when He knew that almost 2,000 years must pass first? One thousand years is with the Lord as one day (I Pet. iii, 8), and according to that reckoning He has been gone scarcely two days yet. We must look at things from His standpoint. Do our hearts say, "Come, Lord Jesus?" If we understand that things will grow worse and worse both in the world and in the professing church till He come; that we cannot have our glorified bodies till He come; that we are to occupy and show forth His death till He come; that Satan and Antichrist and Babylon will rage till He come, then we will surely say, "Come, Lord Jesus." Otherwise not.

21. "The grace of our Lord Jesus Christ be with you all. Amen." What a precious ending to a most precious book—yes, to the whole book of books—for we are saved by grace, we stand in grace, and there is more grace to be revealed (Eph. ii, 8; Rom. v, 1, 2; I Pet. 1-18). It is favor for the underserving from first to last.

A Wise Answer.

A shah once asked a group of his courtiers whom they thought the greater man—himself or his father? At first he could get no reply to so dangerous a question, the answer to which might cost the courtiers their heads. At last a wily old courtier said: "Your father, sire, for though you are equal to your father in all other respects, in this he is superior to you—that he had a greater son than you have."

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