

BRYAN AND TOWNE

Democratic and Populist political Economy—
Van Vorhis Points to Some Errors

Editor Independent: For centuries exchange has been the subject of economic thought and philosophy. Aristotle said: "There would be no society if there was no exchange, and no exchange if there was no money." The first part of this statement is no doubt correct, but whether the second part is correct depends upon whether the material thing commonly called money, or the function to be performed by it, is the subject of thought. If that which is commonly called money is all that is meant it is not true. If by money anything is meant that will perform the money function then it is true. In any view exchange and money are very intimately related.

I do not desire either to construct or repeat definitions, but I say, not as a definition, that "money is a medium of exchange." Without asserting or denying that money is anything more it is certainly this, if viewed from the side of that which is usually meant by money. If, however, the word money is used to express the general idea of the function to be performed—a function that may be performed by almost any material or thing—then the proposition that money is a medium of exchange must be turned around, and to express the whole truth be made to read, anything that acts as a medium of exchange performs a money function. Barter—the exchange of one commodity for another—does not differ in economic principle from buying and selling—the exchange of a commodity for money. Both are exchanges. The quantitative theory, in a comprehensive sense, must necessarily apply to the aggregate of all things that, under our conditions, act as a medium to facilitate exchange by becoming a part of it—one side of it. It must apply to the aggregate of such things used to make it easier and more convenient for the buyer to buy and the seller to sell. If so, then in the list of such things must be included, not only all money reported by the department, but all bank credits, commercial credits, notes, drafts, checks, bills of exchange, accounts, and any thing or device that makes buying and selling easier and increases commercial activity. These different things, thus added to the volume of money reported by the department, are frequently called substitutes for money, and have since 1896 increased enormously the volume of money equivalents in the transaction of business.

No difference what they are called.

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Sleeplessness Is a Sign of Nerve Trouble and Should Be Looked To.

There are three different manifestations of sleeplessness.

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They mean that somewhere in the nerve fibres, somewhere in the brain cells, somewhere in the blood vessels that carry blood to the brain, something is radically wrong, and must be righted, or the end may be worse than death.

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they each and all perform, in some degree, the same office—in commerce, that the money reported by the department performs, except that in ultimate settlements they will not pay debts if creditors elect to refuse them and to demand "standard of payment" money.

The increase of bank loans and discounts—to which I have before called attention in discussing the money supply as it is reported by the secretary of the treasury, and the possible increase of demands against it—are only part of the enormous increase of the volume of credits that are performing the money function in commercial transactions. It is this tremendous inflation of credits—that large increase of money substitutes—that accounts for whatever increase of prices and increase in the activity of business we have had since 1896. It is in perfect accord with the quantitative theory, not as applied to the small increase of gold to which Mr. Bryan and Mr. Towne have referred, but to that great increase of the volume of everything that performs a money function in our economic affairs.

It has been generally recognized that evil results follow either the undue contraction or the undue inflation of the money volume, but it is not so generally understood that under our financial and commercial conditions—and for which unwise financial legislation and department constructions are in large degree responsible—we may have, and do now have, going on at one and the same time a contraction and an inflation; both dangerous, and both pregnant with the possibilities of disaster.

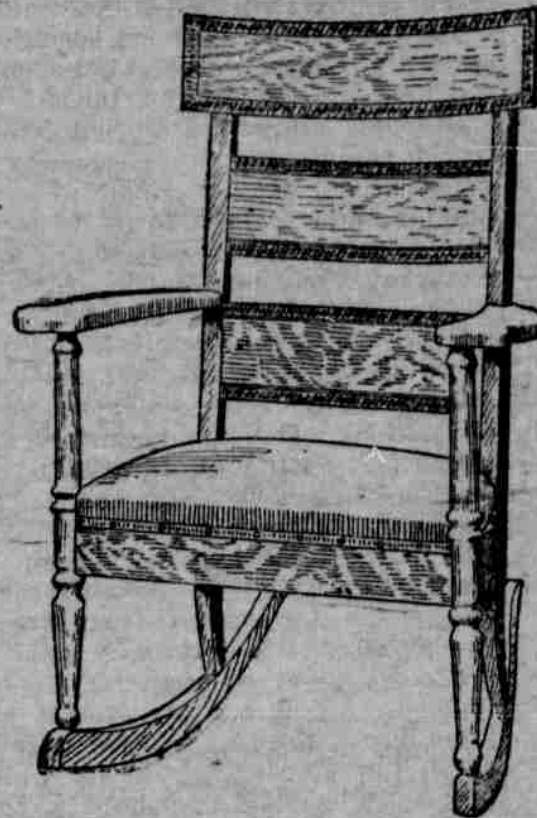
It is difficult to compress the discussion of such a subject into the limits of newspaper articles and make even the most intelligent readers, who have had neither time nor opportunity to study it, understand it; but it ought to be easily understood that the larger part of the danger of monetary contraction grows out of existing debts, and out of the increase in the volume of debts in proportion to the amount of legal debt-paying money. It ought not to require much economic knowledge, when the great volume of bank, commercial and corporate credits is known, to understand that if every dollar of the general stock of all kinds of money reported in the circulation statement of November 1 was legal tender, and every dollar available, it is small—dangerously small and rapidly growing relatively smaller—in comparison with the rapidly increasing volume of debts—of credit substitutes for money—that may at any time, at the will of the holders, turn themselves into demands against the volume of money reported.

Without saying a word to detract from any claim that can reasonably be made of importance or usefulness of bank credits, the fact remains that any financial system that permits and encourages such an inflation of bank credits as has been going on since 1896 is dangerous.

The last abstract of the condition of national banks issued by the comptroller of the currency, and covering a period of eighty-nine days, from June 9 to September 6, shows an inflation of loans and discounts, for these banks alone, of \$1,700,000 for every business day during the time. Assuming that the law has been complied with, this means that during the short time not less than \$20,000,000 was added to the reserves of the banks, while credit substitutes for money were inflated over \$131,000,000.

Alfred Rambaud, in his History of France, says that John Law was the first to see the full extent of bank utility and to realize the importance of credits. Law wished to create a bank in France that was to be the universal regulator of credits. The interests of the bank were to be associated with those of the state. It was to be the depository of all money belonging to individuals, and the cashier of the kingdom. It was to be the great financial monopoly of France. The regent of Louis XV authorized such a bank. All wealth was expected to flow into it, and all enterprise to proceed from it. Law's scheme was based upon the claim that, by getting all money into his bank, he would be able to place credits to ten times the amount. The money of his calculations was silver and gold. He succeeded in the inflation of credits and, by the use of these credits, to perform a money function, the business of the kingdom was stim-

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ulated and greatly increased in activity. The expansion of credits had no limit, and the continued inflation broke down and brought ruin to the bank and to the country.

Law failed to grasp the fact that an increase in credits that could be used as money was, in business, equivalent to an increase in the volume of money, and necessarily decreased the value of money, just as the value of a commodity is decreased by an increase of the amount of it; and that this decrease applied not to one kind but to all kinds of money. He failed to realize that under the conditions and power of the government the business value of gold and silver within the realm decreased and would seek other countries where the business demand for that kind of money was greater. He failed to see that under such circumstances the volume of private credits would cease to perform the money function and at once become a most urgent demand against the diminished amount of metallic money kept in the country by royal decree against its exportation, and which was regarded as the only possible "standard of payment."

John Law taught the world valuable lessons in private credits and their use as money, that it is well to recall now when a similar misapplication of economic principles has been applied in our banking and financial system to that made by him in France. In addition it ought to be understood and remembered that it is not necessary that bank credits have the form of bank notes in order that they may perform a money function. It is possible, however, to issue bank credits as bank notes, and then use this kind of credit to inflate loans and discounts. This is the project the eastern banking interests now have in mind. If they succeed in inducing congress to authorize the issue of a currency secured only by the assets of the banks, there will be no limit to the possible inflation of bank credits. John Law's inflation in France will be insignificant compared with the inflation that will be possible under such a privilege given to our banks.

In the face of such a possibility as

this, and the consequent dangers, Mr. Bryan tells us the money question has "decreased in importance," and must "remain in abeyance until there is a change in conditions."

(To be continued.)

FLAVIUS J. VAN VORHIS.

Indianapolis, Ind.

Theodore F. Barnes, Attorney

IN THE DISTRICT COURT OF LANCASTER COUNTY, NEBRASKA

Jane Frost, Plaintiff vs. Catherine Rogers and Thomas Rogers, Defendant.

The above named defendants are hereby notified that the plaintiff on the 5th day of Apr. 1904 filed her petition in the District Court of Lancaster County, Nebraska, against them wherein she alleges that defendants gave five notes of \$50.00 each due on the 14th day of Dec. 1890, 1891, 1892, 1893, and 1894, with seven per cent interest from the date of said notes. To secure said notes defendants executed their mortgage conveying the property commencing at the southeast corner of the west fractional northeast quarter of section 30, township 11 range 8, E. of the 6th P. M. thence north 26 2/3 rods; thence west 60 rods; thence south 26 2/3 rods; thence east 60 rods to place of beginning, same being also described as lot eight, in the northeast quarter of sec 30, twp. 11, r. 8, Lancaster Co. Neb. and that said notes and mortgage have been assigned to plaintiff and there is now due thereon the sum of \$495.00 with interest at seven per cent from Dec. 14, 1903. No proceedings at law have been had to collect said debt and the mortgage is recorded in book 83, and at page 571. That said property was assessed for the years 1892, 1893, 1894, 1895, 1896, 1897, 1898 and was sold for taxes of said years to S. L. Geisthardt who assigned said certificate of purchase to this plaintiff. That more than two years have elapsed since the property was bought for taxes and that the time for redeeming same has expired, of which due notice was given. In said petition the plaintiff prays for foreclosure of said mortgage and tax lien for said years and 1900 and 1901 which taxes were paid under certificate and prays that said property may be sold to satisfy plaintiff's said several claims and the cost of said suit. You are required to answer said petition on or before the 9th day of January, 1905, or the same will be taken as true.

JANE FROST, Plaintiff.

By THEODORE F. BARNES, her attorney.

SHERIFF SALE

Notice is hereby given. That by virtue of an order of sale issued by the clerk of the District Court of the Third Judicial District of Nebraska, within and for Lancaster County, in an action wherein Henry J. Bannister is plaintiff, and John M. Barber et al defendants, I will, at 2 o'clock, P. M., on the 10th day of January A. D. 1905, at the East door of the Court House, in the City of Lincoln, Lancaster County, Nebraska, offer for sale at public auction the following described Lands and Tenements, to-wit: Lots thirteen (13) and fourteen (14) in Block twelve (12) in Belmont addition to the City of Lincoln, Lancaster County, Nebraska.

Given under my hand this 8th day of December A. D. 1904.

NICHOLAS RESS, Sheriff