

Published in The International ... 1907

The Rakis Progress. Grace knew
an American gentleman named
McPherson, who had crossed in love.
He fought out his successful rival
and lent him ten thousand dollars
"without security" on his note of
"hand alone". A year later McPherson
had added to that kindness in
two ways; he had taken the
other man's wife off his hands,
and had given him a steady
job at fourteen dollars a week
in his office. [McPherson used to
charge a nominal interest on the
money he lent. It looked as
if there were 3 or 4% besides,
as he often explained, the borrower
did not have to pay it at all,
the burden could be shifted
(by a simple transaction) from
the present to the future).

McKesson never took any such
steps; all you had to do was to
keep on signing scraps of paper
just so long as your capital
lasted, and every time you
signed a new document McKesson
would hand you out real money
with a sunny smile. But a care-
ful examination of these scraps
of paper would reveal a curi-
ous phenomenon. What looked
in the beginning like $3\frac{1}{2}\%$,
and was really about 11, soon
began to look like 15, when it
was really 40, and then
like 75, when it was really 80.
[McKesson disapproved of the prin-
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interest to the capital + the only
noticeable point was that the
man who gave by wanting one
hundred dollars on the security of
ten thousand gave found that
he wanted a thousand to discharge
the same liability as the hundred
Once satisfied + McKesson used
to say that this enlarged the
man's mind + it taught him
to "think imperially". The up-
shot of all ~~these~~ transactions
was simply that McKesson
got the money, because these
were only minute transactions,
infinitesimal incidents in a
vast system of exchange + if
we enlarge the scope of our
considerations to national finances
we shall find strong similarities,
but one big difference +

Suppose a small nation begins
to borrow, and fails to use the
money as a means of increasing
income. Here the case is parallel
because the transaction is still so
too small a people to represent the
^{balance of} ~~wealth~~ ^{of the world} to any serious
extent. But when borrowing be-
comes universal conditions
are altogether different. The
financial transaction of the
last three years has not
really been borrowing at all
in any proper sense of the
term. There has been nothing
constructive about it. The
world has been squandering
its capital. The lives and
the labor of men everywhere
have been lost. The actual
wealth of nature has been

misapplied to purposes of pure de-
struction and none of this
lost matter can ever be re-
gained + [It was all very well
for Henry the 5th to invade France
and recoup his losses by tribute
and ransom. - That is now im-
possible, - since the enemy ^{is} sub-
rupt ^{is} now before he is defeated.
The question remains: what has
happened to the borrowed money?
The answer is simple: It has
been lost. It is simple juggling
to make it appear otherwise. [It
will be noted in particular
how very easily we have
learned to "think imperially" +
England was quite shocked by
the first loan of some
dozen million dollars - a
year later she is quite

reconciled to the idea of
spending thirty millions
every day + the United States
decides to sit in the game
in no picking spirit, and calls
not for some million chips
but for some thousand millions.
That it may be remarked, is
about fourteen years income
of the whole British Empire.
But now we see a very great
difference between these trans-
actions, and those of my good
friend McPherson + know much
the borrower paid him, a dollar
was, at least, a dollar, because
the outside exchange remained
steady + Dollars are nothing but
chips + The market of the world
has been steadily expanded, the
amount of goods which we are

getting for our 7 billion dollars
could have been bought for 3
million 3 years ago. This pro-
cess will continue so long as
the unproductive expenditure of
the world's real capital con-
tinues + [The rate of interest
constantly increases as the
amount of money borrowed
increases. But how is the
interest to be paid? - Only
in two ways, firstly by tax-
ation, secondly by borrowing
more money. But the second
process only means increased
taxation later on + nothing
replaces the wealth which has
been squandered and nothing
can be done. All attempt away
from that fact we were
intellectual exercise + [One

may pay something worse, Nations
begin to get deluged of grandeur
where they begin to think in
billions instead of millions -
it's a sort of a general paralysis
of the income, and is very too
likely to terminate in a final
manner of pure finance become
unsound a vicious circle is
soon created + when a man
has to pay 40 dollars for what
used to cost 20, he has to
get more money somehow -

Economy is all very well,
but it means nothing to the
immense class of the community
which already lives from hand
to mouth, therefore wages must
go up; that further increases
the cost of production, which
again makes it necessary to

and what is money? what is a dollar?
It is fine to get \$350,000,000, your \$1000 Liberty Bond
- untaxable, too! But suppose ~~that~~ ^{that} is by that time the
price of a packet of cigarettes?

increase wages, ^{still} further, one
arrives at a condition of
inflation which can only
spell the words collapse
Smash - [Already twenty
years ago the dollar was un-
dermined & it was the
price of a beefsteak both
in Spain and in Texas; but
the Spanish dollar as a dollar
could be exchanged for two
Mexican dollars - At that
time I already saw the
danger and said "If ever
the United States gets into
war, the dollar will at once
fall to fifty cents", I
would have already done
so if the war of the world
had not fallen into the
lap ahead of her - [The economic

process is continuing, although
or process masked by the
fantastic financial expedients
of the bankers + men are be-
ing killed; labor is being
diverted to unproductive ends
the matter of the world is
being destroyed; the land
itself is being rendered
sterile + famine will come,
and then now very slowly,
when the facts can no
longer be concealed + we
can eat of luxuries, we can
cut off comforts, we can
cut off necessities.
[No matter how many billions
dollars we borrow, no matter
how many we steal, we do
not thereby increase the
production of necessities.

It is possible to do this when
we are playing off one
part of the world against
another, when we have a
surplus available to enable
some primitive country to
increase production by
the introduction of machi-
nery, for example. But
when our surplus becomes
imaginary, the matter of mere
bundles of waste paper, no
such transactions are any longer
possible. [Then we get down
to bed-rock, the value of any
security depends on whether
or no it can earn interest.
A railway which can pay
no dividend has no value;
and its stock is worthless, ex-
cept so far as there is a

hope that in may one day
show a profit - How the
actual destruction caused by
the war has reduced a
great number of industries
to a point where they can
never show a profit again.
When the show-down comes
it means their annihilation.
In their fall they will re-
move the dividend-paying
capacity of many others.
The whole system of industrial
ism will tumble like a
House of Cards. It is certain
to my mind that this will
take place in some form
or other, and I find it
difficult to imagine that
it can do so without a
series of revolutions, amounting

to universal marches. If one
twines the edge of a sword,
the sword will still work
more or less; and it is fairly
easy to mend it on a lead-
Paviment stone. But a tiny
small obstruction in a
complicated piece of machinery
may put the whole thing out
of commission for good & all.
All our civilization is so
delicate and complex, & each
part so dependent on each other
part that the collapse of a
single, and apparently insigni-
fificant unit may destroy
the entire structure. Russia
exhibits this process before
our eyes. We are merely that
the transport system is near
breakdown; but what do you
must we

suppose is happening to the West
of the production & factory
which comes give its raw
material, or send out its
finished product, is not
likely to be prospering. The
transport system in America
is already beginning to
show signs of strain,
although there is no in-
flation, no active internal
depression, no other financial
difficulties, yet even a small
percentage of its capacity
being directed to transportation,
the farmers cannot obtain
transport for their products.
They will, therefore, produce
less and sell more. This, again
will make the railroads increase
their freight charges, and this

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further increases the price
to the consumer, who, being
a wage earner, must demand
more wages. That throws
further stress on the employer
& labor, the farmers and
the railroads, and again
we have the vicious
circle in full swing. Apply
this same principle to municipal
or to federal affairs, we find
the same cause produce the
same effect, we are wasting
life, we are wasting labor,
we are wasting natural
resources; and we can only
do that so long as we keep
within the very small mar-
gin of surplus. [If our natural
proper from the bounty of
life, and nature amounts to

25%, we dare not waste more
than that amount. The money
we do so, we come to absolute
grief & our accumulated wealth
is of no use to us, if we
cannot afford to use it. [Our
shoe factories have got to shut
down just as soon as people
cannot afford to buy shoes
and decide to go barefooted.
The men employed in the
shoe factories are then thrown
on the market with the power
of reducing wages and forcing
further economies on the
part of those very men who
have not decided they can
not afford shoes. [One ruin
works another - The closing
of the factories implies the
death of the cities, and in

