CYCLOPÆDIA

OF

POLITICAL SCIENCE,

POLITICAL ECONOMY,

AND OF THE

POLITICAL HISTORY OF THE UNITED STATES,

BY THE BEST AMERICAN AND EUROPEAN WRITERS.

EDITED BY

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PREFACE.

NEITHER American nor English literature has hitherto possessed a Cyclopædia of Political Science and Political Economy. The want of a work of reference on these important branches of knowledge has long been felt, especially by lawyers, journalists, members of our state and national legislatures, and the large and intelligent class of capitalists and business men who give serious thought to the political and social questions of the day. The present work, which will be completed in three volumes, is the first to supply that want. It is also the first Political History of the United States in encyclopædic form—the first to which the reader can refer for an account of the important events or facts in our political history, as he would to a dictionary for the precise meaning of a word. The French, the Germans and even the Italians are richer in works of reference on political science and political economy than the Americans or the English. The Germans have Rotteck and Welcker's *Staatslexikon*, and Bluntschli and Brater's *Staatswörterbuch;* the French, Block's *Dictionnaire Général de la Politique*, and the celebrated *Dictionnaire de l'Economie Politique*, edited by Guillaumin and Coquelin.

The "Cyclopædia of Political Science, Political Economy, and of the Political History of the United States" is intended to be to the American and English reader what the above-named works are to French and German students of political science and political economy. The articles by foreigners in our work are largely translations from the *Dictionnaire de l'Economie Politique*, the *Dictionnaire Général de la Politique*, the *Staatswörterbuch*, and original articles by Mr. T. E. Cliffe Leslie, the eminent English economist; while the American articles are by the best American and Canadian writers on political economy and political science. The task of writing the articles on the political history of the United States was confided to one person, Mr. Alexander Johnston, of Norwalk, Connecticut, thoroughness, conciseness and the absence of repetition and of redundancy being thus secured.

It has been our aim to produce a work covering ground not covered by other cyclopædias. Hence, the biographies of American statesmen are made purposely very short, ours not being a biographical dictionary. The biographies in question are intended mainly to supplement the articles on the political history of the United States; just as our Cyclopædia itself is intended as a supplement to every other cyclopædia in the English language. It is, in fact, a *special* Cyclopædia, and bears the same relation to other cyclopædias that, for instance, a cyclopædia of law, medicine or engineering does. Great care has been taken in the articles from the French and German to preserve the exact meaning of the writer. In no instance has any liberty been taken with the thought of a contributor. The editor has not sought to harmonize the ideas of so many writers, and yet in very few instances will the opinions of one writer be found in direct conflict with those of another. The same subject is, in some cases, treated by two writers, but from a somewhat different point of view, under titles almost identical; and in these cases the difference of title serves merely for convenience of reference.

A little familiarity with the work will satisfy the reader that the articles from French and German writers are as applicable in the United States as in France and Germany. There is no more a French or German or American political economy or political science than there is a German or French or American science of astronomy or chemistry. It would have been well, some may think, if all the articles had been supplied by American writers. No one, however, can regret that those not written by Americans are from the pens of the most eminent European writers, men like T. E. Cliffe Leslie, J. C. Bluntschli, Brater, Bastiat, Barthélmy Saint-Hilaire, Baudrillart, Chevalier, Clément, Coquelin, Coquerel, Finali, Joseph Garnier, Guizot, v. Holtzendorff, Horn, Paul Janet, Laboulaye, v. Mangoldt, de Molinari, de Quatrefages, Remusat, Roscher, J. B. Say, Léon Say, Jules Simon, Thiers, Wolowski, Wagner and Wirth. The fact that every article is signed by the writer of it, and that each writer is an authority on the subject on which he writes, gives to the work a value which it would not otherwise possess. This feature is, we feel confident, one which the reader will appreciate.

In no country in the world is the necessity of the study of political science and political economy greater than in the United States, in which every citizen is, directly or indirectly —through the medium of his vote—a legislator; and yet, in no great country, perhaps, has the study of politics as a science been so utterly neglected. Our experience as a people during the last decade has demonstrated how very important it is to lay before the great body of readers reliable works to which they may refer, when occasion requires, for the principles by which all great national questions are solved. The people of the United States for the past ten years, to go no farther back in their history, have been, so to speak, one great debating club, discussing such questions as the resumption of specie payments, contraction of the currency, inflation of the currency, money, paper money, the nature and cure of commercial depressions, the demonetization of silver, banks, savings banks, bi-metallism, the relations of capital and labor, the right of employment, socialism, communism, strikes, railroad policy, civil service, civil service reform, etc., etc. The thinking portion of the people have eagerly devoured whatever they could find on these topics.

Other questions equally important are springing up every year, both in the national and state legislatures, questions relating to interest, the hours of labor, taxation, temperance, etc. These and kindred questions are, or may very easily become, questions of practical politics, or of political economy as applied to politics. In the present work these and similar subjects can be found discussed, from the standpoint of the statesman and legislator, by the best minds of the age, each under its proper title and in alphabetical order.

We think that the time at which our work appears is peculiarly opportune, for never before was the attention of the American people turned to questions of political science and political economy, more than now.

The publishers and editor desire to thank the contributors to this work for the readiness with which they accepted the invitation to write for its pages; and the unselfish interest they have one and all manifested in its success. Our acknowledgments, however, are due in a special manner to Mr. Horace White, of New York; to Mr. A. R. Spofford, Librarian of Congress; to Mr. Edward Atkinson, of Boston; to Mr. John Jay Knox, Comptroller of the Currency, and to Mr. Max. Eberhardt, of Chicago.

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tracted France during the first century of modern times could not but prove discouraging to her commerce and industry. The accession of Henry IV. to the throne revived them by restoring peace and concord to the country. During the reign of this prince the Briare canal was completed, and the cultivation of the mulberry was encouraged. But the active participation of France in the commerce of the world dates only from the time of Colbert.—"Colbert," as Henry Martin has said, "thought that a great nation, a complete society, ought to be at once agricultural, industrial, and sea-faring, and that France had received from nature, in a most eminent degree, the conditions of this triple function: his whole life was spent in seeking the realization of this thought." From this point of view, this great minister conceived and executed, at least in part, the plan of suppressing tolls in the interior of the country, of transferring the custom houses to the frontiers of the kingdom, of uniting all France under one and the same tariff system, and of adding economic centralization to the political centralization which it already possessed. In order to develop national industry, Colbert had taken for the basis of his customs tariff: "to reduce the export duties on provisions and merchandise produced in the kingdom, to lessen the import duties on all raw materials, to oppose, by raising the duties, the importation of the products of foreign manufacture." To this programme was added the plan of a close and strong organization of the industrial corporations, and of a permanent and rigid state surveillance over labor. Notwithstanding some lamentable acts of violence against the liberty of labor, French industry made undeniable progress under his influence. Colbert employed considerable sums of money to restore languishing industries and to establish new ones: at great expense he induced foreign manufacturers to come into the country. Five hundred Dutch cloth weavers were established at Abbeville, in Picardy, and introduced there, as well as at Sedan and Elbeuf, the manufacture of the finest woolens. By establishments such as those of the *Gobelins* (tapestry manufactories), and of extensive glass works, Colbert, while flattering the tastes of his master, assured the future of French manufacture of articles of luxury. The empire of France in objects of taste dates from this period. Her products of this kind were more and more sought after by foreign nations, in proportion as Louis XIV. extended his influence. —The French marine had already been freed, under Mazarin, from the preponderance of the Dutch marine, by the differential tax of fifty sous per ton. Colbert maintained this tax, and by the system of maritime inscription, he created the military and merchant marine of France. Languedoc is indebted to him for its canal. The reform of the consulates, and a treaty of commerce concluded with the porte in 1673, instilled new life into French commerce with the Levant. —Unfortunately, after the death of Colbert, the revocation of the edict of Nantes, which deprived France of so many industrial hands, with the disasters which marked the close of Louis XIV.'s reign, and the follies of the regency, arrested the development of the great minister's work. But they did not destroy it entirely; after a lamentable eclipse, the industry and commerce of France gradually regained their splendor in the course of the eighteenth century.—Colbert also did much for the colonies. The French had taken but little part in transatlantic navigation. We find mentioned only some private adventures in the beginning of the sixteenth century, especially that of James Cartier, to whom is really due the credit of discovering Canada, or New France. In spite of Holland and England, this country had remained French, and Quebec and Montreal were established in 1606. Colbert took measures to assure the existence of the colony, and to improve its material condition. The French domination extended as far into the interior as Louisiana. Among the Antilles, which were colonized by freebooters, Colbert obtained for France, Martinique and Grenada, and established there a form of government in conformity with the ideas of the epoch. It was under Louis XIV., and above all at his special desire, that a large company was formed to carry on the commerce with the East Indies. France thus possessed the elements of a vast colonial empire; but she allowed herself to be deprived of them one after another. At the peace of Utrecht, Louis XIV. ceded to England the Hudson's bay country, Newfoundland and Arcadia. In the treaty of Paris, in 1763, Louis XV. abandoned Canada to the same power. In the Indian ocean, about the middle of the eighteenth century, La Bourdonnais wrought wonders in the island of France, and Dupleix in Pondicherry; but, in consequence of the jealousy that sprang up between these two men, and the prodigious success of the English, the colonial empire of the French almost disappeared from India. The Antilles, at least, were prosperous, especially St. Domingo, and supplied a vast commerce of produce.—The peace of Versailles ends the first part of modern times, and commences the second, which extends to our own day. This second part is subdivided into two sections, separated from each other by the general peace of 1815. The first of these periods is, properly speaking, the eclipse of commerce, while the second forms the most brilliant period of its history.—We shall only mention the first period, filled throughout with wars, in which England is the almost absolute mistress of the seas, and in which Napoleon opposes her with the *continental blockade;* but we shall endeavor to sketch the wonders of the second. —In this epoch of rare fecundity the territory of commerce increases enormously. Already, in the previous period, the emancipation of the United States had added a great part of North America, and the separation of Brazil from Portugal, a vast country in South America. Then Mexico and all Spanish South America, throwing

off the yoke of the mother country, abolished the restrictions of their old colonial system, and were thrown open to the commerce of other nations. France, by conquering Algiers, substituted a safe market for a nest of pirates. England extended and consolidated her rule in India, and opened up China; while the United States obtained access to mysterious Japan, which is now open to all the world.—Throughout this vast domain, which recognizes no limits, commerce enjoys a security heretofore unknown, the precious fruit of universal peace. This peace has been several times disturbed by wars more or less destructive, but whose limits are always circumscribed. It has been shaken, also, by revolutions. But its majestic course has, in reality, experienced but little interruption. Thus it is seen to multiply at all points, the benefits of which it is so prodigal. Human activity is applied to agriculture and manufactures; the spirit of invention increases industry; production, as well as consumption, is immensely augmented; and commerce henceforth assumes grand proportions.—The improvement of the ways of communication and of the means of transportation powerfully contributes to its extension. But the ordinary roads and the numerous and well-built canals are not all. Fulton applies steam power to navigation, which had hitherto employed nothing but sails. Steamboats appear on rivers, streams and lakes; they cross straits, they steam along the maritime coasts, and end by making the longest voyages on the high seas. To transatlantic steam navigation is added, for the security and rapidity of maritime commerce, a profound acquaintance with the different currents which furrow the ocean. Another invention that transforms commerce by land, and assures it an importance which it had never before known, is the marvelous invention of railroads, over which locomotives impelled by steam put in motion trains of innumerable cars, and whose immense network covers the soil of all countries. Finally, the electric telegraph annihilates distances both by land and sea.—While, at the commencement of modern times, the precious metals of the new world came to aid in the development of a trade which had greatly increased in proportions, the gold of California and Australia helped to supply the necessities of a commerce which was increasing every day. At the same time, moreover, the institutions of credit, whose paper supplies the place of money, are developed on a grand scale.—The different nations successively establish the unity of their home market. The revolution of 1789, completing the work of Colbert, had thrown down the barriers which still subsisted in France, and created its custom house territory. Already, at the beginning of the century, Great Britain is commercially united with Ireland. In the epoch of which we are writing, this movement was imitated throughout Europe. The various small states of Germany were united into a fruitful association of customs (the Zollverein) before they were formed into an empire. Spain had overturned the barriers which isolated its northern provinces; and Austria those which separated the eastern from the western portion of her territory. Switzerland, after accomplishing her political centralization, centralized her commerce also, by substituting for her numerous cantonal tolls one single tariff for all her frontiers. Italy, after attaining political unity, confirmed it by commercial unity, under one tariff of duties.—The commercial policy toward foreign nations long retained its restrictive features. England, the ablest among nations, in commerce, industry and navigation, was the first to perceive that the impediments created by the protective system must disappear. She gradually accomplished, in this direction, the reforms that were connected with the names of Huskisson, Cobden, Robert Peel and Gladstone. England, now retains only her fiscal rights. These reforms attracted the attention of the other states to their own commercial systems; and many of them also reformed them, if not in the same proportion as England, at least to a greater or less extent. It is the commercial treaty between France and England that seems to have hastened the movement. Prohibitions have been removed, and ever-increasing facilities are granted to commerce. Some countries, however, particularly the United States, still persist in maintaining a strong system of protective duties; but the desire of paying its debt has much to do with this action on the part of the American republic. The protective system, moreover, is there made the incessant object of attack. Commerce is now no longer, as in other times, the special occupation of a few; it is more or less engaged in by all. But it is mainly in the hands of peoples belonging to Christian civilization. Eastern nations are, for the most part, inactive, passive; and their commerce is carried on by the merchants of the west. Among the various Christian nations the share is more or less brilliant. The first place must unquestionably be ceded to England: after her, setting aside the United States, a high rank is due to France, with the small states along her eastern frontier, and to the German empire, which has absorbed Hamburg and Bremen. The chief commercial centres of the world are London, Paris and New York. HENRY RICHELOT.

COMMERCIAL CRISES, disturbances of the course of trade at given times, arising from the necessity of re-adjusting its conditions to the common standard and measure of value. The common standard of value is money, and the conditions of trade which require to be adjusted to it are the prices of commodities, and contracts and obligations of all kinds. Contracts and obligations are almost always expressed in money. They call for the payment of dollars, pounds sterling, francs, etc., which signify a certain weight of gold or silver. Contracts and obligations are entered into on the basis of the scale of prices prevailing at the time, which may be too high or too low. Prices are susceptible of great elasticity. If they are too high at a given time as compared with the cost of money (*i. e.*, the cost of producing gold and silver), it follows that the person who has obligated himself to pay money at such a time has not actually received an equivalent in return, and that he is in danger of loss or failure. This he may avoid by selling the commodities he has purchased for money sufficient, or more than sufficient to meet his obligation, or by taking the obligation of another person for an equal or greater sum. In the latter case it is evident that the situation of the community is not changed by substituting A in the place of B as the obligor who undertakes to deliver a certain number of grains of gold in exchange for a certain amount of cloth or iron, or a certain piece of land, or a certain amount of labor. If the element of equivalency is wanting between the money agreed to be paid and the thing received in exchange, there must be eventual loss, and possibly such loss as to cause bankruptcy. It does not alter the state of the case that the obligation to pay money may be lawfully discharged with paper, even irredeemable paper, since such paper must be resolvable into gold at some ratio.—Contracts and obligations, agreements to pay money at a future time for something presently received, are the "credit system" of modern commerce. Innumerable phases and complications arise under the credit system, but analysis will show that they all resolve themselves into the agreement of A to sell goods, houses, lands, labor, etc., to B for money to be paid at a future time. If B, instead of borrowing goods, houses, etc., from A, borrows money from C, it is only to buy the goods, houses, etc., from A. The only difference is that C, instead of A, is the payee when the obligation matures. Inability to meet the obligation constitutes bankruptcy, and a great multiplicity of bankruptcies occurring simultaneously constitutes a commercial crisis. A commercial crisis may be confined to one country, or it may extend to the whole commercial world, but it can not extend to places where there is no credit system. If all persons were in the habit of paying immediately for everything received, there could be no debts, consequently no failures, no money panics, no crises. In proportion as debts are few and small and of short duration, so will bankruptcies be infrequent and commercial crises brief and inconsiderable. Those nations among whom the credit system has received its widest development, and where consequently the spirit of commercial adventure and speculation is most rife, are most exposed to the ravages of recurring periods of bankruptcy. It is an observed fact that nations of Teutonic origin (including the English, American, German, Dutch and Scandinavian) are those most frequently and severely afflicted with commercial crises. These nations are also noted as the most enterprising of all, in the commercial sense. They habitually assume greater risks for the sake of expected profit than their neighbors, and consequently are more exposed to periodical disaster.—Since the introduction of the credit element into trade, which began to assume a systematic character early in the seventeenth century, commercial crises have been of frequent occurrence among civilized nations. The symptoms by which they are preceded, and which always give fair warning of their approach, are a rapid advance of prices and wages, great activity of trade, a multiplication of new enterprises of every sort, such as factories, buildings, banks, railways, mines, shipping, colonies—what is termed, in short, a period of general prosperity. Fortunes are made, or appear to be made, in a day. A spirit of speculation pervades all the trading classes. Everybody is buying, in order to sell at a higher price. All who have capital are seeking to place it where it will gain the highest possible return. These periods of alluring prosperity generally run a course of ten years in England, *e.g.*, 1816, 1825, 1837, 1847, 1857, 1866, 1875, in each of which years there was a commercial crisis in that country. In the United States the periodical return has been less regular and less frequent, the most noted crises having been those of 1819, 1837, 1857 and 1873. Each period of abnormal and exciting prosperity is followed by a violent collapse, whose phases are a money panic, a sudden rise in the rate of interest, a run on the banks, and most frequently a suspension of cash payments; then a fall of prices of commodities, securities and real property; failures of mercantile and manufacturing houses and corporations, a partial suspension of industry, a fall of wages and the enforced idleness of great numbers of laborers, often culminating in riots and social anarchy. The money panic is generally of short duration, but the crisis is frequently protracted through a series of years, being marked by a continued and inexorable "shrinkage of values," general stagnation and lack of confidence, dearth of employment for labor and capital, and an abnormally low rate of interest. It has become a maxim among business men, that in such a period more profit can be made by locking money up in a close vault than by investing it in anything whatsoever; which signifies merely, that, when prices of all things are declining, it is best not to buy till they reach their minimum. The pendulum will swing back in time.—These undulations of trade, of alternately high and low prices, of alternate activity and depression in business, have their root in the mental and moral constitution of mankind. The price of a thing is the amount of gold it sells for in a free market. The prices of commodities generally—*i. e.*, the scale of prices prevailing at a given time—are the ratio existing between commodities in general and gold bullion, in a free market. We know, as a matter of fact, that general prices are subject to great variations within comparatively short periods of time, as, for instance, between the years 1873 and 1877, the conditions of gold production and the annual output

remaining substantially the same. The cause of these rapid variations must be sought for in something else than the gold supply. Some writers seek an explanation in bank issues and bank credits. Excessive issues and excessive credits are invariable concomitants of the swelling gale of prosperity which precedes and ushers in a crisis. They are part and parcel of the speculative fever which pervades the community, but are no more to be accounted the cause of it than the excessive multiplication of spindles and of railways going on at the same time. The true cause of advancing prices is the competition of buyers in the market: the true cause of declining prices is the competition of sellers. When there are more buyers than sellers, prices will rise: when there are more sellers than buyers, prices will fall. The love of gain causes the competition of buyers; the fear of loss, the competition of sellers. The former is a state of speculation; the latter of panic. Now, it is demonstrable from history, and, indeed, obvious to all persons of adult age, that there are times when the whole community are buying this, that and the other sort of property, with the purpose and expectation of selling it at a higher price. There are other times when they are selling with like unanimity, in order to avoid an apprehended loss. Such a period of general speculation prevailed in the United States during several years prior to 1873. A corresponding period of panic and depression prevailed from 1873 to 1879. The pendulum has now (1881) begun to swing back, and there are many signs that the country has started on a new career of prosperity, to be succeeded by another crisis, another period of commercial depression, revulsion, stagnation. Prices and wages are advancing, employment for labor and capital is abundant, fortunes are made rapidly, new railway enterprises are multiplying on every hand. But the ordinary channels of trade are not yet choked with debt to any considerable extent. The debts of 1873 have been pretty generally wiped out, but the credit system has not wholly recovered from the shock of that year. Both borrowers and lenders are still cautious. So long as this spirit of caution prevails, the community will be in no danger of a commercial crisis, although there may be stock panics and "Black Fridays" now and then, affecting particular classes of traders and speculators. When this spirit yields, as it probably will, to the enticing prospect of large profits and rapid gains, and when rising prices and increasing liabilities are observed to be moving hand in hand, the ingredients of a new crisis will be gathering explosive force. Those who are able to discern the real conditions of trade hidden under the guise of general prosperity, and able to resist its fascinations, will get out of debt while they can, and content themselves with such profits as are to be made without borrowed capital. Then, when the storm comes, they will escape. They may meet with losses—people who owe them may be unable to pay—but the gale will pass by and leave them standing. The "shrinkage of values" will signify nothing to them but a marking down of prices, while to those who are much in debt it will mean bankruptcy, sheriff's sales, and a sudden descent from affluence to poverty. Unfortunately, neither prudence nor foresight can avail to any great extent to protect the wage-working classes from the effects of these fearful visitations. They are powerless to resist the advance of prices, they are impelled by necessity and by the competition of employers to demand higher wages for their labor, and higher wages again necessitate higher prices for commodities. When the tension of prices against the standard of value can no longer be borne, and a crisis supervenes, the worst horrors of the calamity fall upon them in the loss of employment. What savings they have accumulated during the period of prosperity, to shelter themselves in sickness and age, are generally consumed during the succeeding period of depression, and they begin again the battle of life with no other resources than their hands, and not seldom with bitterness in their hearts against the social order which allows such sore distress to fall upon them.—It has been remarked that commercial crises have their root in the mental and moral constitution of mankind. The love of gain is the foundation stone upon which political economy builds itself as a science. This motive is more nearly universal than any other in the whole category of human impulses. The greatest amount of gain with the least amount of effort is what all but an imperceptible fraction of mankind are striving for. It is this omnipresent desire which incites people to buy whatever they think they can sell at an advanced price, and to buy on credit, or with borrowed capital, when they can not command sufficient means of their own. Buying with one's own means, however imprudently, would never bring on a commercial crisis, because nobody could fail. The competition of buyers would cause prices to advance exactly as under the credit system, and the reaction would come as surely. The elasticity of prices would enable speculation to run its course for the usual period, until the strain could be borne no longer, *i. e.*, until the difference between the prices of commodities generally, and the cost of dollars and pounds sterling at the gold mines, became too great to admit of further speculation. Then there would be a decline of prices resulting from a common desire to sell and avoid loss, but the marked and distinguishing feature of the modern commercial crisis, bankruptcy and total ruin, would be wanting. The credit system supplies this ingredient. It furnishes the explosive material of which the great crises of the past two centuries have been mainly composed, viz., contracts, obligations, debts, piled upon each other mountain high, contracted upon a fictitious scale of prices, a scale which the whole community has for the time being conspired to make fictitious, but payable in matter of fact dollars and pounds sterling, or their true equivalent, and not other.

wise.—One of the earliest crises mentioned by Dr. Max Wirth, in his *Geschichte der Handelskrisen*, is the tulip mania of Holland, in the years 1634–8. This celebrated speculation in the products of horticulture bore all the marks of a genuine commercial crisis. A delusion difficult now to understand, though not more absurd than many others which have at times infected an entire people, gradually led the inhabitants of the Netherlands to consider the tulip plant to be worth its weight in gold, while certain varieties were esteemed much more valuable. The whole population, merchants, farmers, nobles, politicians, sailors, day-laborers, serving men and serving women, joined in an eager and exciting trade in tulips. There was a tulip exchange in Amsterdam, with a board of brokers, presenting all the features of a modern stock exchange. The price of tulips rose from a mere trifle, or about the price of onions, to 5,500 florins each, the latter being the quoted value of the variety called "Semper Augustus." The rage lasted four years. Contracts for the purchase and sale of tulip plants at these extravagant figures, plastered the whole country, and were so numerous when the collapse came that the courts of justice were unable to adjudicate a tithe of them. A tulip bulb was intrinsically worth no more then than it is now; that is, a few pennies for common varieties, and a few shillings for the rarer. It was inevitable that a time would come when they must sell for their intrinsic value in coin. That time did come, and the nation was plunged at once into a whirlpool of bankruptcy. Panic terror swept all the market places. Misery, madness and ruin entered thousands of Dutch homesteads. The country was strewn with every species of commercial wreckage. The consequences of the disaster afflicted a whole generation, and the memory of it revives with every recurrence of a commercial crisis in any part of the world.—The tulip crisis of Holland was of the same breed as the modern commercial crisis, differing in size, but not in ferocity. The crises of different periods and different countries have distinguishing features in this, that there is generally some form of speculation more rampant than any other at a given period, although it frequently happens that the leading rage begets other varieties equally pernicious. In the French crisis of 1720, it was John Law's Mississippi scheme around which the speculation gathered. In the contemporary English crisis it was the South sea bubble, which also produced a progeny of lesser bubbles so numerous and ludicrous that the period has ever since been known as the "epoch of the bubble companies." In the American crisis of 1837, land speculation was the principal craze. In the English crisis of 1847, it was railway building. But in these and all the others, the features of the tulip mania are discernible—a whole community betting that certain kinds of property are worth more gold and silver than they are really worth, and entering into contracts and obligations based upon erroneous estimates of value. It generally happens during the speculative period, that the prices of some commodities are pushed up to a higher point, relatively, than others, speculation being particularly directed into those channels, thus attracting an undue investment of capital and labor in particular trades, as in the cultivation of tulips in Holland at the period mentioned. This was the case in the iron and coal trades and in many branches of manufacture in the United States prior to the panic of 1873. The equilibrium of labor is disturbed; and, when the crisis comes, the greatest distress falls upon those branches of industry which had formerly been the most prosperous. An immediate glut of the market is felt because an abnormal production had been stimulated. Neither the laborers nor the capital employed in particular lines of trade can change their vocation suddenly. But change they must sooner or later. The equilibrium of industry must be restored; prices must fall back to the level of *equivalency* between money and goods; superfluous mills and mines and factories must close, or work on half time, till a re-adjustment takes place. If the prevailing rage has been for foreign trade, as it was in England in 1825, there will be a mushroom growth of manufactures and shipping, and when the collapse comes, weavers and sailors will be out of employment. If it is for new railways, as in the United States in the years prior to 1873, iron furnaces will go out of blast, coal companies will fail, puddlers and miners will be brought to dire distress, and it will be wonderful if riots and public disorder do not follow in the train of idleness and misery. It results from the view here taken, that the displacement or misplacement of labor, so often noticed as a feature of commercial crises, is a consequence and not a cause of the temporary delusion or *entraînement* of the public mind, which is the real origin of the trouble. —What causes this *entraînement* has been partly answered already. Anything which acts strongly upon the imaginations of traders, always keenly alive to the prospect of gain, is sufficient to set a general speculation on foot. There can be no doubt that the gigantic war indemnity collected by Germany from France stimulated the imaginative powers of the former in the highest degree, and led to the extravagant speculations which ushered in the crisis of 1873 in that country. The English crisis of 1816 was due to a misconception founded upon the overthrow of Napoleon and the reopening of the continent of Europe to British trade. It was assumed that the continent was bare of goods, and that an unlimited demand would spring up as soon as trade restrictions were removed. The imagination of the British merchant was fired. Great quantities of manufactures and colonial produce were accumulated to meet the expected demand, and prices rose rapidly in consequence. No account was made of the fact that those countries, impoverished by long wars, were unable to pay for the commodities they would gladly purchase. When the ports were opened, English goods were crowded upon the continental markets in such quantities that presently "they were selling for less in Holland and Germany than in London and Manchester, while in most places they were lying a dead weight on the market, without any sale at all." (Lord Brougham, quoted in Tooke's History of Prices.) In consequence of this miscalculation, 6,616 failures took place in the agricultural, commercial, manufacturing, mining and shipping interests of Great Britain, and so many laborers were thrown out of employment, that the country seemed for awhile to be on the eve of revolution. The commercial history of both Europe and America is sprinkled with commercial crises from 1799 to 1816, having their origin in the distempered imaginations of traders unduly excited by military events and the commercial regulations of governments. The Hamburg crisis of 1799 was caused by the French occupation of Holland in 1795, which threw into the lap of the former the continental trade which had previously belonged to the latter, causing such a tremendous speculation and rise of prices and extension of credit in Hamburg during the succeeding four years that presently a crash came, in which 82 houses failed, with liabilities amounting to 29,000,000 marks. Thus the very event which seemed likely to contribute to the prosperity of Hamburg, serving to inflame the greed of her capitalists and obscure their vision, ended in her impoverishment. It is needless to multiply instances showing that every great speculative movement has an ascertainable starting point. Referring to the last one which afflicted our own country, there can be little doubt that the most potent contributing cause was the unwise liberality of congress in offering immense grants of land to corporations as a free gift on condition that they would build railways through them. No less than 170,000,000 acres were flung out to the cupidity of capitalists after the close of the war. Such an alluring bait had never been danced before the eyes of a whole nation, not of one nation merely, but as many as chose to participate, for capital knows no boundary lines. England, Germany and Holland are believed to have invested $250,000,000 in our railway bonds between 1865 and 1873, which afterward defaulted, not to mention those which managed to pay their interest and keep out of bankruptcy.—We will now consider some of the theories which have been advanced on the subject of commercial crises, more or less in conflict with the one here outlined. The one most commonly accepted ascribes all the mischief to paper money, to bank agencies of various sorts; to irredeemable paper, where such paper is current; to the medium of exchange, rather than to the things exchanged. Interminable statistics have been compiled to sustain this view, all going to confuse the reader and darken counsel. The bank is so necessary a part of modern trade, it is so great an object of interest in a financial panic, its system of loans, issues and

deposits is so great a mystery to the general public, that it answers all the purposes of a witch when a commercial distemper sets in. As the issue of circulating notes is no necessary function of a bank, we will first consider it without that function. Banks were first established to keep people's money in places of safety. Their sphere of duty was afterward enlarged, in order to assimilate the various sorts of money brought to them, so that their customers could deposit dollars, pounds sterling, livres, florins and ducats, some of full weight, others of short weight, and draw out one particular kind of money, as for instance, dollars always of full value, thus furnishing a sure basis for trade, and enabling buyer and seller to make their bargains understandingly. In point of principle the modern bank differs but little from the ancient one. It receives people's money in order to keep it safely and pay it back on demand. It also undertakes to melt down and hold in a state of "solvency" all the instruments of exchange that experience has found useful in facilitating the transfer of property, such as bills of exchange, checks, drafts, etc., so that its customers depositing such instruments, secured by commodities or otherwise, can draw out their equivalent in money as occasion requires. Bank deposits consist for the most part of these written instruments, which are merely the title deeds of property circulating between buyers and sellers, producers and consumers. The amount of cash kept on hand by a bank is usually a very small part of its deposits, since in practice the deposits offset and counterbalance each other through the instrumentality of checks and clearing houses. Experience has shown that a certain average amount of the deposits will always be on hand, and that it will be safe and profitable to lend these at the current rate of interest, a capital being provided by the bank itself as a safeguard and guarantee against sudden and unexpected demands from depositors. It is obvious that a bank has no power to create property; therefore, it can not cause drafts, bills of exchange, etc., to be drawn; therefore it can not cause deposits to be made. Nor can it lend more deposits than the average amount which it has on hand. It may unduly trench upon its own capital. It may put beyond its immediate reach more of its means than prudence would dictate. Bankers frequently make this mistake, but not oftener than other men. They are subject to the same influences and motives as other members of the trading community, they breathe the same atmosphere, they are as ready to make hay while the sun shines. If others are making unusual profits, they are not slow to participate, and when their customers are habitually taking large risks, they are apt to take large risks also. If we expect them alone to be prudent and conservative, while everybody else is enterprising and dashing, we shall expect too much. The community will always find bankers to their liking. In times of prosperity all croakers are unpopular, and banking croakers most of all. The popular banker at such a time is the one who accommodates most liberally and is not too particular about his securities. He will draw the largest train of customers and make the greatest profits, while his croaking neighbor will have only a constituency of curmudgeons and old fogies. A banker's risks are somewhat greater than a merchant's, because his liabilities are payable on demand; therefore bankers ought to be more prudent than merchants, and, as a general rule, they are so. But they are liable to become infected by their surroundings, and to lend more of their capital in good times than they ought, in exactly the same way and for the same reason that a merchant extends too much credit to his customers, and borrows too much money from his banker. In short, bankers are not sinners above others in paving the way for a commercial crisis. They have no occult power to swell their own deposits or to force loans upon the community. Their contribution to the general mischief is precisely similar to that of other people, attempting to do too much business on a given capital.—When a bank, in addition to the function we have been considering, is vested with the power to issue notes, it merely displaces an equivalent amount of gold from the circulation. No more notes will circulate than are needed to pass from hand to hand among buyers and sellers. Any excess will come back to the bank's counter for redemption: any deficiency will be supplied by gold from the mines or from foreign countries. Banks are powerless either to add to or subtract from the circulation of the country. Nor is the case different when their notes are redeemable in government notes, which are themselves irredeemable. So far as the banks are concerned, all the principles which govern when gold is the standard, govern when greenbacks are the standard. If more bank notes are out than are really wanted, and therefore serviceable to the public, the surplus will come back to them in spite of all their efforts to the contrary. It is an observed fact, that, at times immediately preceding a panic—that is, during a favoring gale of high prices, large profits and active speculation—there is an abnormal increase of bank note issues; whence it has been concluded that the bank issues have caused all the trouble. *Post hoc, ergo propter hoc.* Bank issues are large at such times, because business is active, because prices are high, because the conditions of trade demand and require and *will have* an augmented circulating medium. If they can not have paper they will have gold; and their having gold instead of paper would not stave off the crisis. A commercial crisis has no better appetite for one kind of money than for another; nor does one kind of money favor the oncoming of a crisis more than another, with a single exception to be noted hereafter. This is abundantly proved by the history of these disasters, which have fallen with perfect impartiality upon countries having an exclusively metallic currency, upon those having a mixed currency, and upon those having an exclusively paper currency. The tulip crisis in Holland came at a time and place where paper money was unknown. There was a genuine crisis in England in 1692, two years before the bank of England was established. (Bagehot's Lombard Street, c. 6.) The crisis of 1873 in the United States came during a protracted suspension of specie payments, as did also the English crises of 1811 and 1816. These facts prove that the kind of currency prevailing is not necessarily the producing cause of a crisis. It may have its influence one way or another, but there are no facts to show that the adoption or rejection of any particular medium of exchange would banish the phenomenon from the commercial world.—The single case where a crisis may be produced by a vicious currency is that of irredeemable legal tender paper. When government commences issuing such paper the experience of mankind suggests that the first issue will probably be followed by a second, and the second by a third, and so on. It is a necessary consequence that prices of commodities and real property should rise, there being no foreign outlet for the excess of notes forced upon the community by the government's disbursements. This is sufficient in itself to incite speculation. Most commonly there is a further incentive furnished by the government's heavy purchases of the goods it stands in need of, and general speculation takes its start in the branches of trade which supply these articles. A commercial crisis may or may not ensue. The legal tender notes may become utterly valueless, as our continental currency, the French *assignats* and the notes of the southern confederacy did, or they may be restored to gold value, as bank of England notes were in 1821, and as our own greenbacks were in December, 1878. Whatever may be the disasters consequent upon such pernicious meddling with the standard of value, it is obvious that they do not belong to the category of the true commercial crisis, which is a disturbance due to commercial causes alone without extraneous influence of any kind. It is hardly necessary to add that all the ingredients of a commercial crisis can be gathered under a *régime* of irredeemable paper, as readily as under a metallic or mixed currency. The quantity of such paper afloat always has some limit; and, as long as it possesses the character and requisites of a currency at all, it must have some value quotable in gold. Prices of commodities will be reckoned in paper, contracts and obligations will be payable in it, and the undulations of trade as previously described will move on for all the purposes of crisis-breeding, in the same way as under the *régime* of metallic money.—Another theory, which has the support of respectable authority, assumes that the improvident investment of capital during a period of general speculation is the cause of commercial crises. Improvident investment is, for the time being, the same thing as total loss, and it is contended

that the aggregate of losses becomes so great eventually that the fabric of industry can not support the burden, and is crushed beneath it. This doctrine seems to be open to a short *reductio ad absurdum.* Let us suppose that mankind have accumulated a year's stock of goods, and that everybody starts, as most people do start after one commercial crisis has spent its force, measurably free from debt. Then, if all the surplus products of a country or of the world—that is, all the wealth produced beyond annual consumption and seed—were collected together and burned on the last day of every year, would any commercial crisis be produced thereby? The world would merely remain *in statu quo.* Wealth would be neither increased nor diminished, since only the surplus of production had been lost; but, as nobody would owe more than he could pay, there would be no crisis. This is another instance of the argument, *post hoc, ergo propter hoc.* The conversion of circulating capital into fixed capital goes on rapidly in "good times." As the production of wealth is rapid, means must be found for investing the surplus—the portion not consumed in the process of production—and such seasons of prosperity are always marked by the multitude of new enterprises, such as railways, mines, factories, buildings, ships, and the bringing of new land under cultivation. A great part of these enterprises turn out to be premature and improvident, perhaps wholly wasteful, and for all present purposes the capital invested in them might as well have been burned at the outset. But if it had been burned at the outset, no commercial crisis would have resulted. It is contended, however, that the conversion of circulating capital, (wheat, cloth, iron, etc.) into fixed capital has gone on at such a reckless and headlong pace that there was not a sufficiency left for the requirements of trade. Hence the distress. The answer is, that nature has provided abundant checks against the too rapid conversion of circulating into fixed capital; for, if too much food and clothing are thus withdrawn from the market, a portion of the community must starve and go naked; if too much iron and timber are withdrawn, the requirements of everyday life will impose such obstacles, in the shape of enhanced prices, to the further conversion that it will be sharply arrested. Finally, it is an observed fact, that a rapid increase of fixed capital is always accompanied by a great increase of circulating capital. J. S. Mill doubts if a single instance can be found to the contrary. (Political Economy, book i., c. 6.)—A third doctrine, which has found more or less support, assumes that commercial crises proceed from a sudden and spasmodic want of confidence, and that if confidence could be restored as suddenly as it was destroyed, all the evil consequences would disappear. The want of confidence which upsets commercial calculations and brings on a crisis is the disturbance or rupture of a commonly received opinion that fifty cents' worth of goods are equal to a dollar in gold. This opinion, which finds its expression in high prices of commodities, labor and real property, is gradually undermined by the departure of gold to countries where it is rated at a higher value. The exportation of the precious metals is signalized by a rise of the exchanges and of the rate of discount; and general uneasiness ensues. The outflow of gold continues, money becomes scarce, and the rate of interest rises, till the weaker and more venturesome traders fail. Then the public discover all at once that their "confidence" in the value of property was misplaced. Everybody will rush to his banker to draw out money, lest others should get the start of him and break the bank. It is not necessary to recount the usual features of a panic. Like other stampedes they are cruel and destructive, and not amenable to argument, but they are likewise of short duration. Banks and other depositories of money are either broken at once by the onset of depositors, or they are relieved from the pressure in a few days or weeks. But "confidence" is gone. People no longer believe that fifty cents' worth of goods are equal to a dollar in gold. Nor is it possible that they should so believe when once their eyes have been opened to the real facts. "Want of confidence" at such a time is mere inability to believe an exposed falsehood. People have been confident at certain times and places that clipped shillings were equal to whole ones, and that brass money was equal to silver. When they discovered the contrary, they were perhaps upbraided for their want of confidence, but history does not mention that any efforts to restore confidence in this particular ever met with much success. When want of confidence is well founded, as it always is in a commercial crisis, there is no cure but a re-establishment of the true par of exchange between money and goods.—Money is the pivot around which the vast mechanism of exchange revolves. As already shown, money is either gold coin and bullion or something referable thereto and deriving its potency therefrom. Every commercial act, every business transaction, from a government loan to the purchase of a jackknife, is expressed in money, is enforceable in money, is computable in money, and not otherwise. It is not our purpose to consider whether any better system can be devised and agreed upon by mankind for gauging and estimating their dealings with each other. No other has yet been suggested that would not entail more evils and inconvenience than it would cure, and it is extremely doubtful whether any other (Mr. Poulet Scrope's Tabular Standard of Value, for instance) could command the assent of a sufficient number of people at one time to serve the purposes of experiment. What we have to consider here is the fact that goods and money must be equivalent to each other in a healthy state of trade, and that any wide divergence from equivalency is a state of disease, which, when sufficiently prolonged and aggravated, ends in convulsions.—Much has been written about the remedies for commercial crises. There is no remedy except in the concurrence of mankind to keep out of debt and to avoid all temptation to make gain without equivalent labor. Civilization is so interlaced with the credit system that it is idle to talk of abolishing it. The interests of mankind require that it should continue, even at the cost of its abuses and of the miseries of an occasional crisis. The desire for gain without labor, or of much gain with little labor, is so universally diffused and firmly planted in the human breast that it is equally idle to think of uprooting it. Nor is it, upon the whole, a thing which ought to be uprooted. Nine-tenths of all the inventions and discoveries that have advanced mankind from the stone age to the age of steam and electricity have had their origin in this desire. But while we may not hope, and should not wish, to eliminate from the mental and moral constitution of mankind those motives which drive the commercial world now and then into a state of crisis, much may be done to lessen and mitigate the evil by diffusing correct knowledge of the principles underlying these painful phenomena. When the public shall be well instructed as to the genesis, growth and external indications of an approaching crisis, each captain of an industrial craft will be moved to take in sail before the storm strikes him; and, if all captains take heed in time, little mischief will be done. Speculation will be checked, prices will recede, losses may be felt; but the cataclysm may be avoided. At present, it must be admitted that economists themselves are not sufficiently agreed upon the fundamental principles of commercial crises to command strict attention from the unprofessional classes.—The literature of our subject is not extensive. Among the works most worthy of examination may be mentioned Max Wirth's *Geschichte der Handelskrisen*, 2nd ed., Frankfort, 1874; *Le Marché monétaire et ses Crises*, by Emile de Laveleye, Paris, 1865; *The Commercial Crisis of* 1847-8, by D. Morier Evans, London, 1849; *History of the Commercial Crisis of* 1857-8, by the same author, London, 1859; *Les Crises Commerciales*, by Clément Juglar; and the article by the same author in Block's *Dictionnaire de la Politique*, Paris, 1880; *the History of British Commerce*, by Leone Levi, London, 1872. Tooke's *History of Prices* is a mine of information, and the contributions of his co-laborer and literary executor, Wm. Newmarch, in the *London Economist's Annual Review*, are extremely valuable. James Wilson's *Capital, Currency and Banking* (London, 1847), contains important suggestions; indeed, nowhere else can be found a more rigid analysis or sounder conclusions upon the relation between prices and the circulating medium. Mr. R. H. Patterson's *Science of Finance* (Edinburgh, 1868,) gives a good account of the London crisis of 1866, but the views advanced by the writer are misleading. Since the crisis of 1873 there has been an active discussion of the subject in magazine articles. The most important contribution of this kind is that of Maurice Block (*La Crise Economique*) in the *Revue des Deux Mondes*, March 15, 1879. Mr. Robert Giffen's article in the *Fortnightly Review*, entitled "The Liquidations of 1873-6," (republished in his volume of *Essays in Finance*), and a recent article on "Over-Production," by Mr. George Chesney, in the same periodical, are also noteworthy. The house of commons' report on the commercial distress (1848), and other parliamentary inquiries, contain a great mass of undigested material, as does also the evidence taken by the house committee on depression of labor and business in the United States (1878-9).

HORACE WHITE.

COMMISSION, Constitutional. (See CONSTITUTIONAL CONVENTION. *ad finem.*)

COMMITTEES. (See PARLIAMENTARY LAW.)

COMMON LAW. (See LAW.)

COMMONS, House of. (See GREAT BRITAIN.)

COMMUNE, Paris. The municipal authority in the city of Paris has been twice usurped—once in 1792, and again in 1871, by an insurgent power known under the name of the *Commune de Paris*.—On Aug. 10, 1792, while the mob was invading the Tuileries, several chiefs of the movement, presenting themselves as delegates of sections, occupied the *Hotel de Ville*, and there constituted themselves into a commune, with all the political and administrative attributes of a government. The commune notified the national assembly of its revolutionary existence, demanding powers without limit, and the creation of an extraordinary tribunal authorized to pass judgment without appeal on the "crimes committed on the 10th of August, and on other crimes and circumstances relative thereto." The commune of Paris became all powerful under the influence of Danton, Robespierre and Marat.—In vain did the assembly try to break its tyranny. It passed a decree dissolving the insurrectionary commune, and providing for the election of a new municipal council. The commune was the stronger: it issued decree after decree; "it ordered that the bells should be turned into cannon, and iron railings into pikes; that the silver of the churches should be melted down, and that wages and arms should be given to the indigent; that domiciliary visits should be made to discover arms and arrest suspected persons." During this time the enemy had crossed the frontier; in Paris, exasperation had reached its height, and the leaders of the commune took advantage of this to arouse the vengeance of the people against the assembly and the royalists. After hearing the news of the capture of Verdun, on Sept. 2, the crowd rushed to the prison and massacred about a hundred captives: priests, nobles, sextons, guards of the king, whom the commune had arrested as suspected persons.—The national assembly, which was about to make way for the convention, was powerless to repress those crimes. The convention itself was obliged to reckon with the commune, and to endure, side by side with itself, in the capital in which it was in session, this revolutionary power which knew no government but that of terror. The clubs, the feeling in which found expression in the stormy meetings of the convention, urged men on in the way of folly and disorder. The commune, after having destroyed, under the pretext of liberty, the political and administrative hierarchy of the city, could not fail to attack religion, which it looked on as a creation of the old régime. It closed the churches, turned Notre Dame into the "temple of reason," and even published a decree providing for the demolition of steeples, "which, because they towered over other buildings, seemed to be in conflict with the principles of equality." This lasted till July 27, 1794 (9 *thermidor*). The commune fell at last in consequence of a reaction, which could not but be bloody. Robespierre, Couthon, Saint Just and eighty-two of their colleagues, most of them obscure men, whom blindness and revolutionary caprice had brought into the commune, perished on the scaffold. The commune of Paris left in history a memory so odious that no one could have imagined it would come to life again, with its name, its doctrines, its terror and its blood. And yet it re-appeared and reigned anew in 1871. Our own generation has looked on the Paris commune.—In 1871, as in 1792, the commune was born of a political revolution, under the pressure of a great national defeat in the presence of invasion. It took advantage of popular exasperation, and we may say that it was guilty of every species of crime as well as every species of folly. It had its clubs, its proclamations, its vagaries, its suspected persons, its massacres of prisoners, its hatred of religion, and the liberty, equality and fraternity practiced in 1793. Perhaps, during its shorter reign (from March 18 to May 24), it was still more cruel without being less stupid. The history of this lamentable period is written in the memories of men as well as in tombs and ruins. It is useless to retrace its details; but it seems important to note the starting point of the commune of 1871, to seek in written documents the thought which inspired its acts, and bring into bold relief the pretended belief which it appealed to.—The fall of the empire, on Sept. 4, 1870, left France and Paris without a regular government. From that moment revolution, ill restrained by improvised authority, had free rein. Paris was soon besieged by the Germans, and cut off from all communication with the rest of the country. History will pay a proper tribute to the patient energy with which the whole Parisian population endured this rude trial; but it will also tell with what ease the seeds of anarchy and disorder were scattered about during the four months of the siege in the great capital. The amnesty was far from calming the passions of the multitude, embittered by the physical sufferings of hunger and cold. The people would not admit that they had been conquered; they accused the signers of the capitulation—which, however, was delayed as long as possible—of incompetence or treason. The entry of a part of the German army into Paris was a bitter humiliation to them. Later, however, when intercourse with the provinces had become free, and especially when the results of the elections to the national assembly at Bordeaux were made known, elections which seemed opposed to Parisian opinion, a great part of the population thought, that, after having been abandoned in their distress, they were again betrayed in their political aspirations. The decision by which the national assembly established its seat at Versailles also exasperated Parisian feeling, not only among the lower classes, too easily given to excitement, but also among the middle classes, who thought their interest sacrificed and Paris decapitated. The regular army had been disarmed, almost dissolved; the national guard had preserved its arms, and, under the direction of daring chiefs, the battalions of the suburbs had taken possession of the cannon which they had collected at Montmartre and Belleville. Disorder had paved the way for revolution. In vain did the scarcely formed government try, on the 18th of March, to recapture by force the artillery which threatened the city. The troops sent against Montmartre were repulsed, or laid down their arms in the face of the revolution; and two generals were assassinated after a sham trial. In the evening the whole government, and whatever regular troops remained, removed from Paris by the order of Thiers; a necessary measure, no doubt, but one which gave up the peaceful population to the mercy of the insurgents, and which could only fill the measure of general discontent. In short, Paris, barely freed from the Prussians, was about to be attacked by the army re-organized at Versailles. A civil war began. By what series of criminal instigations and deplorable misunderstandings was Paris again put in the condition of a besieged place? How was it that a considerable part of the population allowed itself to be induced to join the revolutionists, or endure them? The story of this very complicated situation is a long one. The commune of 1871 was, in a certain way, the result of a really marvelous accumulation of events and incidents, of a combination of the most diverse elements, and, as has been said, of a psychological state which at that moment defied good sense and reason.—We might believe, at first sight, that the commune movement was determined by a desire to preserve the republican form of government, attacked, as it was said, by monarchical manœuvres, and to acquire municipal independence in administration as in politics. These are merely pretexts and poor excuses: the republican form of government was not threatened at all in March, 1871; and, at that very moment, the national assembly was preparing to revise the legislation relating to the condition of the communes, in a liberal papal bulls against Luther, which had only a clerical effect by excommunicating him. Other imperial outlawries sanctioned by the diet were those against the elector palatine Frederick, king of Bohemia, and his allies, in 1619, and against the electoral princes of Bavaria and Cologne in the war of the Spanish succession, on account of their alliance with France in 1702. An attempt to outlaw Frederick the Great of Prussia, at the commencement of the seven years war (1758) failed in its initial steps. Purely political acts, without any legal proceedings, were the outlawry of the Baron de Stein, ex-minister of Prussia, by Napoleon I., in 1809, and that of Napoleon himself by the princes assembled at the Vienna congress in 1815, as also that of Gen. B. F. Butler by the confederate states.

GUSTAVE KOERNER.

OUTLET. An outlet, properly speaking, is an opening made for the sale of certain products. We say that a merchant seeks an outlet for his wares, when he is in quest of places where he can sell them; that he finds an outlet abroad, when his products are ordinarily sold abroad. To open outlets to a country is to give it the opportunity of entering upon friendly relations with other countries, which will afford it new avenues of sale. It would seem that this subject does not allow of any really economic development. But J. B. Say has almost given us a theory of it. We here reproduce his thoughts on the matter. They have been approved and appreciated by all economists. — "As the division of labor makes it impossible for producers to consume more than a small part of their products, they are compelled to seek consumers who may need these surplus products. They are compelled to find what is called, in the language of commerce, *outlets*, or markets, that is, means of effecting the exchange of the products which they have created against those which they need. It is important for them to know how these outlets are opened to them. — Every product embodies a utility, the faculty of ministering to the satisfaction of a want. A product is a product only by reason of the value which has been given to it; and this value can be given to it only by giving it utility. If a product cost nothing, the demand for it would be infinite; for no one would neglect an opportunity to procure for himself what satisfies or serves to satisfy his wants, when he could have it for the wishing it. If this were the case with all products, and one could have them all for nothing, human beings would come into existence to consume them; for human beings are born wherever they can obtain the things necessary to their subsistence. The outlets opened to them would become immense in number. These outlets are limited only by the necessity under which consumers are to pay for what they wish to acquire. It is never the *will* to acquire, but the *means* to acquire, that is wanting. — Yet in what does this means consist? In money, we shall be hastily told. Granted; but I ask in turn, by what means does this money come into the hands of those who desire to buy? must it not be obtained by the sale of another product? The man who wishes to buy must first sell, and he can only sell what he produces, or what has been produced for him. If the owner of land does not sell with his own hands the portion of the harvest which comes to him by reason of his proprietorship, his lessee sells it for him. If the capitalist, who has made advances to a manufacturer, in order to get his interest, does not himself sell a part of the manufactured goods, the manufacturer sells it for him. It is always by means of products that we purchase the products of others. Beneficiaries, pensioners of the state themselves, who produce nothing, are able to buy goods only because things have been produced, by which they have profited. — What must we conclude from this? If it be with products that products are purchased, each product will find more purchasers in proportion as all other products shall have increased in quantity. How is it that in France eight or ten times more things are bought to-day, than under the miserable reign of Charles VI.? It must not be imagined that it is because there is more money in that country now; for if the mines of the new world had not increased the amount of specie in circulation, gold and silver would have preserved their old value; that value would even have increased; silver would be worth perhaps what gold is worth now; and a smaller amount of silver would render the same service that a very considerable quantity renders us, just as a gold piece of twenty francs renders us as much service as four five-franc pieces. What is it, then, that enables the French to purchase ten times as many things, since it is not the greater quantity of money which they possess? The reason is, that they produce ten times as much. All these things are bought, the ones by the others. More wheat is sold in France, because cloth and a great number of other things are manufactured there in a much greater quantity. Products unknown to our ancestors are bought by other products of which they had no idea. The man who produces watches (which were unknown in the time of Charles VI.), purchases with his watches, potatoes (which were also then unknown). — So true is it, that it is with products that products are purchased, that a bad harvest injures all sales. Indeed, bad weather, which destroys the wheat and the vines of the year, does not, at the same time, destroy coin. Yet the sale of cloths instantly suffers from it. The products of the mason, the carpenter, the roofer, joiner, etc., are less in demand. The same is true of the harvests made by the arts and by commerce. When one branch of industry suffers, others suffer too. An industry which is prosperous, on the other hand, makes others prosper also. — The first deduction which may be drawn from this important truth is, that in every state the more numerous the producers are, and the more

production is increased, the more easy, varied and vast do outlets become. In the places which produce much, there is created the substance with which alone purchases are made: I mean value. — Money fills only a transient office in this double exchange. After each one has sold what he has produced, and bought what he wishes to consume, it is found that products have always been paid for in products. — We thus see that each has an interest in the prosperity of all, and that the prosperity of one kind of industry is favorable to the prosperity of all others. In fact, whatever may be the industry to which man devotes himself, whatever the talent which he exercises, he will find it easier to employ it and to reap a greater profit from it in proportion as he is surrounded by people who are themselves gaining. A man of talent, sadly vegetating in a country in a state of decline, would find a thousand avenues of employment for his faculties in a productive country, where his talents might be used and paid for. A merchant established in an industrious city, sells much larger amounts than one who lives in a country in which indifference and idleness rule. What would an active manufacturer or a capable merchant do in one of the poorly peopled and poorly civilized cities of certain portions of Spain or Poland? Although he would encounter no competitor there, he would sell little, because little is produced there; whereas in Paris, Amsterdam or London, despite the competition of a hundred merchants like himself, he might do an immense business. The reason is simple: he is surrounded by people who produce much in a multitude of ways, and who make purchases with what they have produced; that is to say, with the money resulting from the sale of what they have produced, or with what their land or their capital has produced for them. — Such is the source of the profits which the people of cities make from the people of the country and which the latter make from the former. Both have more to buy in proportion as they produce more. A city surrounded by a productive country finds there numerous and rich buyers; and in the neighborhood of a manufacturing city the products of the country sell much better. It is by a vain distinction that nations are classed as agricultural, manufacturing and commercial nations. If a nation is successful in agriculture, it is a reason why its commerce and its manufactures should prosper. If its manufactures and its commerce become flourishing, its agriculture will be better in consequence. A nation is in the same position as regards neighboring nations that a province is in relation to the country; it is interested in their prosperity; it is certain to profit by their wealth; for nothing is to be gained from a people who have nothing wherewith to pay. Hence, well-advised countries do all in their power to favor the progress of their neighbors. The republics of America have for neighbors savage peoples who live generally by the chase, and sell furs to the merchants of the United States; but this trade is of little importance, for these savages need a vast extent of country to find only a limited number of wild animals, and these wild animals are diminishing every day. Hence, the United States much prefer to have these Indians civilized, become cultivators of the soil, manufacturers, in fine, more capable producers; which unfortunately is very difficult of accomplishment, because it is very hard for men reared in habits of vagabondage and idleness to apply themselves to work. Yet there are examples of Indians who have become industrious. I read in the description of the United States, by Mr. Warden, that the tribes then living on the banks of the Missisippi, and who afforded no market to the citizens of the United States, were enabled to purchase of them in 1810 more than 80,000 francs' worth of merchandise; and probably they afterward bought from them a much larger amount. Whence came this change? From the fact that these Indians began to cultivate the bean and Indian corn, and to work the lead mines which were within their reservation. — The English rightly expect that the new republics of America, after their emancipation shall have favored their development, will afford them more numerous and richer consumers, and already they are reaping the harvest of a policy more in consonance with the intelligence of our age; but this is nothing compared with the advantages which they will reap from them in the future. Narrow minds imagine some hidden motives in this enlightened policy. But what greater object can men propose to themselves than to render their country rich and powerful? — A people who are prosperous should therefore be regarded rather as a useful friend than as a dangerous competitor. A nation must doubtless know how to guard itself against the foolish ambition or the anger of a neighbor, who understands its own interests so badly as to quarrel with it; but after it has put itself in the way to fear no unjust aggression, it is not best to weaken any other nation. We have seen merchants of London and Marseilles dread the enfranchisement of the Greeks and the competition of their commerce. These men had very false and very narrow ideas. What commerce could the independent Greeks carry on which would not be favorable to French industry? Can they carry products to France without buying her products and carrying away an equivalent value? And if it is money that they wish, how can France acquire it otherwise than by the products of her industry? A prosperous people is in every way favorable to the prosperity of the other. Could the Greeks indeed carry on business with French merchants against the will of the latter? And would French merchants consent to a trade which was not lucrative to themselves and consequently for their country? — If the Greeks should become established in their independence, and grow rich by their agriculture, their arts and their commerce, they would become for all other peoples valuable consumers; they would experience new wants, and have wherewith to pay for their satisfaction. It is not necessary to be a philanthropist to assist them; it is only necessary to be in a condition to understand one's own true interests. — These truths so important, which are beginning to penetrate among the enlightened classes of society, were absolutely unknown in the periods previous to our own. Voltaire made patriotism consist in wishing evil to one's neighbors. His humanity, his natural generosity, lamented this. How much happier are we, who, by the simple advance of enlightenment, have acquired the certainty that we have no enemies but ignorance and perversity; that all nations are, by nature and by their interests, friends of one another; and that to wish prosperity to other peoples, is to love and serve our own country." J. B. SAY.

OVER-PRODUCTION. Over-production is a term which is clear and simple as each man applies it in his own business, but which is liable to be misunderstood when applied to the business of the community. This combination of apparent clearness and real doubt has caused much confusion and unnecessary argument; so that we must begin with a careful analysis of its meaning in various aspects. It is defined by Malthus as occurring "when the production of anything is carried beyond the point where it ceases to be remunerative." For instance: a manufacturer owns his plant, but depends upon credit for the purchase of raw materials and the means of paying wages. Now if his product brings the expected price, it compensates him for all these advances, and gives him his business profit in addition. But a slight fall in the price of his product, from whatever cause it arises, will sweep away his business profit. This is the point where production ceases to be remunerative. A further fall will not only leave him without business profit, but also without compensation for the wages he has advanced, or without the means of paying for his raw material; so that the more he has manufactured the poorer he is for it. To him, then, all production on these terms is over-production. And to him the result is the same in its main features, whatever be the reason for the fall in price. He could have avoided the worst of the trouble to himself, had he but curtailed his production in time. — But if we go one step back, and look for the causes which occasion this fall in price, we find that it may be due to any one of three things: 1. A disproportionate production of this particular article; 2. A hindrance of any kind which prevents placing goods in the most advantageous market; 3. A general fall in prices. As regards its relation to the general business of the community, the first of these causes acts in a very different way from the second and third; and it is to the first of these causes that the name over-production is most properly applied. The mistakes of Sismondi, Chalmers and even Malthus in this connection arose from their supposing that it meant the same thing in the second and third causes as in the first. They said that depression in individual branches of trade arose from over-production in those branches, and inferred that when phenomena of the same kind were seen everywhere there was the same kind of over-production everywhere. But this is by no means the case. Disproportionate production is one thing; failure to sell at the expected price may be quite another. It may look like the same thing to the individual producer, and yet mean very different things respecting the past and future of the business community. Disproportionate production is liable to occur at any time in individual branches of trade. It is only when it becomes much more serious than usual, and is combined with other causes, that it is followed by a commercial crisis. But the so-called general over-production does not ordinarily occur except in connection with a crisis, and there it is a result rather than a cause. By keeping this distinction in mind we shall avoid confusing the real partial over-production which usually precedes commercial crises, with the apparent general over-production which is characteristic of their advanced stages. It is with the former of these that this article mainly deals. — Disproportionate production on a small scale, such as constantly occurs in one or another branch of industry, readjusts itself so easily as to occasion no harm except a temporary one to a few individual producers in that line. The capitalists see their mistake the moment their business profits are swept away, and use less capital in their business; the excess of supply is quickly consumed, prices recover, and the business goes on as before. But special circumstances may aggravate the trouble to the extent of a public calamity, and special lines of production are particularly liable to such misfortune. When large amounts have been invested in fixed capital, such as machinery, public works, or, above all, railroads, such excess of supply can not be quickly consumed, but exerts its depressing influence for a long time to come. And, on the other hand, when special lines of production have been stimulated by a temporary demand at abnormally high prices, as was the case in the iron business in 1873, and is liable to be the case to a less marked extent in almost any other line of manufacture, it will be found that after the excess is worked off and consumed, prices still do not recover anything like their former figures. We thus have two types of business liable to over-production; one because the excess of supply is permanent, the other because the high price is abnormal. The history of railroad building on the one hand, and of iron production on the other, furnishes the most striking instances of these results, as well as the most complete statistics for our purpose. — Ever since the invention of railroads excessive railroad building has been a leading symptom of an approaching crisis. In 1837, it is true, the system of railroads was not yet far enough advanced to be an important factor, yet here we had the same kind of extravagance in building roads and canals on borrowed capital, and the same effects from it. It was in England in the years preceding the crisis of 1847 that the railroad first assumed its importance as a subject of speculative production. Of the workings of a railroad system capitalists knew very little; but they went into the business with the same blind confidence that their ancestors had gone into South sea bubbles. And this reckless investment of capital was encouraged by the blind belief of legislators in unchecked railway competition as an unmixed benefit to the public. 678 companies—for the most part, it must be said, with ridiculously short lines—applied for incorporation in the year 1845 alone; and of these 136 were actually incorporated, 65 receiving the royal assent in a single day. And this at a time when the system was in its infancy. By the end of the year 1847 the estimated value of the railways incorporated was more than a thousand million dollars, and a large part of this sum had been actually expended, while most of the work was too incomplete to bring in returns that could be used in payment of interest. There is no need, for our present purpose, of going into the further history of the crisis of 1847; in a community which had been investing its capital thus recklessly, any economic shock must needs produce the most serious results. The crisis of 1857 is not so distinctly an instance in point. There was indeed in many cases a sudden shrinkage of railroad earnings and a marked decrease in railroad building—3,647 miles being added in the United States in 1856, 2,647 in 1857, 2,465 in 1858, and only 1,821 in 1859. But this was hardly over-production in its truest sense. The shrinkage came elsewhere even more than here. There had been speculation and extravagance everywhere, and much property changed hands as values settled down to a truer basis. But there was no useless mass of lingeringly insolvent capital, almost no disproportionate production that could not be made use of in some way beneficial to the community. — Not so in 1873. For five years men had been building railroads to an extent hitherto unheard of. High wages and prices had made the real cost of construction great, and the extravagant spirit of those years had added other items of expense. Only an abnormally stimulated trade could enable them to meet their obligations and furnish profit besides. But the panic of 1873 left trade abnormally depressed; and many roads were in no condition to meet their obligations. Sooner or later they had to reorganize; but before this could be done they succeeded in doing a great deal of harm to other people's property as well as their own. Once regarding themselves as insolvent, they felt exempt from a number of responsibilities that had hampered them. If they could not get business at a paying price they would get it at a price that did not pay, and force competing solvent roads into non-paying rates. Hence arose the railroad wars culminating in 1876, when the Grand Trunk and the Erie, then insolvent roads, swept away the profits of the Pennsylvania and the Baltimore & Ohio, and for the time greatly reduced investors' confidence in the New York Central. This is the typical effect of over-production: the surplus is not only in itself unprofitable, but as long as it lasts will depress values of everything with which it competes. And the continued existence of such masses of undisposable surplus may be regarded as a leading difference between the long crisis of 1873 and the shorter one of 1857. — The extent to which railroad over-production was carried is shown by the figures in Poor's Manual. In 1869 there were built in the United States 4,615 miles of railway; in 1870, 6,070; in 1871, 7,379; in 1872, 5,878; and in 1873, 4,107: an average for five years of over 5,600 miles. In 1874 the number fell to 2,105, and in 1875 to 1,712; for the five years succeeding 1873 the average was less than 2,300, or only about two-fifths the previous. The figures for France and Germany about the same time tell a similar story. Not less striking are the figures illustrating shrinkage of value. The "Railroad Gazette" of Sept. 27, 1878, furnishes statistics on this point concerning forty-five roads dealt in by the New York stock exchange, and in soundness presumably above the average of those in the country. The aggregate value of these roads, at their highest prices in 1873 (reduced to a gold basis), was $567,000,000; at the lowest prices of the same year it had fallen to $380,000,000; while in September, 1878, it was still only $460,000,000. Still more to the purpose are the figures concerning foreclosures furnished at the beginning of each year by the "Railway Age." In 1876 there were sold under foreclosure, (this term being apparently used in a rather wide sense), 3,846 miles of road, representing $218,000,000 of capital; and in the four years succeeding, 3,875, 3,902, 4,909, 3,775, miles of road, representing investments of $199,000,000, $312,000,000, $243,000,000 and $264,000,000, respectively. One-fifth of the railway investment of the country sold under foreclosure in these five years of settlement! Whether this has taught us its lesson remains to be seen. Men have lost faith in unlimited railway competition; but a specially pernicious form of over-production is developed in the case of parallel roads, built to sell rather than to operate; for the sake, that is, of forcing the old road to buy a controlling interest to avoid a railroad war. The enormous increase of railways in recent years (4,721 miles in 1879, 7,174 in 1880, 9,358 in 1881, 11,343 (?) in 1882) gives ground for apprehension, even though this rate of building is not likely to continue. — In looking at over-production in the iron industry, variations in price are even more striking than variations in production. In January, 1871, the average Philadelphia price of No. 1 pig iron was $30.50 per gross ton. From this time it steadily increased till, in September, 1872, the month's average was $53.87. In December, 1874, it had declined to $24, a loss of more than one-half in a little over two years; and this decline on the whole continued till November, 1878, when the price was $16.50, scarcely one-third of what it had been in 1872, even if we make allowance for the gold premium. In Great Britain the same change was still more marked. Scotch pig, which in 1870 had sold as low as $49\frac{3}{4}$s., rose in 1870 to 145s., and in 1878 had fallen to $42\frac{1}{4}$s., less than three-tenths of what it had brought five years before. A similar change was seen in America at the beginning of 1880, when iron, which in July, 1879, was selling at $19.25, rose to $40 and $41, only to fall, three months later, to $23. — The reason for these extraordinary changes is to be found in the character of the demand for iron. A demand for iron at all often means a demand at any price, whether it be for a railroad that can make no money till its tracks are laid, or a factory that can make none without new machinery. But the demand that forces up the price is moderate in quantity; and though the high rates may be submitted to by the immediate demand, they may check the future demand. Thus, those who have gone into the iron business under the stimulus of high rates find that the pressure was only temporary; the extra supply, by the time they are ready with it, no longer wanted; and in place of the readiness to buy at any price, however high, comes an unwillingness to buy at any price, however low. Just this course of events is indicated by the statistics of iron production. The American pig iron product, which in 1870 had been about 1,859,000 net tons, and in 1871 about 1,905,000, rose under the stimulus of high prices in 1872 to 2,855,000, and in 1873 to 2,868,000 tons. But by this time the fall in prices had been so marked that the iron men checked production as best they might. In 1874 they reduced their product to 2,689,000 tons; but in spite of this reduction and of the further fall in prices there remained at the end of the year 796,000 tons unsold in the producers' hands. The further course of events is shown in the following table, compiled from figures in the report for 1881 of the secretary of the American iron and steel association :

YEARS.	Average Price.	Tons Produced.	Tons Unsold.
1875	$25.50	2,267,000	761,000
1876	22.25	2,093,000	687,000
1877	18.87	2,315,000	642,000
1878	17.62	2,577,000	575,000
1879	21.50	3,071,000	142,000

From this it appears that in spite of diminished production and prices it was not until 1877 that they were able to reduce materially the proportion of their product unsold. As soon as they began to do this they were on a sounder basis; but what this involved may be inferred from the fact that out of 700 furnaces in the United States only about 250 were in blast in the year 1877; and that in the whole iron industry there was probably not a branch worked up to half the capacity which its fixed capital would admit. (For the statistics of the same general depression throughout the world, see "Economist," Com. Hist. and Rev. of 1878, supplement to March 5, 1879.) A repetition of some of these phenomena has been seen in the last four years; notably in the case of steel rails, whose price increased from $42 per gross ton in May, 1879, to $85 in February, 1880, but at the end of the year 1882 had fallen to $39. There was the same reckless investment of capital to meet a temporary demand at high prices, and the same impossibility of maintaining anything like those prices when the extra supply was thrown on the market. — Railroad production and iron production furnish types of the two causes which render disproportionate production a source of lasting evil: in the former case, because the increase of supply is permanent; in the latter, because the high demand is only momentary. The introduction of machinery is apt to produce effects of the former character; the supply of articles of fashion and luxury is subject to the latter. It was the combination of these two that had a large share in causing the English crises of 1818 and 1825. Agricultural produce is less liable to these disturbances than anything else, the exception in the case of cotton in 1837 and 1839 being only apparent; the evil was due to speculation on the part of cotton producers rather than to disproportionate production of cotton. So in England in 1847, when an exceptionally good harvest was the occasion of a crisis, it was not because there was more food than people had been in the habit of demanding, but because to certain individuals, who had speculated in the price of grain, normal production meant ruin. Results like these may occur when any combination makes a speculative attempt to control production and prices both. When such a combination is powerful enough to form a monopoly, there is no doubt that a check to production generally increases their returns, the prices rising more rapidly than the quantity diminishes. And, conversely, an increase of production, even under their own hands, actually diminishes the gross returns. If an individual extends his production his gross returns are commonly increased. If a monopoly extends its production the opposite effect is quite as common. — We have hitherto spoken of over-production only in the sense of disproportionate production. It was shown at the outset that the same effect upon individual producers might result from a failure to reach the right market, or from a general fall in prices. The first may be due to transportation difficulties, or to tariff legislation; the second, to a contraction of the currency; but by far the commonest cause of both is a commercial crisis. It renders the credit system so far inoperative that it is impossible to place goods where they are the most needed; and it so far increases the demand for ready money instead of credit documents that it has the same effect upon prices as currency contraction. It may thus happen that the appearance of over-production will occur as the result of a crisis even in those lines where there has been no abnormal production, merely in consequence of difficulty in doing business and in paying debts. This is what has given rise to the name and idea of general over-production. — For more extended theoretical discussion of certain points, which the limits of this article do not allow, see Roscher, *Political Economy*, § 215–217; J. S. Mill, *Principles of Political Economy*, bk. iii., ch. xiv.; Francis A. Walker, *Political Economy*, § 214–224; George Chesney, *Fortnightly Review*, September, 1881.

ARTHUR T. HADLEY.

P

PACIFIC RAILROAD. (See INTERNAL IMPROVEMENTS, RAILROADS.)

PAPER MONEY. If there be an experiment which has been seriously made and as to the results of which there can be no doubt, it is the experiment which demonstrates the chimerical advantages and grave dangers of *paper money*, employed as an instrument of production. Nevertheless, numberless deceptions, the injury done to public credit and national good faith, and the ruins of the past, do not seem to have entirely dissipated a dangerous illusion; recent facts, as well as the persistence of false doctrines, prove this but too well; the human mind frees itself with difficulty from the fatal influence exerted over it by the mirage of wealth acquired without labor, of a pretended increase of capital called into existence by the magic wand of credit, and of a new species of alchemy which transmutes paper into gold. — Nothing, however, can be simpler than the examination of this problem, and nothing easier of solution. It suffices to know what is the part played by money, to measure how little such an arbitrary creation as paper money can do, and to understand its dangers. — Ours is not the age in which the wealth of states was confounded with the possession of coin; money, the great wheel of circulation, as Adam Smith calls it, preserves nevertheless, however, an important place in the economy of nations; it constitutes the mechanism of exchange in the clearest and surest conditions; it enables us to set a value on all products and services; it gievs activity to the creation and facilitates the distribution of wealth. It is in fact owing to money that all are impelled to the common work of the nation, and that the result obtained is divided among those who have contributed to it. It introduces a common language into the operations of social commerce. — But it is not a language of the imagination; money is the sign and measure of values, because it is their guarantee, because it represents a value that is known, acknowledged and accepted everywhere. It is a universal commodity, while it at the same time affords each country its local instrument of purchase and sale, and of remuneration for both public and private services. — In our day the fetters which cramp the international movement of exchanges are gradually disappearing, and a regular equilibrium may be established to adapt to the wants of each market the quantity of *money* necessary for the transaction of its business, when this business preserves its character of purity, and does not degenerate into fiction. Let us suppose, for a moment, that gold and silver alone, without any mixture of fiduciary signs, are the only instruments of exchange. As nothing prevents the transportation of the precious metals, they will always resume their level by going where a certain scarcity of them assures them greater advantage, and abandoning those places in which an over-abundance causes their depreciation. An admirable law of attraction governs them and proportions them to the useful services which they are called upon to render, by opposing equally a sterile abundance and a scarcity of specie. The very force of things establishes a weir for metallic wealth, which always falls into equilibrium with the wants of circulation. — There is a risk of the situation being modified from the very moment that, in order to economize upon the mechanism of exchange, an effort is made to substitute for gold and silver artificial means more or less ingenious, and more or less sure, by calling to its aid what is called the magic of credit, whose power people are inclined to exaggerate. Two ways are open to reach this end. By following one of these ways the movement of exchanges is simplified and the number of actual payments reduced; recourse is had to those ingenious creations which render the actual intervention of specie superfluous, or limited in a number of cases, by means of bills of exchange, of open accounts in the banks, of set-offs and transfers; or else circulation is accelerated in such a manner as to increase the services rendered by each piece of money. In this way we obtain an advantage similar to that which two iron rails placed parallel upon the ground afford by the saving in friction, which increases the traction. The same result is obtained with less expenditure of force and capital, thanks to the economy and energy of the springs set at work. Here all is gain and no danger; such is the largest function of credit and an inexhaustible source of fecundity. — But, by the side of these useful combinations, whose influence is too often ignored, we have the creation of a sign easy to manufacture, which costs next to nothing, and which is substituted in a greater or less proportion for metallic money: we refer to the *bank note*, which is called upon to act the part of money, because it is or ought to be accepted in business transactions to liquidate debts. — If this

		Guns.
	Third Class:	
1	ironclad monitor	3
2	floating batteries	5
19	screw steamers	35
26	screw gunboats	26
1	paddle gunboat	1
7	paddle steamers	14
1	screw transport	2
4	pilot sailing vessels	--
	Unclassified:	
1	steamer	2
2	cadet corvettes	40
29	small screw gunboats	37
2	torpedo boats	--
132	Vessels. Total guns	517

Total horse power of engines, 26,067.

—The navy of Spain was manned, in 1879, by 14,000 sailors, and 7,033 marines, and commanded by one admiral, seven vice and rear admirals, and 644 commissioned officers of various grades. The navy, like the army, is recruited by conscription, naval districts for this purpose being formed along the coast, among the seafaring population. The number inscribed on these naval conscription lists of men between eighteen and thirty years was reported to be 72,000 at the end of June, 1875. — IX. *Resources, Trade and Industry.* Agriculture is the most important branch of activity in Spain, where there is reason to believe that, of 100 inhabitants, 75 cultivate the soil. The land cultivated comprises 1,150,200 hectares of irrigated land and 25,393,637 hectares not irrigated. The Basque provinces and Navarre refuse all information on this subject. It results from these figures, and from those which may be assigned to the wooded country, that there still remain about ten million hectares upon which human industry has not yet been exercised. — The total imports and exports of Spain were as follows, in each of the five years 1877–81:

YEARS.	Imports.	Exports.
	Pesetas.	Pesetas.
1877	538,350,000	515,900,000
1878	397,800,000	429,300,000
1879	443,300,000	503,900,000
1880	473,500,000	544,300.000
1881	496,400,000	591,300,000

Among the importing countries, Great Britain and France stand first; but in exports, the former holds the first rank. — The merchant navy of the kingdom consisted, on Jan. 1, 1881, of 2,236 vessels, of a total burden of 560,125 tons, comprising 347 steamers, of 233,686 tons. At the commencement of 1860 there were 6,715 vessels, of 449,436 tons burden, and at the commencement of 1868 the number of vessels had fallen to 4,840, and the total tonnage to 367,790, showing a decrease in the eight years of 1,975 vessels, of an aggregate burden of 81,696 tons. There was an increase in tonnage, it will be seen from the preceding figures, of 192,355 tons, in the thirteen years from 1868 to 1881. — The length of railways in Spain, on Jan. 1, 1880, was 6,550 kilometres, or 4,067 English miles; and 2,000 kilometres, or 1,242 English miles, were in course of construction. The whole of the Spanish railways belong to private companies, but nearly all have obtained guarantees, or subventions, from the government. During the reign of Alfonso alone 2,000 miles of new lines have been opened, and 3,000 more were in course of construction in 1882. — The postoffice carried 85,210,000 letters and post cards in the year 1878. There were 2,592 postoffices on Jan. 1, 1879. — The length of lines of state telegraphs of Spain, on Jan. 1, 1880, was 16,124 kilometres, or 10,070 English miles, and the length of wire 40,405 kilometres, or 25,150 English miles. In the year 1880 the total number of telegraph messages was 2,222,429; one-fourth of the whole number being international, and one-fifth of the remaining number administrative, dispatches. — X. *Colonies.* The colonial possessions of Spain, formerly embracing nearly the whole of America, are reduced at present to Cuba, Porto Rico and the Philippine islands, with scattered settlements in the Atlantic and Indian archipelagos, a small strip of territory in northern Africa, and another strip claimed on the west coast of Morocco. The total area of these possessions is 164,926 English square miles. The total population, according to returns mostly for 1877–80, numbered 6,399,347. These returns state the area and population of the various possessions as follows:

COLONIAL POSSESSIONS.	Area.	Population.
	Eng. Sq Miles.	
1. Possessions in America:		
Cuba	43,220	1,424,619
Porto Rico	3,550	754,313
Total in America	46,770	2,178,932
2. Possessions in Asia:		
Philippine islands	114,326	6,300,000
Caroline islands and Palaos	560	36,000
Marvan islands	420	8,665
Total in Asia	115,306	6,344,665
3. Possessions in Africa:		
Fernando Po, Annabon, Coresco, Elobey, San Juan	850	35,000
Total possessions	162,926	8,558,597

The population of Cuba, at the census of Dec. 31, 1877, was distributed as follows: Whites, 764,164; free negroes, 344,050; negro slaves, 227,902; and Chinese, 58,400. The number of slaves from 1870 to 1877 decreased by 136,000. But the total number of inhabitants also decreased by 20,500 during the same period. — Spain is the only European state which still permits the existence of slavery in its colonies. A bill for the abolition of slavery in Porto Rico was passed by the national assembly on March 23, 1873, while a bill for the gradual abolition of slavery in Cuba was laid before the cortes in November, 1879, supported by the government. The bill provides, that, on the promulgation of the law embodying it, all slaves from fifty-five and upward shall become free; that slaves from fifty to fifty-five shall be liberated on Sept. 17, 1880; from forty-five to fifty, in September, 1882; from forty to forty-five, in 1884; from thirty-five to forty, in 1886; and from thirty to thirty-five in 1888. Those under thirty shall be emancipated in 1890. From 1880 a sum of 100,000 piastres was to be annually set apart in the Cuban budget for defraying the expense of the emancipation of the slaves, the price to be paid to the owners being fixed at 350 piastres for each slave. — Cuba is divided into three provinces, the southeast and central being the richest and most populous, containing twenty-two cities and towns, and 204 villages and hamlets. — BIBLIOGRAPHY. Niñano, *Diccionario-geografico, estadistico, historico de España y sus provincias de ultramar*, Madrid, 1846–50; Block, *L'Espagne en* 1850, Paris, 1851; Lestgarens, *La situation économique et industrielle de l'Espagne en* 1860, Brussels, 1861; Garrido, *La España contemporanea*, Barcelona, 1865; Germond de Lavigne, *L'Espagne et le Portugal*, Paris, 1867; Thieblin, *Spain and the Spaniards*, 2 vols., London, 1874; *Memorias del instituto geografico estadistico*, Madrid, 1875, etc.; Chervin, *Statistique du mouvement de la population en Espagne de* 1865 *à* 1869, Paris, 1876; *El movimiento del estado civil in España desde* 1861 *à* 1870, Madrid, 1877; *Guia official de España*, Madrid, 1878; Lafuente, *Historia general de España*, Madrid, 1850–67, 30 vols.; Tapia, *Historia de la civilisazion de España*, 7 vols., Madrid, 1861–4; Montesa y Manrique, *Historia de la legislacion, etc., de España*, Madrid, 1864; Rico y Amat, *Historia politica y parlamentaria de España*, 3 vols., Madrid, 1860–62; Alfaro, *Compendio de la Historia de España*, 3 vols., Madrid, 1862.

F. M.

SPEAKER. (See PARLIAMENTARY LAW.)

SPEAKERS. (See CONGRESS, SESSIONS OF.)

SPECULATION, in some form or other, has existed under every commercial system; but the forms under which it is now largely conducted, and the enormous extent of the speculative transactions, are peculiar to the present age. It is with the discussion of these forms—their character, their development, and their more immediate effects—that this article is concerned. (For the more wide-reaching effects of the speculative spirit upon credit, business and production, see articles on COMMERCIAL CRISES, and on OVER-PRODUCTION.) — Until the present century the chief field for speculative operations was furnished by the difference of price of the same commodity in different places. Mercantile profits were made by buying in a cheap market and selling in a dear one; and with the imperfect means of communicating intelligence, and the slow and generally hazardous means of transportation, such speculations often involved great risks and offered the chance of correspondingly high profits. But the modern development of the postoffice, of steam transportation, and especially of the telegraph, changed all this. Abundance in one market, and scarcity in another, was no longer possible except on a limited scale or through artificial obstructions. The telegraph gives notice of the inequality in its first beginnings; and, long before it can reach an extreme, cargoes have been diverted from the full market to the empty one. Indications which once could be seized only by men of exceptional position and sagacity, are now the common property of the whole business public. — But the opportunities for men of exceptional position and sagacity have been extended in another direction more than they have been curtailed here. The state of the markets at distant places may be known to every one; but it is still only the few that can foresee their state at distant times. The information that has set narrow limits to speculation in place has furnished the necessary basis to an infinitely more important and wide-reaching speculation in time. The difference in price between New York and Chicago, apart from temporary disturbing causes, can never be greater than the cost of carriage (in its widest sense) between the two places, because we have in the one place telegraphic information concerning the markets of the other. If we had the same certain knowledge of prices at future times, the prices of goods to-day and a month hence could not differ by more than the cost of holding those goods for that length of time. It is, of course, impossible to have such knowledge; and the few who have the power to foresee or to manipulate the course of the market are enabled to turn these price variations to their own account. Before the invention of the telegraph, such dealing in futures would have been a blind game of chance; now, there is just such a combination of indications and uncertainties as to give scope to business talent of the highest order. Here lies the explanation of what is peculiar in the speculation of the present day. — In a healthy state of business these variations in price are not very large or rapid; often not large or rapid enough to make speculative dealings pay the interest of the capital required. But such a state of things is almost always disturbed by a sudden rise in the price of certain classes of goods, or perhaps by a general rise of prices. A sudden increase in the demand or decrease in the supply of a particular article will produce the former result; inflation of the currency, increased production of the precious metals, or, sooner or later, the unrestricted extension of business credits, will produce the latter. The holder of goods of the classes affected sees himself nominally the richer for every day that goes by, and with this apparent increase of wealth comes a desire on the part of every one to hold more goods and stocks, even if they have to borrow money to do so. This shows itself, not merely in the operations of the stock and produce exchanges, but in business speculations of every kind; most of all, perhaps, in the extension of speculative production, which lies outside the scope of the present article. This holding for a rise is the form of speculation which presents most attractions for the general public; and a speculative mania is often developed which can only end in a crisis. This mania may attach itself to particular lines of investment, as to tulips in Holland in 1634–8, to South sea bubbles in England in 1720, to manufactures in 1815 and 1825, to the English railways in 1846, or the American railways (among other things) in 1871–3. Often it may be more general in connection with the indiscriminate extension of credit, as in the years preceding 1837 and 1857; or, worse yet, in connection with currency inflation, as seen in France at the time of John Law's bank, 1718–20, in the assignats of the French revolution, or in our own recent experiences; where every exporter or importer, and indirectly, every business man, is obliged to be involved against his will in speculation on gold. — In such speculative periods, with unsettled and generally advancing prices, the more prudent business men are thus obliged to have recourse to contracts for future delivery of goods at definite prices. The builder can not safely make a contract for a fixed sum unless he knows what his materials will cost a few months hence. The cotton manufacturer can not arrange his basis of production and scale of prices unless he knows what his raw material will cost him from time to time. If a planter or cotton factor agrees to deliver him his material from time to time at determinate prices, the manufacturer knows where he is likely to stand. Here is a transaction, speculative in form as far as concerns the broker, but in reality a defense against the evils of speculation. The manufacturer knows what he can probably afford to pay, the producer knows for what he can probably afford to sell. Of the unavoidable risk, each party takes the part concerning which he can best judge, and against which he can best protect himself This is an exceptionally favorable case. The majority of those who sell "short," *i. e.*, who engage to deliver goods which they do not hold, rely not so much upon sources of supply which they represent, as upon their judgment concerning the future movements of the market. Yet even in this case their influence may be healthful, and their work legitimate. It has been said that the general public is fond of speculating for a rise. Now, a man of special training, and special sources of information, can often see clearly where the general public is mistaken, and by selling short at the high prices, and obtaining the means of meeting his obligations at the lower ones, may take advantage of the public mistakes, and at the same time render a service to the market in steadying prices. As transactions of this kind multiply, it is inevitable that they should fall more and more into the hands of brokers, and that these brokers should organize exchanges for the purpose of more easily dealing with one another. These last are of modern growth. The germ of the New York stock exchange seems to have existed at the close of the last century, but its regular organization dates from 1817. The Chicago produce exchange is scarcely thirty years old. These means of communication have greatly facilitated *bona fide* transactions; but, with their growth, gambling transactions have grown up about them to such an extent as often to hide the *bona fide* transactions from view. — The first step in this direction has been the habit of dealing upon margins; that is, of not making full payment at the time of the first engagement, but of depositing a sufficient sum to insure the broker against loss by change in the price. It is hard to draw the line where such transactions lose their *bona fide* character; the deposit of a margin may simply be a convenient and perfectly legitimate way of extending business credit. But where the marginal idea is carried through the transaction, and settlement is effected, not by an actual delivery and payment, but by a payment of the difference in price at the two periods, with no delivery at all, we have a complete departure from the original character of the transaction. It is now nothing more than a wager on the change of price of the stocks or goods in question, somewhat cloaked under the forms of legitimate business. In the next stage of speculation, by "puts," "calls," and "spreads," even these forms are cast aside. In the first of these a man buys of a broker, for a small consideration, the right to deliver a certain quantity of stock at a specified price within a specified time; in the second, he buys the right to receive it; in the third, he buys for a considerably larger price the right of delivering or receiving as he may choose. They are thus, even in form, simply wagers on the price movement. — We have spoken of the outside public as generally speculating for a rise, and the more practiced operators for a fall. Of course there are numerous exceptions to the latter; and it is precisely these exceptions, when they take the shape of corners, that make the most impression upon the public mind. In its principles a corner does not differ from any other monopoly. An individual or a ring who once secure the whole or nearly the whole marketable stock of a commodity, have, of course, the power to fix the price as long as that state of things continues. But in the case of ordinary attempts at monopoly the buyers have usually the advantage of being able to diminish their consumption for the time being, and to wait for the advent of competing sources of supply. But the bear, who has sold short, has neither of these advantages. He must deliver a fixed quantity, and must do it within a fixed time. He has no choice but to do that or fail; and the operator who can control the supply of a stock in the market for a comparatively short time can charge any one who has sold that stock short any price up to what will drive him to absolute failure. Just as it is the public fondness for speculating for a rise that makes it possible and profitable for the street to sell futures, so it is the readiness of the street to sell futures that makes it possible and profitable for large operators to engineer a corner. — In spite of the strong impression that they make upon the public imagination, successful corners in stocks are by no means so common as is generally supposed. The important ones in New York have been the Morris canal corner of 1835, the Harlem corners of 1863 and 1864,

Prairie du Chien of 1865, North-Western of 1867, and Hannibal & St. Joseph of 1881. Even in these it is not always certain that the bulls make the profits they appear to. For the time being they extort enormous sums; but after the settlement they find themselves holders of masses of stocks, which they have usually bought somewhat above its normal figures; and the price at which they can ultimately dispose of this stock is an important element in the question of their success. But it is extremely difficult to carry a stock corner forward to its completion. The Michigan Southern corner of 1865—apparently a very safe operation, since the cornerer was buying property which he really wanted—was broken by an issue of construction stock. So also in an attempt to corner Milwaukee & St. Paul, and so twice in the history of Erie. The substitution of preferred for common stock has had the same effect. A still commoner source of failure, which it is impossible to guard against, is the treachery of individual members of a cornering pool. — Corners in produce are a growth of the most recent years; yet they already exceed stock corners in frequency, and still more in economic importance. It is but a short time since writers regarded corners in a commodity like wheat as almost an impossibility; so varied are the sources of supply, so apparently impossible is it for one man to control them. But these writers had not foreseen the development of short sales and paper contracts which should make a temporary control of a particular market so thoroughly effective toward securing this end. The extent to which speculative sales of produce have grown is almost inconceivable. The statistician of the New York produce exchange testified that nine-tenths of its dealings were purely speculative. The same fact is more strikingly brought out by a comparison of the quantities of produce actually brought to New York in 1882 with those nominally sold.

PRODUCE.	Sales.	Receipts.
Wheat..........bushels	647,147,000	44,736,000
Corn.......... "	443,091,000	16,399,000
Oats.......... "	150,524,000	15,905,000
Cotton..........bales	30,049,000	600,000
Petroleum..........barrels	1,524,887,000	10,500,000

As compared with 1881 the increase in these speculative sales is probably more than one-third, while the actual quantity of products delivered has, on the whole, diminished. In fact, flour seems to be the only produce of first-rate importance which still maintains its non-speculative character. The pretended sales of wheat for 1882, as our table shows, were more than fourteen times the quantity received. The sales of cotton were five times the entire crop, fifty times the whole quantity received in New York, and two hundred times the actual deliveries in the New York market. In the oil business it has been even worse. The recorded sales in November alone amounted to nine times the entire stock in the country, or to 135 times the production for the month. (For a fuller exhibit of these facts, see "Public," Jan. 4, 1883.) In Chicago matters are almost the same —three thousand millions of sales on less than four hundred millions of produce in 1882. In Liverpool they are no better, in spite of more apparent compliance with the forms of delivery. A single consignment of a hundred bales of cotton has nominally changed hands one hundred and fifty times before sale for *bona fide* consumption. When the whole amount available for the year's use in Europe and America has been less than 7,000,000 bales, the year's contracts for future delivery have amounted to 80,000,000 bales. Thus Liverpool has been the centre of cotton corners in the latter half of successive years beginning in 1879, and seriously disturbing legitimate business. Meantime we have had in America (usually centring in Chicago), the wheat corners of 1879, 1881 and 1882, the pork corner of 1879 and 1880, and more or less successful attempts at many others, scarcely less wide-reaching than these in their effects. — The attempts to meet these evils by legislation have had little success. Legislative inquiries, like that of the New York committee on corners, have proved abortive; enactments like those of Illinois in 1874 have been inoperative. Only to a limited extent have the courts been able or willing to interfere, by making it impossible for speculators to sue on their contracts. It was indeed held, in a few English cases in the early part of the century, that a contract of sale for future delivery of what a person does not now hold, was void; but in the business developments and necessities of the time it was of course impossible to maintain that doctrine. It is now held, that such a contract is valid if, at the time it was made, either party intended it should be fulfilled. In order that the court should regard it as a gambling contract, it must be proved that neither party regarded it as more than a wager on price variations. But practically the courts do not do much even within these narrow limits. Unless they are supported by the public opinion of the boards of trade and similar organizations, it is in the power of these last to inflict upon any dealer who may have recourse to the courts, penalties in the way of loss of business facilities for which he can obtain no adequate compensation. Add to this, that the courts, as in a recent case in Illinois, have often shown unwillingness to enter upon the consideration of matters of this kind, and we see how inadequate are the legal defenses against the present state of things. — The difficulty of dealing with the evils of the system is enhanced by popular ignorance as to just what the evils are, and where they really lie; and by a popular prejudice, too often embodied in legislation, against operations which are sometimes necessary, sometimes beneficial, and at the worst only indirectly responsible for the evils which have grown up in connection with them. Of such mistaken legislation a striking instance was offered in the year 1864, when speculation in gold was forbidden.

The law, under the pressure of public sentiment at that time, was obeyed; but its results were the very reverse of what the public had anticipated. The event proved that gold speculation had been a means of steadying the market; without it, gold rose 100 per cent. in two weeks, and then dropped 50 per cent. at the hurried repeal of the prohibition. What the speculators did for the gold market was again seen in 1866, when they attempted to keep the necessary stock of gold in the country in view of the increasing European demand; but the treasury department, with less foresight, exerted itself to counteract the rise in the gold premium which these speculators seemed to be producing. It succeeded at the time, but at the cost of a greater subsequent rise, which these speculations would have largely enabled us to avoid. So of the cotton speculators of 1868, who seeing the mistake of public judgment, bought up the cotton which we were exporting to Liverpool at a very low figure, and, a few months later, sold at a high figure to the manufacturers, who would otherwise have had to reimport. They made fortunes by so doing, and thus excited public prejudice; but the American public was in every way better off for their operations. The planter obtained a higher price than he could otherwise have done, the manufacturer paid a lower price; the expense of double transportation was saved; the speculative difference of price remained in American hands instead of going to Liverpool; and the chief mistake made by the speculators, in point of serving public interest, was in not carrying their operations still further. ("N. Y. Nation," vol. vii., p. 85.) — That is a typical case. If a speculator is simply aiming to forestall the movement of the market, and not to manipulate it, he undoubtedly confers a public benefit in so far as he is himself successful; and so great a public benefit that no one need grudge him his profit. His work tends to steady prices, to diminish the difference between producers' and consumers' prices in a rising market, to break the shock of a falling market. But it is almost impossible for a speculator to resist the temptation to manipulate as well as forestall price changes; and when he succeeds in so doing, he increases just those evils which he would otherwise diminish. If he works on a small scale, it may be by the circulation of false rumors or the show of false appearances, perhaps even by securing false management of the property; if he works on a large scale, it may be by securing a corner. — Corners in stocks can hardly be a direct source of evil to the general public. With produce corners it is different. The investor can easily do without a particular stock; he may be glad to take advantage of the high price to sell it. But the consumer can not even for a short time do without his food; and a corner in wheat or pork may become a serious matter to him. A speculative monopoly of this kind is probably no worse than any other monopoly. Permanent monopoly of coal or oil may work more lasting injury than a temporary corner in wheat. The former settles things on a wrong basis. The latter unsettles things from their right basis. By preventing regular transportation, it prevents cheap transportation; by preventing regular export, it spoils our foreign market. How far it actually disturbs the prices paid by consumers remains an open question. Witnesses before the New York committee, apparently well informed and candid, differed directly on this point. The Liverpool cotton corners are estimated to have temporarily raised the prices paid by manufacturers more than 10 per cent. An able article by H. D. Lloyd in the "North American Review" for August, 1883, shows how, in recent corners, flour, a non-speculative article, has varied more than 50 per cent., in sympathy with the variations of wheat. It is not probable that this affects the consumer quite as badly as would at first sight appear; the quantities sold at the highest price are probably comparatively small, and the shock is so slowly distributed among the middlemen that before it reaches the mass of consumers the reaction has already begun. With our present incomplete statistics of retail sales, we must reserve judgment on this point. The gist of the matter is, not that a corner is worse than any other kind of monopoly; not necessarily that it is as bad as any other kind of monopoly; but that, under the present system, men will undertake a corner who could not undertake any other kind of monopoly. If there are ten times as many contracts on a small wheat supply, operators can afford to make ten times the effort to control that supply. If those contracts must be fulfilled within a limited time, the operator has only to control the supply for that time. A system of short sales makes such a temporary monopoly possible. Each additional speculative contract is so much addition to its possible profits. — Besides the articles already referred to, see *International Review*, vol. ii., p. 818; *Bankers' Magazine* (N. Y.), vol. xxxvi., p. 308; *Nineteenth Century*, vol. x., p. 532.

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SPOILS SYSTEM, The. This phrase designates a theory of politics and a use of official authority—more especially that of appointment and removal—according to which the merits of candidates and the general welfare are subordinated to the selfish interests of individuals, factions or parties. The range of this subordination is very great. It extends all the way from the case of a party which, honestly holding none but its followers to be fit for a clerkship, selects the best of them, but bars the gates of office against all others, down to the faction leaders, who, excluding all but their own henchmen, corruptly make promotions for money, and promise places for votes; all the way from the great officer who, hardly conscious of wrong, accepts for the party the offerings of his subordinates, down to the official robber who mercilessly demands the places or the money of those serving under him; all the way from the head of a bureau or a department who requests

more clerks, that they may work for his party, or serve as waiters or coachmen in his own family, down to the legislators who vote appropriations in aid of their re-election, and city aldermen who bribe electors by corrupt contracts, and conciliate thieves, gamblers and grog-shop keepers by winking at their offenses. — It is doubtless vain to expect that in politics there will ever be such unselfish regard for merit and duty as to exclude every shade of that system, and perhaps there will always be various questions as to the moral aspects of which honest men will disagree. The limits of the spoils system in its practical application at any time can not, therefore, be precisely stated; nor can we any more precisely state where the merit system begins.* But it is, nevertheless, a great advantage to have convenient phrases, which, like *the spoils system*, and *the merit system*, distinctly mark those extreme and incompatible theories and methods in politics and administration of which the people readily take notice for approval or rebuke. In reference to these systems, all officers and politicians may be readily and usefully classified. Which system does a great politician or officer defend or practice? must always be an important question. — The phrase "spoils system" appears to have had its origin in a speech made in January, 1832, by Mr. Marcy, of New York, in the senate of the United States, in which (in speaking of the politicians of his day, and especially of New York politicians) he said, "When they are contending for victory, they avow the intention of enjoying the fruits of it. If they are defeated, they expect to retire from office. If they are successful, they claim, as matter of right, the advantages of success. *They see nothing wrong in the rule that to the victor belong the spoils of the enemy.*" (Gale & Seaton's Congressional Debates, vol. viii., part 1, p. 1325.) — The system of the pirate and the highwayman, thus defended, had been for some years growing in and poisoning our politics. It was only this open and shameless avowal of it which was original with Mr. Marcy. In the article on TERM AND TENURE OF OFFICE some facts are given tending to show that the earliest practice according to that system was in New York. It was not unnatural that the first unblushing avowal of it, at Washington, should be made by a senator from that state. Among the maxims of Col. Burr for the guidance of politicians, one of the most prominent was, that the people at elections were to be managed *by the same rules of discipline as the soldiers of an army;* that *a few leaders were to think for the masses, and that the latter were to obey implicitly their leaders.* * * He had, therefore, great confidence in the *machinery of a party,*" etc. (Statesman's Manual, vol. ii., p. 1139.) New York has never lost the art, so aptly and early taught by Burr, of making and running party machines. Jenkins, in his "History of Parties in New York," (p. 227), tells us, that "before 1820 the spoils system had been so far matured in that state, that Gov. Clinton, in that year, complained in a message 'of an organized and disciplined corps of federal officers interfering in state elections.'" Mr. Hammond, in his "Political History of New York," and speaking of its early politics, declares, "that party spirit had raged in this more than in any other state of the Union." Mr. Van Buren's relation to the system appears in the article last cited. The unparalleled abuses in past years at the New York postoffice and custom house, and the municipal, judicial and other corruptions associated with the names of Barnard, McCunn, Tweed and Fisk, at the city of New York, have made the consequences of a long and general toleration of that system a part of our familiar history. But it is due to New York to add, that, during the past decade, her citizens have done more than those of any other state to arrest such abuses and to substitute a "merit system" for a "spoils system," both in her own administration and in that of the federal government. — The politicians and the office seekers readily comprehended the spirit and opportunities of the new system which Marcy announced The era had not long been closed, even among the enlightened nations, during which the hope of plunder and spoils from captured ships and cities had been regarded as essential alike for securing enlistments and for achieving victories on sea or land. Intense and vindictive partisans, accustomed to treat their political opponents as both personal and public enemies, adopted with equal facility the reasoning of Marcy and the war code of pillage and spoils. Either in the heat of victory or the hope of gain, they forgot or disregarded the fact, that the places, the salaries, the promotions, the profitable contracts which they sought, did not belong to the party they had conquered, but to the people, of which they were only a part. A new force, compounded in about equal proportions of corruption and savagery, was soon made potential, alike in the battle fields of politics, in the methods of elections, and in the processes of administration. The proclamation of the spoils system in the senate greatly shocked the better minds of both parties, and alarmed the country at large. Nevertheless the theory of the system (of which "rotation in office," in order to increase the spoils, was an important part) was, even by men in high places, largely and rapidly accepted. In the debate in the senate in 1835, upon the bill for repealing the four years term of office act of 1820, Senator Shepley of Maine, and Senator Hill of New Hampshire, defended that kind of rotation which requires no fault in an officer to justify a call for his removal, and Wright of New York, following Jackson's first message, declared such rotation "to be a car-

* The phrase "merit system" was first used in Eaton's "Civil Service in Great Britain," and it is sufficiently defined by saying that it is everywhere the very opposite of the spoils system, in both theory and method. The merit of a candidate, the merit of a bill or the merit of a policy are equally the basis of all just claim for support. A system which everywhere, in politics and official life, holds merit to be a decisive test, must everywhere recognize the public interests as paramount. Such a system is as thoroughly democratic and republican as it is thoroughly just.