



Banking A New System

by Lysander Spooner



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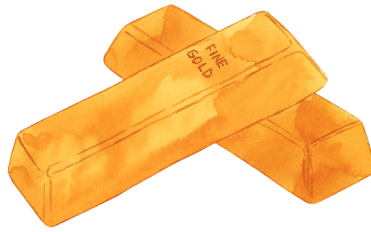
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A New Banking System

Under the banking system—an outline of which is hereafter given—the real estate of Boston alone—taken at only three-fourths its value, as estimated by the State valuation ¹—is capable of furnishing three hundred millions of dollars of loanable capital.

Under the same system, the real estate of Massachusetts—taken at only three-fourths its estimated value ²—is capable of furnishing seven hundred and fifty millions of loanable capital.

The real estate of the Commonwealth, therefore, is capable of furnishing an amount of loanable capital more than twelve times as great as that of all the “*National*” Banks in the State ³; more than twice as great as that of all the “National” banks of the whole United States (\$353,917,470); and equal to the entire amount (\$750,000,000, or thereabouts) both [D]of greenback and “National” bank currency of the United States.

It is capable of furnishing loanable capital equal to one thousand dollars for every male and female person, of sixteen years of age and upwards, within the Commonwealth; or two thousand five hundred dollars for every male adult.

It would scarcely be extravagant to say that it is capable of furnishing ample capital for every deserving enterprise, and every deserving man and woman, within the State; and also for all such other enterprises in other parts of the United States, and in foreign commerce, as Massachusetts men might desire to engage in.

Unless the same system, or some equivalent one, should be adopted in other States, the capital thus furnished in this State, could be loaned at high interest at the West and the South.

If adopted here earlier than in other States, it would enable the citizens of this State to act as pioneers in the most lucrative enterprises that are to be found in other parts of the country.

All this capital is now lying dead, so far as being loaned is concerned.

All this capital can be loaned in the form of currency, if so much can be used.

All the profits of banking, under this system, would be clear profits, inasmuch as the use of the real estate as banking capital, would not interfere at all with its use for other purposes.

The use of this real estate as banking capital would break up all monopolies in banking, and in all other business depending upon bank loans. It would diffuse credit much more widely than it has ever been diffused. It would reduce interest to the lowest rates to which free competition could reduce it. It would give immense activity and

power to industrial and commercial enterprise. It would multiply machinery, and do far more to increase production than any other system of credit and currency that has ever been invented. And being furnished at low rates of interest, would secure to producers a much larger share of the proceeds of their labor, than they now receive.

All this capital can be brought into use as fast as the titles to real estate can be ascertained, and the necessary papers be printed.

Legally, the system (as the author claims, and is prepared to establish) stands upon the same principle as a patented machine; and is, therefore, already legalized by Congress; and cannot, unless by a breach of the public faith, any more be prohibited, *or taxed*, either by Congress or this State, than can the use of a patented machine.

Every dollar of the currency furnished by this system would have the same value in the market as a dollar of gold; or so nearly the same value that the difference would be a matter of no appreciable importance.

The system would, therefore, restore specie payments at once, by furnishing a great amount of currency, that would be equal in value to specie.

The system would not inflate prices above their true and natural value, relatively to specie; for no possible amount of paper currency, every dollar of which is equal in value to specie, *can* inflate prices above their true and natural value, relatively to specie.

Whenever, if ever, the paper should not buy as much in the market as specie, it would be returned to the banks for redemption, and thus

taken out of circulation. So that no more could be kept in circulation than should be necessary for the purchase and sale of property at specie prices.

The system would not tend to drive specie out of the country; although very little of it would be needed by the banks. It would rather tend to bring specie into the country, because it would immensely increase our production. We should, therefore, have much more to sell, and much less to buy. This would always give a balance in our favor, which would have to be paid in specie.

It is, however, a matter of no practical importance whether the system would bring specie into the country, or drive it out; for the volume and value of the currency would be substantially unaffected either by the influx or efflux of specie. Consequently industry, trade, and prices would be undisturbed either by the presence or absence of specie. The currency would represent property that could not be exported; that would always be here; that would always have a value as fixed and well known as that of specie; that would always be many times more abundant than specie can ever be; and that could always be delivered (in the absence of specie) in redemption of the currency. These attributes of the currency would render all financial contractions, revulsions, and disorders forever impossible.

The following is an outline of the system.

The principle of the system is that the currency shall represent an *invested* dollar, instead of a specie dollar.

The currency will, therefore, be redeemable by an *invested* dollar, except when redeemed by specie, or by being received in payment of debts due the banks.

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