



Benjamin R. Tucker: Champion Of Free Money



By Don Werkheiser

For thirty years Benjamin R. Tucker championed the cause of unabridged liberty in general and of free money in particular. His arena was the pages of his fortnightly magazine, **Liberty**. His weapons were rigorous logic and deep understanding of first principles. He was one of the greatest controversialists of all time, and consistently demonstrated that honest controversy is one of the most trenchant educational methods ever devised to advance the truth of a cause.

Although Tucker adhered rigorously to the "plumb line" of Anarchist doctrine, his applications were manifold. Varied as they were, they usually reduced to two key propositions: abolition of the State in political affairs, and abolition of the money monopoly in economic affairs.

Tucker was not primarily concerned about particular wrongs; he wanted to correct the system that generates and makes possible individual wrongs. His position regarding the State and money monopoly derived from his Socialist convictions. Today Socialism has degenerated into a doctrine of totalitarian Statism, but in the 19th Century the term referred to an intent to fundamentally re-organize the societal systems so as to return the full product of labor to the laborers. In 1881 this intent was formulated in a New York newspaper: "Somebody gets the surplus wealth that labor

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produces and does not consume. Who is the Somebody?" Tucker answered:

What are the ways by which men gain possession of property? Not many. Let us name them: work, gift, discovery, gaming, the various forms of illegal robbery by force or fraud, usury

Is the Somebody the laborer? No; at least not as laborer; otherwise, the question were absurd. Its premises exclude him

Is the Somebody the beggar, the invalid, the cripple, the discoverer, the gambler, the highway robber, the burglar, the defaulter, the pickpocket, or the common swindler? None of these, to any extent worth mentioning These people get some of the wealth . . . but labor can spare them the whole of it, and never know the difference.

Then we have found him. Only the usurer remaining, he must be the Somebody whom we are looking for; he and none other. But who is the usurer, and whence comes his power? There are three forms of usury: interest on money, rent of land and houses, and profit in exchange. Whoever is in receipt of any of these is a usurer. And who is not? Scarcely anyone. The banker is a usurer; the manufacturer is a usurer; the merchant is a usurer; the landlord is a usurer; and the working man who puts his savings, if he has any, out at interest, or takes rent for his house and lot, if he owns one, or exchanges his labor for more than an equivalent — he too is a usurer. The sin of usury is one under which all are responsible. But all do not benefit by it. The vast majority suffer. Only the chief usurers accumulate: in agricultural and thickly settled countries, the landlords; in industrial and commercial countries, the bankers....

And where do the Somebodies get their power? From monopoly. Here, as usual, the State is the chief of sinners. Usury rests on two great monopolies — the monopoly of land and the monopoly of credit. Were it not for these, it would disappear....

The usurer is the Somebody, and the State is his protector.¹

Tucker perceived all money as either standard units of mediate commodities used in what is essentially complex barter, or as credit instruments — i.e., as titles to actual products, which titles circu-

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late either as notes, or as transferred bookkeeping entries. He denied the claims of orthodox economists that interest is paid to compensate capitalists for their noble sacrifice in not immediately consuming their property so that less virtuous people might use it to increase their productivity. He conceded that *if a* person suffered a sacrifice to let someone else use his capital, he should be indemnified for his stresscost. But since Pierre Proudhon proposed his *Bank of the People* and William B. Greene proposed his mutual money system, borrowing capital is unnecessary. With mutual money a person can issue money secured with one's own property, thus making it possible to buy rather than borrow capital. This contention was demonstrated by the following question which "invariably proved a 'poser' " to those who asserted that interest is a justifiable indemnity to lenders of capital, and that only by borrowing capital can a person obtain money.

A is a farmer owning a farm. He mortgages his farm to a bank for \$1,000, giving the bank a mortgage note for that sum and receiving in exchange the bank's notes for the same sum, which are secured by the mortgage. With the bank-notes A buys farming tools of B. The next day B uses the notes to buy of C the materials used in the manufacture of tools. The day after, C in turn pays them to D in exchange for something he needs. At the end of a year, after a constant succession of exchanges, the notes are in the hands of Z, a dealer in farm produce. He pays them to A, who gives in return \$ 1,000 worth of farm products which he has raised during the year. Then A carries the notes to the bank, receives in exchange for them his mortgage note, and the bank cancels the mortgage. Now, in this whole circle of transactions, has there been any lending of capital? If so, who was the lender? If not, who is entitled to interest?²

To anyone who has followed the transactions the answers to these questions are obvious: "No." "No one." "No one."

Tucker distinguished between a basis of issue and a standard of value. These were and are often confused because since ancient times gold was used for both functions. The basis of issue of money is any property that the money represents and which imparts value to the money. That is why "inflation" occurs when money is issued without adequate or any security.

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Since ancient times a superstition prevailed that only gold and/or silver are a proper basis for issuing money. Since these metals are scarce, their owners could charge interest for the mere use of them to effect exchanges. Proudhon, Warren and Greene showed that all labor products can be used as a basis of issue, i.e., can be monetized at the mere labor cost of bookkeeping (less than 1/2%), and as a result no one need borrow capital (gold or silver) or pay interest, which is any price in excess of the labor cost of doing business, and which is only a result of monopoly.

A standard of value is any standard quantity and type of labor product which is used as a unit to compare the value and establish the price of any other product. Other products would be priced in terms of multiples and/or fractions of the standard.

In one debate Tucker referred to the distinction between basis and standard.

If the idea of the royalty of gold and silver could be once knocked out of the people's heads, and they could once understand that no particular kind of merchandise is created by nature for monetary purposes, they would settle this question [of What is money?] in a trice. Again, he [the debater] seems to think that Josiah Warren based his notes on corn. Nothing of the kind. Warren simply took corn as his standard, but made *labor and all its products* his basis. His labor notes were rarely redeemed in corn. If he had made corn his exclusive basis, there would be no distinction in principle between him and the specie men. Perhaps the central point in his monetary theory was his denial of the idea that any one product of labor can properly be made the only basis of money.⁷

Tucker further cautioned against "the idea that currency can be redeemed only in that on which it is based."⁸

While Tucker advocated a multiple basis, he insisted on a single standard. "There is such a thing as a measure or standard of value", he said, "whenever we use anything as such. It is constituted such either by force or by agreement. Its function is implied in its name — measure of value. Without the selection, deliberate or accidental, conscious or unconscious, of something as a standard of value, money is not only impossible, but unthinkable."⁹

Tucker further clarified his idea of the necessity of a standard:

If no standard is definitely adopted, and then if paper money is issued, does not the first commodity that the first

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note is exchanged for immediately become a standard of value? Is not the second holder of the note governed in making his next purchase by what he parted with in his previous sale? Of course it is a very poor standard that is thus arrived at, and one that must come in conflict with other standards adopted in the same indefinite way by other exchanges occurring independently but almost simultaneously with the first one above supposed. But so do gold and silver come in conflict now. Doesn't it all show that the idea of a standard is inseparable from money? Moreover, there is no danger in a standard. The whole trouble disappears with the abolition of the basis privilege.⁶

Today, of course, there is no basis privilege; there is a transaction privilege. Bank customers who provide "collateral" are required to pay for permission to use their own credit. Thus mutual money is to that extent already being practiced, but the benefits of interest free and stable valued money are still denied the people.

Tucker maintained that all money should be fully redeemable, since it was redemptive property that gave money its definite value and its voluntary acceptance. Tucker did not accept the Quantity Theory of the value of money, which states that the value of money is a function of the ratio of money supply to goods available on the market. The value of money, he held, derived from the value of the redemptive property used to secure it. If there is none, it is worthless, although it may pass for a while (just as counterfeit money will) until its worthlessness becomes known, or as long as coercion is effective.

In discussing money, Tucker distinguished between symbols and referents. He recognized that the same reasoning that applies to physical property used as capital does not apply to symbols of said property. Thus he argued:

Representative money is not capital; it is only a title to capital. He who borrows a paper dollar from another simply borrows a title. Consequently he takes from the lender nothing which the lender wishes to use; unless, indeed, the lender desires to purchase capital with his dollar for the sacrifice of his opportunity — a very different thing from usury, which is payment, not for the lender's sacrifice, but for the borrower's use; that is, not for a burden born, but for a benefit conferred Hence borrowing a title to capital is a very dif-

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ferent thing from borrowing capital itself. But under the system of organized credit contemplated by [mutual money advocates] no capable and deserving person would borrow even a title to capital. The so-called borrower would simply so change the face of his own title as to make it recognizable by the world at large, and at no other expense than the mere cost of the alteration.⁷

In this passage Tucker contemplated that the proper function of a "credit-shop" — or bank — is to establish credit on a large scale, probably by agreement with other banks, and then to underwrite the credit of less widely known local property owners whose property is the basis of their credit. Thus ruinous interest rates can be eliminated by mutual credit.

Originally, capital (gold or silver) was actually loaned, and interest was usury paid for the mere use of it. During the time when Tucker published *Liberty*, it was widely held that a bank could not operate without capital. This superstition seemed to justify the legal requirement that the founders of a bank put up reserves of capital to use as a basis of issuing money. This effectively restricted banking to the wealthy. Tucker, following Proudhon and Greene, argued that the property of the customers could be used as a basis of issue, and therefore no lending or borrowing need occur, and money could be had without interest.

Today the bankers are more clever; they have taken the position of the mutualists that they need not risk their own capital, yet they require their customers to mortgage their property on the pretext that it is "collateral" security for the miscalled "loan". However, since nothing is loaned, and since the pseudo-notes they issue are not redeemable in anything, the procedure is but a device to get unearned title to other people's property. Thus a basic principle of mutual money has been co-opted by the bankers, and corrupted by them into a triple steal: that is, they get contingent ownership of customer property; they issue money without redemption; and they charge interest to their customers for the privilege of being cheated.

As a staunch advocate of "Anarchistic economics," Tucker argued in favor of a free market, but his concept of a free market went further than most people today mean by the term. To Tucker a free market was absolutely free from State intervention. Referring to Andrew Carnegie as typical of criminally invasive capitalists,

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Tucker wrote:

... if a man has labor to sell, he has a right to a free market in which to sell it, — a market in which no one shall be prevented by restrictive laws from honestly obtaining the money to buy it Capitalists [such as Carnegie] have placed and kept upon the statute books all sorts of prohibitions and taxes . . . designed to limit and effective in limiting the number of bidders for the labor of those who have labor to sell. If there were no tariffs on imported goods; if titles to unoccupied land were not recognized by the State; above all, if the right to issue money were not vested in monopoly, — bidders for the labor of Carnegie's employees would become so numerous that the offer would soon equal the laborer's product.⁸

Tucker's advocacy of a free market led him to take issue with economists who, in the name of a free market, defended the prevailing system of extortion by claiming the "productivity of capital." Said he:

The usual sense of this phrase, and the sense in which economists use it, is that capital has such an independent share in all production that the owner of it may rightfully farm out the privilege of using it, receive a steady income from it, have it restored to him *intact* at the expiration of the lease, farm it out again to somebody else, and go in in this way, he and his heirs forever, living in a permanent state of idleness and luxury simply from having performed a certain amount of "preparatory labor." That is what Proudhon denounced as "the fiction of the productivity of capital."⁹

Instead of renting productive capital for the mere *use* of it, Tucker said it should be bought outright once, at a just price, and no more. Payment for the mere use of something is *usury*, which is unethical extortion. In contrast, "The scientific reward (and under absolutely free competition the actual reward is, in the long run, almost identical with it) of labor is the product of an equal amount of equally arduous labor."¹⁰

Another version of the productivity of capital idea is the time factor theory of interest, i.e., that time itself is productive, and by waiting, a product is more valuable later than sooner; therefore, by lending capital the capitalist foregoes the productivity of time, and should be compensated by interest. This idea was argued by Henry George, who repudiated private collection of land rent but de-

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fended interest.

Suppose, [said George] a natural spring free to all, and that Hodge carries a pail of water from it to a place where he can . . . boil the water. Having hung a kettle . . . and started the fire, he has by his labor set natural forces at work in a certain direction; and they are at work for him alone, because without his previous labor they would not be at work in that direction at all. Now he may go to sleep, or run off and play . . . [and in time] he will have . . . boiling water . . . Would he exchange the pot of boiling water for a pail of cold water . . . Of course not . . . And yet between the time when the fire is started and the time when the water boils, he does no work. To what then, is that difference in value due? Is it not clearly due to the element of time? Why does Hodge demand more than a pail of cold water for the pot of boiling water if it is not that the ultimate object of his original labor—the making of tea, for example - is nearer complete than it was an hour before, and that an even exchange of boiling water for cold water would delay him an hour, to which he will not submit unless he is paid for it?

To this "economic Hodge-Podge" Tucker responded as follows. The illustration is vitiated from beginning to end by the neglect of the most important question involved in it, — namely, whether Hodge's idleness during the hour required for the boiling of the water is a matter of choice or of necessity. It was necessary to leave this out in order to give time the credit of boiling the water . . . If Hodge's idleness is a matter of necessity, it is equivalent, from the economic standpoint, to labor, and counts as labor in the price of the boiling water. A store-keeper may spend only five hours in waiting *on* his customers, but, as he has to spend another five hours in waiting *for* them, he gets paid by them for ten hours' labor . . . because, to accommodate his customers, he has to give up what he could produce in those five hours if he could labor in them . . . But it is Hodge himself, this disposition of himself, and not the abstraction time, that gives the water its exchangeable value . . . The services of time are venal only when rendered through human forces; when rendered exclusively through the forces of nature, they are gratuitous . . . [Moreover,] if Hodge chooses to be idle, and still tries . . . to charge

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[Podge] for this unnecessary idleness, the enterprising Dodge will step up and offer boiling water to Podge at a price lower than Hodge's, knowing that he can afford to do so by performing some productive labor while waiting for the water to boil, instead of loafing like Hodge.¹²

Tucker never seemed to tire of battling the Hydra-headed arguments in defense of interest. To what effect? Today the Hydra monster still lives! The time-factor argument has been revived by economists in a "time preference" version, and I suppose if Tucker still lived he would still strike it down. But would he be content to joust with endless unreason? The mighty warrior who won all the battles, lost the war because he could not outlive irrational humanity. What course would he take if he lived today? I am inclined to think that if Tucker were alive, he would not be content to endlessly wield the sword of reason against irrational vested interests.

Perhaps the greatest deficiency of "Anarchistic economics" was that beyond a few minor experiments it was never organized into action. Words must precede action when deliberate social change is to occur, but if action does not follow, words become cut off from the realities which give them meaning. The gap between anarchist words and action was effected by Archists. Proudhon was put in the Bastille to prevent him from organizing his proposed Bank of the People. In the U.S. a 10% tax was imposed on all non-franchised banks of issue. Since the rate of interest in Tucker's day was 6%, mutual money could not compete, even though the operating costs were less than 1%.

Today the situation may be drastic enough to be significantly different. Prime lending rates are in excess of 17% (as of 1981). Credit cards are nearly ubiquitous: their obvious charge is 18%; their hidden charges boost the price to 30% or more. "Low" interest rates are considered "inflationary." Business bankruptcies, touching nearly the entire spectrum of business concerns, have increased 60% over the previous year, due to economic downturn and interest rates of 24%. All these rates are considerably in excess of the 10% tax plus 1% or less it would cost to operate a mutual money system.

Tucker believed in individual direct action. If he were alive today I suspect he would seriously consider taking steps or organize a mutual money system. First, it would demonstrate in an obvious way the four functions that Tucker said should be expected of any

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money: "Would it make exchange easy? Would it make production active? Would it measure prices accurately? Would it distribute wealth honestly?"¹³ Next, it would provide the consciousness raising experience that is made possible only by sharp contrast. Finally, it would educate the people regarding the cheat of the money fraud mystique, and prove the possibility of a fundamental alternative. And that, after all, is what Tucker most wanted to do.

Footnotes

1. Benjamin R. Tucker, **Instead of a Book** (New York: Benj. R. Tucker, Publisher, 1893), "Who is the Somebody?," (**Liberty**, August 6, 1881), pp. 177-178. All the citations used in this article were collected by Tucker in **Instead of a Book** which has a large section on money and interest. The actual date the article appeared in **Liberty** is given after the title of the article, but page numbers are for **Instead of a Book**.
2. Ibid., "To-Day's Excellent Fooling," (**Liberty**, August 16, 1890), p. 220.
3. Ibid., "Apex or Basis," (**Liberty**, December 10, 1881), p. 198.
4. Ibid.
5. Ibid., "Ten Questions Briefly Answered," (**Liberty**, May 16, 1891), p. 253.
6. Ibid., "A Standard of Value a Necessity," (**Liberty**, June 13, 1891), p. 253.
7. Ibid., "Apex or Basis," (**Liberty**, December 10, 1881), p. 193.
8. Ibid., "The Lesson of Homestead," (**Liberty**, July 23, 1892), p. 454.
9. Ibid., "Basic Principles of Economics: Rent," (**Liberty**, October 3, 1885), p. 302.
10. Ibid.
11. Ibid., "Economic Hodge-Podge," (**Liberty**, October 8, 1887), pp. 202-203.
12. Ibid.