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# The Money Question

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The money question is one upon which the most eminent doctors of finance disagree. Those who want a single standard, that of gold, and those who demand a double standard, that of gold and silver, in discussing the money question, exhibit all along the line such antipodal differences of opinion, that any expectation of agreement is utterly futile. Hence, men who care to familiarize themselves with the arguments and assertions of the disputants will have to exercise great fortitude and patience, and then take sides as their judgment may dictate. In this connection it should be said that the money question is not usually discussed dispassionately — either in private or in legislative bodies, and, to make matters still worse, sectionalism introduced and epithets are unsparingly applied.

At this writing, while the panic is on, and banks are breaking and large industries are going to the wall, we are simply interested in ascertaining what the effect will be, or is likely to be on labor interests. Many very prominent citizens, men who are supposed to understand financial affairs, have repeatedly declared that there existed no real legitimate cause for the panic, but such declarations amount to little or nothing when one sees the panic rushing along with the force of a cyclone. Under such circumstances, men realize there must be a cause for the panic, and whether legitimate or bastard, they want to know what it is. Here, again, all is disagreement and confusion, and since a real cause must be found before a remedy can be applied, the squabble over the cause may not only protract the panic, but indefinitely augment its seriousness.

A great many people believe that the demonetization of the silver dollar, called the “dollar of the daddies,” in 1873, was the starting point of the financial misfortunes of the country — because then silver dollars had their money quality knocked out of them, and the single or gold standard, it is charged, was established in the interest of

“gold bugs” and “Wall Street sharks,” and it is further charged, that England took a hand in the demonetization of silver, by sending to the United States large sums of money with which to debauch members of Congress, and placed the cash where it would do the “most good.” Be this as it may, one thing is certain, there has since been a perpetual war over monometallism and bimetallism — the free coinage and the limited coinage of silver — together with its absolute equality with gold in its use upon some parity of value, but the advocates of silver have never scored a complete victory, and at this writing, the outlook for silver is anything but encouraging to its friends. It is not required that the *Magazine* should assume an attitude of antagonism to either gold or silver. So far as the Brotherhood of Locomotive Firemen is concerned, the coins of both metals are eminently popular, and we shall be glad to know that a parity between the metals can be established that may be indefinitely prolonged, and the business of the country established upon secure monetary foundations.

Those who contend that the “demonetization of silver” in 1873 is the initial cause of the present panic, notwithstanding the wrong was perpetrated twenty years ago, are met by investigators and writers in the interest of the “gold standard,” who tell them that from the foundation of the government the gold standard has practically prevailed, and this assertion is fortified by the fact, that from 1792, when the original Coinage Act was passed, to 1873, when the dollar was demonetized, only 8 million silver dollars had been coined, while, within the same period, eighty-one years, the American mints had coined \$900 million of gold, which, seemingly, establishes the assertion that the gold standard had prevailed during the entire period.

In 1878, five years after the demonetization of silver dollars, the coinage of silver under an act of Congress began in earnest, and from that time to December, 1892, 361,508,508 silver dollars had been coined of *full* legal tender quality — that is to say, the silver dollars have absolutely all the value of gold coins except the payment of interest upon the national bonds, which, as expressed in the bonds, must be paid in gold. Here it is seen that the 361,508,508 silver dollars have the same value in the United States as is conferred upon gold. But such statements, however concise, instead of elucidating the causes which have led to the present panic, serve to embarrass the investigation. Hence, another chapter relating to silver must be intro-

duced, which may be properly styled the notorious Sherman Law. This law put a stop to the coinage of silver dollars, but did not interfere with the full legal tender quality of the dollars already coined. The Sherman law provided for the purchase of 4.5 million ounces of silver bullion every month, or 54 million ounces annually, and directed that this bullion should be paid for in treasury notes, to “be redeemable on demand in coin at the treasury of the United States,” and the Secretary of the Treasury is directed to “redeem such notes in gold or silver coin, at his discretion.” It is now claimed that the Sherman law is the real cause of the panic. Why? It is easy to ask questions, and sometimes difficult to answer them, but in answering why the Sherman law is the cause of the panic, or the initial cause, some space is required.

In the first place, the United States Treasurer is required to keep on hand \$100 million in gold coin, to redeem on demand its obligations payable in coin. This \$100 million reserve fund is regarded sufficiently limited to maintain specie payment, hence, any reduction of the reserve below the 100 million limit places specie payment, and therefore the credit of the government, in peril.

As has been stated, under the Sherman law the government is required to purchase 54 million ounces of silver bullion annually, and pay for the silver in treasury notes redeemable on demand in coin, gold or silver. at the discretion of the Treasurer, but really the Treasurer has little if any discretion in the matter, because of the proviso in the law as follows: “It being the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio, or such ratio as may be prescribed by law.” Now then, suppose A sells the Government 1 million ounces of silver bullion, and receives payment in treasury notes redeemable in coin. Having received the notes, he presents them for payment and demands gold; should the Treasurer refuse to pay gold and offer silver, that moment the “parity,” the equality of the two metals would cease, and gold would be at a premium, hence, therefore, if A demanded gold the Treasurer would be bound to redeem the notes in that com, because it is “the established policy of the United States to maintain the two metals on a parity.”

Under the operation of the Sherman law, treasury notes amounting to about \$200 million have been issued in payment for silver bullion; and European nations wanting gold, their agents get possession of the treasury notes, present them at the treasury and demand gold.

These transactions have continued until the government reserve of \$100 million in gold was seriously reduced. Notes of alarm were sounded. Gold continued to go to Europe on almost every ship. The reserve decreased, the press was full of warnings, and the panic started. Distrust took the place of confidence, confusion prevailed. Men who had money in banks became suspicious, runs followed, banks failed, industrial enterprises closed down. Men who had money locked it up, and thus as we write, the panic is sweeping along and wrecks mark its pathway, and boiled down we find a general agreement of opinion that the Sherman law is responsible for the starting of the panic, and this opinion is confirmed by the fact that President Cleveland has called an extra session of Congress to repeal the Sherman law and put an end to the purchase of silver bullion, which will put an end to the issuing of treasury notes, and put an end to the further depletion of the gold reserve for the maintenance of specie payments.

This, it is thought by some, will at once restore confidence and establish normal conditions, while others are as confident that the salvation of business depends upon the free coinage of silver the same as gold; that there must be no discrimination, since, so long as silver is required to play second to gold at the mints, the discrimination will be fatal to conditions of the largest prosperity.

There are others who scout the idea that it is possible to place the United States on a plane of the largest business activity and security of expansion without a larger volume of currency, and aside from the issue of paper money, they claim that the free coinage of silver alone can solve the vexatious problem. The advocates of free coinage, which means throw the mints open to the coinage of all the silver offered, the same as gold, as was the condition prior to 1873, will secure (1) the double standard, gold and silver, at a ratio of 16 to 1 or some other rational ratio, and indefinitely increase the volume of specie currency. These advocates of free coinage point to France, the most prosperous of European countries, with an area of 203,000 square miles and a population of 40 million, which maintains in circulation \$700 million of silver or \$17.95 per capita, and including gold, silver, and paper, \$40.56 per capita, while the United States, with an area of over 3,000,000 square miles and a population of 65 million, maintains a circulation in silver of only \$8.85 per capita, and including gold, silver and paper, only \$25.15 per capita, or \$15.41 per capita less than France.

Indeed, when statistics, showing the portion of the currency of the United States held out of circulation which is said to be in circulation, the amount of currency actually in circulation is far below \$25.15 per capita, and it is just here that a large body of men attribute the present panic to causes other than the vicious forces embodied in the Sherman law. Hence, they say that the legislation all along the line from 1873 to the present, having been in the interest of gold and of flagrant injustice to silver, accounts largely for the present panic and widespread business demoralization.

Admitting, simply for the sake of argument, that silver is at the bottom of the present business demoralization growing out of legislation, in which the “gold bugs” have triumphed over the “silver fanatics,” how stands labor? We hear much said about paying labor in “honest dollars.” So much, indeed, as to leave the impression that the gold and silver factions have been animated all the time by a desire to do the fair thing by labor. But the inquiry is, What is the result? (1) Throughout the silver mining regions of the country the silver mines are forced to close down and thousands of men are out of employment, without a remote prospect of a day’s work. Want stares them in the face, and funds are being subscribed and appeals made to the railroads to scatter these idle men abroad over the country. (2) Banks that hold the small accumulations of workingmen are closing their doors against depositors, and men and women shed tears as they see the doors close upon them and their little hoard. (3) Other industrial enterprises are either failing, or temporarily closing their establishments and setting thousands of employees adrift, and these conditions have been brought about, admittedly, by vicious legislation. And to make matters worse, while all agree that legislation to down silver and exalt gold is the cause of the panic, the probabilities are that remedial legislation is by no means assured. Meanwhile, labor suffers — and only labor suffers. The bankers will continue to fare sumptuously; the owners of silver mines and closed factories will not be seriously inconvenienced; the real victims of vicious legislation will be workingmen and their families. While this suffering continues, Congress will convene, and the wrangle will begin again over silver. The country will again be deluged with historical *chestnuts* relating to silver, from the days of Abraham to the present. We shall have windy dissertations on monometallism, bimetalism, single standard, double standard, free coinage international conferences, Latin unions, the

rupee, *ad infinitum* and *ad nauseam*, and while labor suffers and starves and the panic proceeds, the debates will go forward.

If there are those who anticipate legislation that will immediately restore confidence, let them dismiss the hallucination. Panics, like wars, are destructive. Confidence, once destroyed, recovers slowly, and once started, like earthquakes, they subside only when their force is exhausted. Our advice to workingmen is, be rigidly economical — save the dimes, hoard your earnings with miserly care. Let it be understood that the gold and the silver factions are at war. And while the war proceeds, confidence will seek retirement and take its surplus cash with it into its hiding places. Already, the wires report that from one state alone orders for \$12 million for merchandise have been cancelled. This canceling is likely to be many times multiplied, which means less work for railroads, less wages and reduction of employees. Hence, we say, to railroad employees, let the severest economy prevail.

We do not belong to the ranks of calamity howlers. We do not care to paint the outlook either blue or black, but a man is colorblind who declares it to be rosy. Panics, as we have said, run their course, and this of 1893 is not likely to be an exception, and since, as it is claimed, it is owing to vicious financial legislation the remedy would seem to be wise legislation, or legislation diametrically opposed to that which has produced the panic; and should such legislation be had, with the promptness the emergency requires, a full year would elapse before normal conditions could be established. Meanwhile, let the motto of workingmen be, save every possible cent of wages while wages can be had.

*Edited by Tim Davenport*

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