

Metallic Money and Hard Times: Why they are inseparable

Section 2, Pages 31 - 60

James D. Holden was serving as president of the National Citizens' Alliance when he published the revised edition of this pamphlet. Holden, a resident of Emporia, Kansas, was studying the causes of the current economic depression. This pamphlet shares his opinions with readers. Holden was an ardent Populist and his opinions reflect those beliefs. This is a revised version of item # 209315.

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"Why extend this privilege to owners of productive real estate and yet deny it to owners of other forms of property?"

A satisfactory answer to this seemingly pertinent inquiry will serve to demonstrate the justice, the merit, and the practicability of the proposed system:

The essential element of a circulating medium is *adequacy* and not the *form* of value which constitutes the basis of the issue. *If the volume be adequate no especial advantage can accrue to those value-owners to whom the issue from the government is direct.* This proposition is true for the reason that if the issue of money be equal to the legitimate demand for it,

goods, as well as bread, flour and country produce, were monopolized by four or five rich men who retailed them at what price they pleased and had the whole country in their debt at 8 per cent. interest. There had already been a popular agitation on the subject two years before, and when the Assembly met in the fall of that year the question was at once taken up. A petition was presented to the Assembly January 2, 1722-23, from a number of merchants and other inhabitants of Philadelphia praying for a paper currency, which was accompanied curiously enough by a petition from a number of residents of Chester county opposing a paper currency and desiring that the produce of the colony should be made a **legal tender.**" * * * "Both petitions were carefully considered, and after several communications with the Governor, Sir William Keith, the Assembly, on March 2, 1722-23, passed its first act, emitting a **paper legal tender.** Massachusetts had begun the issue of paper money in 1690, New Jersey and New York in 1709 and Rhode Island in 1710. Virginia was still rich in coin, **but the new Pennsylvania currency was based upon an entirely new principle.**" * * * "The other colonies had secured their issues of bills of credit by sinking funds based on the excise. **These bills had invariably depreciated greatly,** and they were viewed with the greatest disfavor by the English merchants. To offer a better pledge the Pennsylvania Assembly enacted that the new bills should be issued by the Commissioners of the Loan Office, as they were to be styled, in sums between £20 and £200, upon landed security in double or upon plate of treble value, with interest at 5 per cent., the entire issue to be limited to £15,000. The debt was to be paid off, principal and interest, in eight years, by each mortgagee. Four commissioners were to be appointed to sign these bills and four trustees to manage the office and receive the mortgages. All were salaried, the commissioners £20 and the trustees £50 annually. The notes varied in value from one to twenty shillings. According to Keith's Discourse the beneficent effects of this (the Pennsylvania) measure were felt in a most remarkable manner. The notes being secured by actual mortgages, **no depreciation followed;** foreign ships were enabled to dispose of their cargoes and clear on their return voyages without delay; local business increased; **the rate of interest dropped from 6 to 5 per cent.,** (the rate charged by the government) trade was encouraged, and the rise in the value of lands only increased the excellence of the security." * * * "In 1731, when the old notes were called in, the Assembly renewed the previous issues and ordered 40,000 pounds sterling in new bills, to be exchanged for so many of the old as had been issued before August 10, 1728. But now another change was made, **due to Franklin's efforts,** and these exchanged bills became **irredeemable.**" * * * "But this sum of 85,000 pounds sterling was not now (A. D. 1744) sufficient for the colony's needs, and a memorial was sent to England praying for leave to issue more. It was probably in indirect answer to this and in consideration of the **Pennsylvania system** that the colony was **specifically exempted** from the operation of an order in council made in 1751, prohibiting the North American colonies from issuing any more bills of credit." * * * "The issue of paper money was **never favored by the proprietaries.** Penn's widow had reprimanded Keith for giving his sanction to the original act, though when it passed she was not unwilling to turn it to profit." * * * "The affairs of the loan office were wound up by Rittenhouse. So ably had it been managed through the forty years of its existence that not a penny had been lost to the state."

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an active cash market will be created for all useful commodities and products, because of the increased ability of men to gratify their wants through their increased facilities for readily exchanging or disposing of their labor or its product. If, then, by reason of the increased issue, all useful labor products could be converted into money upon an open market no additional advantage would be conferred upon their owners by granting them the privilege of "coining" their values at the government mint.

LAND VALUES THE PROPER MONEY BASIS.

§ 1. For the reasons given the basis for the issue of money *should be such values as in their nature are most suitable for the purpose*, when the chief requisites of a circulating medium are considered.

Real estate is peculiarly adapted to serve as the basis for an adequate circulating medium. Its value, easily ascertained, is based upon the needs of society. Its ownership, to a great extent, is vested in the people who occupy it for homes, thus avoiding a monopoly by the few of the basis of issue. Under a just financial policy agriculture would become a most profitable industry, and as a consequence land values would advance to the highest grade of values. The use of land as a basis for the issue of money would not interfere with the uses for which it is naturally adapted, while the employment of gold and silver for money purposes deprives society of the use, as a commodity, of much the greater portion of these metals. The expense of maintaining a financial system based upon land values would be nominal as compared with that of any system that can be named.

Assuming that productive real estate is the best basis

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for the issue of a legal tender currency, the following limitations would be essential:

1. That the basis for the issue be equal to the needs of industry.
2. That the issue to the individual shall not exceed a given per centage of the value of the productive real estate offered by him as security.
3. That the expense of maintaining the system be reduced to the lowest possible cost.
4. That the "interest" charged for the use of legal tender certificates shall not exceed the amount required to defray the cost of maintaining the system.

The currency proposed would represent actual value of wealth-producing land. Our present currency represents a fictitious value of comparatively useless metals, the existence of which is not essential to the welfare of mankind.

A legal tender money system based upon gold and silver metals, the supply of which is inadequate to the needs of industry, cannot but prove injurious to those whose enterprise prompts them to borrow, and whose industry enables them to furnish security for the payment of their obligations. A land basis is so broad and ample that money based thereon would perform its proper office as a medium for the exchange of property and products, *without constituting an agency by which men can live without the performance of useful labor.*

§ 4. *Every "dollar" that is properly issued by a government to its citizens benefits society and promotes the general welfare. Why? because of what dollars are in fact: Legal tender representatives of value, issued by government to, and for the convenience of owners of suitable values. By the issue of these dollars such owners of suitable values are converted into cash purchasers*

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of surplus labor products, which are *effectively* exchanged in complex society only by means of a circulating medium equal in volume to the *natural* demand therefor.

As society is at present benefitted by the issue to bullion owners of a legal representative of their values for money purposes; so would it, in a similar manner, be benefitted by an issue to land owners of a legal representative of their values.

As the coin certificates that are now issued to bullion owners upon metallic values, *can be used by those to whom they are issued only in the purchase of the surplus labor product of their fellow man*; in a similar manner only could legal tender certificates, if issued to land owners upon land values, be used by them. In either instance the process simply converts values from a state in which they are not readily *available*, into a *form* for which the demand (for debt-paying purposes) is general.

As the bullion owner, under ~~the~~ certificate system of issue, deposits his metal with the government as security for the return or "redemption," *at his pleasure*, of the certificates now issued to him; in ~~an~~ equally satisfactory manner would the land owner give mortgage security for the return (or "redemption") *at his pleasure* of the certificates issued to him.

§ 5. The act of the government in converting values into money does not confer wealth upon those to whom the privilege is granted. It simply *changes the form of value* that it may be readily utilized as money for the promotion of the general welfare. As a banker, by changing money of a large denomination into that of smaller denominations ~~for~~ the accommodation of a customer, thereby enables him to readily make use of the fruit of his labor, upon the same principle does the financial policy of a government, by changing the *form* of values, enable the citizen

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thus accommodated to *readily* make use of the product of his industry.

When it is considered that the values upon which the present issue of money is based are not natural values, but chiefly artificial ones, and that those to whom money representing actual values would be issued as proposed, *could use it only in giving employment to those who need it, or in the purchase of that which is for sale*, the fact that an intelligent people have for so long a period permitted their legislators (under the influence of financiers) to restrict their money supply is simply astounding, particularly as those who pay the bulk of the tribute called "interest" are the most enterprising and shrewdest business men.

THE DIFFERENCE BETWEEN "MONEY" AND "A MEDIUM OF EXCHANGE."

§ 1. In the discussion of the subject of finance rarely is there a distinction made between the expressions "money" and "medium of exchange," although the terms are far from being synonymous. Money is a medium of exchange, but a medium of exchange is not, as a consequence, money. Money *acts* as a medium of exchange, as do also the various *credit* devices known as bank notes, drafts, individual checks, etc. These credit devices, however, are not money. They are private issues *payable in money*. Nothing is money which does not possess the legal power to discharge legal obligations. Anything is money that does possess this legal power. Hence money is a creation of legislation, and when properly issued is a *debt-paying representative of the values of those to whom it is legally issued, as coin certificates, which are now issued, by the government, in exchange for bullion, are debt-paying representatives of the value of gold and silver metal*. In the issue of gold and

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silver coins the debt-paying power is impressed upon the value itself instead of upon its representative, the certificate.

The *representative* possesses the *legal* power to pay debts and taxes. The value represented does not. For this reason the representative is in general demand while, as has been stated, the demand for the value itself is determined by individual need or taste, coupled with the ability of the individual to gratify it. Owners of value in the form of uncoined gold or silver can, under free coinage laws, *readily* gratify their wants because their values are by law convertible (by coinage) into "money," *or into that form of value for which there is a special demand for debt and tax-paying purposes*. Owners of all other forms of value (because it is not by law thus convertible) are obliged to defer the gratification of their wants until a *sale* of their values can be effected, to such of the few as under the present system are able to purchase, or until they are willing to pay financiers current rates of interest for the use of the debt-paying representative by pledging to them the value itself as security. The disadvantage under which value owners (generally) labor, by the operation of this craftily-devised system is due to the fact that *exchanges of labor products are increased or diminished in proportion to the readiness with which the essential medium with which they are effected is obtainable*. Hence, to discourage exchanges by the issue of an insufficient *legal* circulating medium is to prevent those who produce, or acquire values, from readily gratifying their material wants — *in the satisfying of which lies the chief enjoyment of life*. Any restriction, therefore, of the issue of money below the amount required by the actual uses for it, *whatever the pretext*, is accomplished at the expense of the happiness of those who acquire a surplus in proportion to the fruitfulness of their industry.

§ 2. To confer the debt-paying power upon a given

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* per centage of land values under the certificate system of issue, is to enable land owners to readily gratify their wants. In doing so they necessarily become employers of labor, or buyers of surplus labor products. Their present inability to readily convert their values into "money," (as bullion values are now convertible) *prevents them from becoming purchasers*, which is the real cause of the existing industrial depression which proves so injurious to all, *excepting those who sell the use of the indispensable agency with which such exchanges as are consummated are effected.* *

§ 3. The millions of land owners who now pay interest for the use of the legal device called money do so for the reason only that their government denies them a privilege which it extends to owners of other forms of value, *i. e.*, gold and silver metal. Merchants, manufacturers, and other owners of *chattel* property upon which it would not be *expedient* for the government to issue a representative for money purposes, (nor necessary if land were made the basis) now pay exorbitant rates of interest for the use of money for the reason only that the volume is restricted by congress to the extent that it *commands* ruinous rates of interest. †

§ 4. Our material wants are gratified by the device called money. It would be none the less effective were it readily obtainable from the government by all owners of *suitable* values, under regulations conferring as great a benefit upon the citizen as is consistent with safety to society. Its potency is not determined by the rate of interest it commands, *nor would its efficacy be impaired by the increased issue.* The pawnbroker's money at one hundred per cent.

* The followers of all useful avocations, directly or indirectly, pay tribute to moneyed capitalists, and all tax-payers are interest-payers.

† The impropriety of designating as "paternalism" the issue of an *adequate* supply of money upon land values, while withholding the term from the issue by the same government of an *insufficient* supply, upon gold and silver values, must be apparent, upon slight reflection by those, who, in resisting the inauguration of an impartial monetary system, thus wrong themselves, their families, or their fellowmen.

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performs its office no more effectively than that now obtainable from the banker at ten per cent.; nor is the banker's money at ten per cent. more effective than that which would be obtainable from the government by owners of suitable values under an enlightened financial policy at one and a half or two per cent. per annum, *to cover the cost of issue*. A money system that can provide at substantially nominal rates of "interest" a legal circulating medium that is at present obtainable only at ruinous rates *should* commend itself to a people a very large percentage of whom are interest payers.

REPUDIATION.

§ 1. Many victims of the present money system are solicitous lest the adoption of a measure involving an increase in the legal circulating medium will violate the "vested rights" of creditors; and all propositions looking toward what they term "an inflation of the currency" are, to them, tinctured with "repudiation."

There is not a single element of repudiation in the proposition to issue money upon land values, and reflection only in connection with the following facts, is necessary to verify the truth of the statement.

§ 2. Debts are payable in "dollars" of *fluctuating* value, not in dollars of specific value. Dollars are created by impressing the debt-paying power upon metal, paper or other substance with government machinery. It is not, however, the manner in which dollars are *created* that is of vital importance to a people; *it is the manner in which they are issued*. The issue may be equal to, or *it may be less* than the amount demanded by the needs of society. If, in the exercise of its power to issue money, a government pro-

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vides an *insufficient* supply, an agency is thereby created by which shrewd men are enabled to live without the performance of useful labor, by exacting "interest" from their fellow men for the use of a necessary public agency. But if the manner in which money is issued be *consistent with its character* (as the legal representative of such property value as in its nature is most suitable to act as a basis,) *an over-issue would be impossible*, and a supply equal to the demand would prove the most potent and vital of human agencies in advancing civilization and in promoting human happiness, as in restricted volume it proves the unrelenting oppressor of industry.

They who live without the performance of useful labor upon unjust rates of interest enjoy the advantage by *sufferance* only. Society may at any time, *by the ballot* remove the means by which such advantage is possible. When it shall exercise this right, general prosperity and happiness among the people will succeed the present condition in which a few live in luxury, thousands in an unsatisfactory state of discontent, and millions in abject poverty and wretchedness.

§ 3. The seemingly diminished value of the dollar that follows an increased issue of money is, in fact, an *enhanced price of labor products* produced by the demand following an increased ability of value owners to purchase as they are enabled to more readily convert their values into an *available form*. When dollars are plenty prices and wages are higher than when dollars are scarce, and prosperity follows an increased issue because those to whom dollars are issued by the government *will exchange them* for such products of labor as will contribute to their enjoyment, thus creating a demand for commodities, the manufacture and distribution of which gives profitable employment to labor.

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POPULAR FALLACIES.

§ 1. There is a belief prevalent that our relations with foreign nations require a continuance of the specie-basis system for the reason (as claimed) that "our foreign balances are payable in gold;" that "gold is the money of the world," etc. These claims, however, cannot be substantiated. In international commerce, as a people we have no "foreign balances." We sell our surplus products to exporters *for* American money, as we purchase the foreign product of importers *with* American money. The exporter, in turn, buys our products with American money, and shipping them abroad, sells them for the money of the nation to which they are consigned. With the proceeds of the cargo he can purchase a bill of exchange upon any country in which he may choose to use it. Demand for the cargo determines its market value *in the units of account* of any nation, while demand for the unit, *regardless of its material*, alone gives it money value—a demand created by laws which enforce the collection of debts and taxes at maturity, under penalty of execution.

As gold, when used as money, possesses a *legal* value only, it could have no greater purchasing power *as a unit of account* in one country than in another *between which means of communication and transportation exist*, because the demand for the product determines the purchasing power of the unit; while under laws providing for the unlimited coinage of gold, its legal value (or purchasing power) be it great or small, measures or determines its commercial value as a commodity.

The *product* being the chief factor in all commercial transactions, the medium by which it is exchanged may be one thing in one country, and another in other countries, as it is at present. All commerce between the peo-

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ple of different nations is simply the *trading* of commodities for commodities. Imports pay for exports, as exports pay for imports. We have no use for the legal circulating medium (as such) of foreign nations no matter what its material may be. We want their *products* in exchange for our surplus, and *money would not exist but to facilitate trading*. There is no such thing as *international money*, or that which is "good anywhere," because the coins of one nation are not "money" in other nations. American coins pass by weight only in foreign countries, never as money.

English coins are 11-12 fine, ours but 9-10 fine. Neither is there a common unit of account between different nations. The English unit is the "pound," in the United States the unit is the "dollar." The relative value even of the precious metals varies in different nations. One pound of pure gold in the United States is worth (by law) sixteen pounds of pure silver, in England it is worth but fifteen and a half pounds. It is true that many of our bonds are held abroad, the principal and interest of which are payable in coin, but this fact is unimportant, as we produce the metals of which "coin" is made, and if creditors prefer coin dollars to those which, possessing the same legal power, perform the same functions, they can easily be supplied.

§ 2. The idea entertained by many, that an extensive issue of full legal tender paper dollars (not redeemable in coin) would "drive gold out of the country" is an erroneous one, for the reason that an increased issue of legal tender money of any description would simply result in *enhancing the price of commodities, for which there would be an increased demand*, and would *indirectly* only affect the value of the dollar.

§ 3. If the issue of full legal tender paper dollars would, as claimed, result in the disappearance of gold

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from circulation for the reason that paper dollars do not possess intrinsic value, just as certainly would the issue of silver dollars possessing a *less* commodity value than the gold dollar produce the same result. That this result would not follow, however, is shown by the fact, that since 1873 (at which time the commodity value of the silver dollar was reduced by its demonetization) the gold dollar possessing a commodity value of one hundred cents, has circulated side by side with the silver dollar, the commodity value of which has been below seventy-five cents, *while the gold coin in the country increased from 213 million dollars in 1878, to 689 millions in 1890.*

This fact is conclusive evidence that as *money* gold possesses a *legal* value only. Legal value is derived from legal power, which is conferred by legislation upon any substance with equal effect. The only *power* money possesses is a *legal* power to pay debts and taxes; owing to its marvelous potency, however — so great is the demand for *whatsoever* will perform this legal office — debt or tax-paying power is *equivalent to purchasing-power*, and hence the universal demand for money as a circulating medium.

DEPRECIATED PAPER ISSUES.

§ 1. The paper currency issued during the Revolutionary war by the Continental congress, also that issued by the Confederate States during the Rebellion, both of which depreciated to such an extent that they became valueless, are frequently alluded to by advocates of the specie-basis system for the purpose of showing the superiority of metallic over paper money. Such references, although unjustly so, have proven a most effective weapon in the hands of those who are so greatly benefitted by a

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continuance of the present financial policy of the government. Unjustly so, for the reason that there is no analogy whatever between full legal tender paper *money* and the issues referred to. Neither of these issues were "money," nor did they purport to be. They were *promises to pay gold coin*, made by a people impoverished in a struggle to establish that, which alone possesses the sovereign power to create and issue money — a responsible government.

The authority for the issue of the Confederate currency was simply *an unsuccessful attempt to establish a government*. As regards the Continental currency, in the light of the successful issue of the conflict, it may with safety be said that had the issue been full legal tender paper *money* instead of unnecessary and futile *promises to pay gold coin*, there would have been no depreciation in the issue whatever.

§ 2. That this view is not an unreasonable one, is illustrated by the difference in value during the Rebellion of the two different paper issues of the Federal Government, one of which — the "demand notes" issued to the amount of 60 million dollars — remained at par with coin during the darkest days of the struggle, notwithstanding the fact that the other issue known as "greenbacks" depreciated in value as compared with coin, *or the demand notes*. The demand notes remained at par, because they performed all the legal functions of gold coin. The greenbacks depreciated in value because they did not.

It is claimed by specie basis advocates that the depreciation of the greenback as compared with coin was due to an impaired credit of the Government. This, however, cannot be true, for the reason that an impaired government credit *would have affected all its paper issues alike*. The other claim made that the demand notes remained at par, because they were "payable in coin on demand" is not tenable, for the

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reason that the Government *suspended specie-payments January 1st, 1862, and did not resume until January 1st, 1879.*

§ 3. *History does not record a single instance wherein the full legal tender paper money of any nation has ever depreciated in value below coin* — for the obvious reason, that a people can without inconvenience redeem their paper money in labor products, when it is a physical impossibility to redeem their *promises* in one particular commodity or in a legal device the volume of which is circumscribed in the interest of speculators. *

§ 4. It is not generally known that the depreciation of the greenback currency, during the war, was due to the fact that the Legal Tender Act creating it, *failed to pass the United States Senate in the same form in which the bill originally, by a large majority, passed the House of Representatives.* This however is true. The bill as it first passed the House, conferred upon the intended issue all the legal powers and functions of gold coin. In this form it was transmitted to the Senate, which body referred it to its Finance Committee. During the period in which the bill remained in the hands of this committee, there assembled in the city of Washington a convention of financiers representing the banks of Philadelphia, Boston and New York. During the session of this convention frequent conferences were held between its members and officials of the Government — including the Secretary of the Treasury and members of the finance committees of both houses of congress.

* No reader who is familiar with the leading features of the financial policy inaugurated in the Argentine Republic of South America in 1873-84, which has just culminated so disastrously, will be able to trace any analogy between it and the monetary system herein advocated. The disasters attending the Argentine scheme were inevitable, and the result one certain to follow an attempt to pay eight per cent. interest on large sums of borrowed capital from the profits of legitimate industrial pursuits. Had the issue to the land owners of the Argentine Republic been full legal tender paper **money**, limited in amount to a safe percentage of the value of the security pledged, repayable at the option of those to whom it was issued, and bearing a nominal rate of interest only, the industrial prosperity which is said to have followed the issue of their late "cedulas" would have continued, as an issue as indicated would have avoided the cause of the recent disasters, the incurring of obligations by the land owners, the performance of which, in every instance, was difficult if not impossible.

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At these deliberations the financiers opposed the conferring of full money power upon the intended issue. They did not want the volume of debt-paying dollars increased, *for the reason that an increased issue would indirectly reduce the value of those already in existence, and as a consequence diminish the purchasing capacity of the "units of account" in which their wealth consisted.* If the Government issued its *promises to pay* dollars, the value of their peculiar form of wealth would remain unimpaired, but if full legal tender dollars were issued to the amount required by the necessities of the Government, the legal advantage they had so uninterruptedly enjoyed at the expense of industry, would be seriously impaired.

The negotiations resulted in a compromise, and when the bill was finally reported to the senate by its finance committee it was so mutilated by amendments, exceptions, etc., that the full legal tender power of the issue was destroyed. In this form the bill re-passed the house and became a law.

By the provisions of the act as passed greenbacks were made a legal tender among individuals, but were not receivable by the government for import duties, *nor by financiers for interest on government bonds which they caused to be needlessly issued.* The refusal of the government to accept the greenback for import duties *created a special demand for coin* that was sufficient to keep it at a premium over the greenback currency so long as a difference in the legal powers of each existed. When, however, in 1879, by order of the treasury department, the greenbacks were also made receivable by the government for import duties equally with coin and the demand notes, a difference in their money value ceased, and they have since **remained at par.**

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THE ISSUE VS. THE LOANING OF MONEY BY THE GOVERNMENT.

§ 1. The financial measure herein advocated is not one of "loaning money to farmers;" it is a question of *the issue of money by the government* in quantity sufficient to promote the interests of all, instead of a few of its citizens. The term "loaning money," as used in this connection, is misleading, the object of the measure being to *convert suitable values into dollars*, and in the manner proposed, utilize actual land values for money purposes, as well as fictitious metallic values.

The *issue* of money by the government upon land values involves an increase in the circulating medium equal to the legitimate uses therefor, while the *loaning* of money by the government, or individuals, would imply that only embraced in the present supply.

§ 2. There is but a single difficulty to be overcome in making land values a basis for the issue of money, to-wit: The establishment of a safe arbitrary standard by which to limit the issue. The question is not a serious one, as the matter of expediency only arises. Estimated values for purposes of taxation are matters of record, and could be disinterestedly used in limiting the sum to be issued in each special instance, and as an arbitrary standard is essential, official estimates for taxation could be safely adopted as the basis on which to determine the issue.

If it be urged by the cautious reader that the financial measure herein advocated is not sanctioned by the recognized financiers of the country, it should be remembered that the financial policy of the government has been entrusted to and directed by the "recognized financiers" in such a manner that although the wealth of

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the nation has grown from some seven billion dollars in 1850 to over forty-three billions in 1880, and to probably sixty billions at the present time; yet this wonderful increase in aggregate wealth is accompanied by an alarming condition of indebtedness, poverty and distress among the classes whose industry has produced it, while the fortunes of those whose interests are so manifestly served by the financial policy pursued — as well as the number of such fortunes — have increased in a corresponding ratio.

A BRIEF SUMMARY.

The benefits that would result from the proposed financial measure may be briefly summarized as follows:

1. With money obtainable from the government in adequate volume at actual cost of issue (say 2 per cent. per annum) the *current rate* of interest for the use of money would be thus established, and capitalists, in order to make their capital yield larger returns, would be compelled to invest in enterprises which would create a demand for, and give employment to labor at remunerative wages.

2. Owners of productive real estate upon which the government could with absolute safety issue a certain percentage of legal tender certificates, would become cash purchasers of such labor products as would contribute to their enjoyment, by reason of the fact that their acquired values would thus be made *available* for money purposes, as uncoined bullion is now made available for the use of its owners by its "coinage" into "dollars."

3. This ability of value owners to purchase would create such a demand for all useful labor products and for the services of those engaged in their distribution, that

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general prosperity would unavoidably follow. Producers and distributors of wealth receiving remunerative compensation for their services would be in possession of that with which to gratify their wants, thus creating a demand for the services of those engaged in other avocations.

4. The producing and debtor classes generally relieved of the burden of paying unjust tribute for the use of necessary public agencies, would be enabled to enjoy the fruit of their labor, while the wages of labor and the value of its product would be governed solely by the law of supply and demand, uninfluenced as at present by (1) the greatly augmented value of the dollar; (2) the obstacle to the ready transfer of the product to market — the enormous tribute now exacted by the private owners of the great railroad highways.

5. With improved land as the basis for the issue of money the interests of society would be easily protected by rules and conditions providing for a safe margin of value in each case over and above the amount issued, while one or more fiscal agencies in each congressional district, at which applications could be filed, titles and securities examined and approved by competent officials acting under legal limitations, would be sufficient to transact the business.

All danger of an injurious reaction resulting from an extravagant expenditure of the money thus issued by the government would be obviated by the conditions governing its issue, *viz.*, the return of the principal at pleasure, and the payment of a *nominal* rate of interest only by those to whom it would be issued, for the time it is used.

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CONCLUSION.

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CONCLUSION.

§ 1. It is to the operation of laws by which *the individual legally enjoys an advantage at the expense of society*, that the millionaires of to-day are indebted for their fortunes, and to which the present inequitable distribution of wealth is clearly attributable.

By the operation of laws regulating the issue of patents, fortunate inventors (or their *assigns*) are for a series of years permitted to levy tribute upon those who use their inventions.

Our tariff laws favor those engaged in certain industries by "protecting" them against foreign competition at the expense of the consumers of their products.

By the provisions of laws governing the ownership of land, owners of the legal title of real estate which they do not use nor occupy themselves, are enabled to collect "rent" from such as are compelled by their necessities to occupy it.

Laws which grant "franchises" to railway corporations practically confer upon those to whom such franchises are granted the power to determine the rate at which the product of the farm or factory shall be transported to the consumer.

Thus, by the operation of cunning legal enactment, does the individual prey upon society, and by *lawful* methods appropriate the fruit of its industry. The fact that these opportunities are not confined to particular individuals does not mitigate the evil. It is the existence of the advantage from which arise the disastrous consequences.

§ 2. A proper consideration of the general effect of this legislation, however, demands that a distinction be made between laws the operation of which gives the individual an undue share of the products of labor, and those, which, in

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enriching the individual deprive society of the unobstructed use of agencies essential to the profitable employment of labor in the *creation* and distribution of wealth.

While laws regulating the tariff; the issue of patents, and those governing the ownership of land, confer an advantage upon those who are benefitted by *their* operation, the injury resulting to society, while serious, does not cause *industrial depression*; but so closely identified with the interests of each member of society are the two agencies by which the product of labor is readily distributed — money, the medium by which exchanges are effected, and railroads, by which the product is conveyed to the consumer, and so vitally does the office that each performs affect the prosperity of all, for complex society to confer upon individuals or corporations the control and management of these indispensable agencies, as it does at present, is to invite the condition that necessarily follows — the enrichment of those who enjoy the advantage, and the corresponding impoverishment of those from whom the enormous tribute for their use is legally exacted.

With all valuable franchises subject to private ownership; with a legal circulating medium so circumscribed in volume that it is obtainable *by those who create it* only upon ruinous conditions; with a public transportation system whereby we pay the *private owners* of these great *public highways* rates which absorb the profits of industry; what need to search further for the cause of hard times? *What hope for relief while this condition exists?*

NOTE.— The attention of the reader is called to the following "Address to Business Men," which was issued during the campaign preceding the recent phenomenal revolution in the State of Kansas. It embodies the views of the writer as to the means best adapted to accomplish a repeal of laws, to the *enactment* of which existing evils are so directly traceable.

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AN ADDRESS TO BUSINESS MEN.

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WHY TIMES ARE HARD.

"Read not to contradict, nor to believe, but to weigh and consider."

AN ADDRESS TO BUSINESS MEN.

Issued by the Executive Committee of the Citizens'
Alliance of the City of Emporia, Kansas.

Approved and Endorsed by the Executive Committee of
the Citizens' Alliance of the State of Kansas.

The natural condition of an industrious people inhabiting a fertile country, is one of general prosperity. When this condition does not exist, but it is found that the greater part of the wealth of a nation is possessed by a few of its citizens, investigation will disclose the fact that the result is due to the control by them of *legislation* governing agencies which in their operation vitally affect the welfare of each member of society.

The control by financiers of Congressional legislation regulating the supply of money, is becoming generally recognized as the chief cause of the present condition of enforced idleness and industrial depression.

It will not be denied that the nature or character of money is less generally understood than that of an human device in common use. Much of the apparent mystery, however, that now surrounds the subject, will be dispelled by a realization of the fact that money is simply the *legal representative of property*.

When it is considered that money is a legal device

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created by law and issued by the people of a nation for their convenience in facilitating exchanges of property and products; that in the present complex state of society, without it, such exchanges would be practically impossible; that while *direct* exchanges of actual property are accomplished with difficulty, the legal *representative* is in universal demand; that obligations incurred for actual property are payable, not in that for which the obligation is given, but in its legal representative; and that, in the interest of Capital, the issue of the legal representative in the United States is restricted to about *one per cent.* of the assessed value of the property of the country, the benefits that would follow legislation whereby a greater proportion of actual property could have its legal representative issued by the Government for money purposes, can be readily perceived.

Through the influence of financiers however the issue by Government of the legal representative of property is at present confined to:

(1) Owners of gold or silver bullion; to whom coin certificates are issued, without interest, upon deposit of bullion as security.

(2) Owners of Government bonds; to whom national bank notes are issued for banking purposes at one per cent. interest per annum, upon deposit of the bonds as security.

With these two exceptions, money is now obtainable by the property-owning citizens of the United States, only from private corporations or individuals, who, as speculators in a restricted supply are enabled to exact high interest rates for its use.

Thus does this simple restriction of the issue of money by the Government, constitute a cleverly conceived agency by means of which "financiers" maintain themselves in luxury by charging property-owners "interest" for the use of that, which, under a cor-

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rect money system, would be, the legal representative of their own property furnished by the Government at actual cost of issue.

To an inadequate supply of money do the industrial classes of the world owe their present and past enslavement. Safety to Government by unquestioned security upon property by law declared suitable for the purpose, should regulate the issue of the legal representative of property, or money. Were money issued by the Government, upon undoubted mortgage security, to owners of productive real estate, as well as to owners of bullion and government bonds, unjust rates of interest would be impossible, and capital that is now loaned at excessive interest rates would be driven to investment in enterprises that would give employment to unemployed labor.

As the need of an adequate circulating medium is the chief cause of the condition known as hard-times, so, only in a lesser degree, are producers of wealth and consumers of their products impoverished by the enormous tribute which is now legally exacted from them by the private owners of the great public thoroughfares, (the American Railways) by which the surplus product of labor is transported to the consumer.

The abuses which are inseparable from the private ownership of these great public necessities, can be measured only by an appreciation of the fact that the prerogatives which are by law conferred upon those who now legally enjoy an unjust advantage at the expense of society, practically enable them to *prescribe the conditions upon which the fruit of industry shall be transported to market.* The effect of the exercise by them of this unwarranted power, is aptly illustrated by a comparison of the relative condition of the agricultural and transportation interests of the country at the present time.

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As a result of unjust legislation, American farmers are rapidly being evicted from, or becoming tenants upon the lands they once owned.

The present idleness is enforced idleness, due to the inability of property owners to obtain at other than ruinous rates of interest, the legal representative of their property; they are thus prevented from *utilizing*, for the benefit of themselves and society, the accumulated product of their industry.

The continuance of these advantages by which the individual is enriched at the expense of society, is discretionary with those who are wronged by the national policy permitting them. By sufferance only do they exist.

The ballot is the arbiter of national policy.

Whether or not we as a people shall provide ourselves with that which no civilized nation has yet been permitted to enjoy — an adequate supply of money — is simply a question of ballots.

Whether or not the great transportation lines of the country shall become a public convenience, as they are now a public necessity, rather than continued as instruments in the hands of individuals for private gain, to the injury of society, is simply a question of ballots.

A judicious exercise of the ballot, however, is necessary to correct existing evils and to avert the disasters that inevitably follow the centralization of wealth in the hands of those who control the machinery of government. By an independent exercise of the ballot only can threatening dangers be averted.

Loyalty to party is costing the American people their property and their liberties.

The enslavement of labor by capital is accomplished through the control by the latter of the *machinery* of political parties. The control of the party machinery carries with it the support of the party membership, while the

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decree of the party caucus that shapes congressional action is in effect *but the edict of able political leaders who hold their official positions as a reward for serving the interests of Capital.*

The subserviency to the interests of capital of those holding the highest official positions under the government is manifested in various ways. The discretionary powers that are conferred upon the Secretary of the Treasury by financial legislation of recent years are invariably exercised in the interest of capital.

Under both Republican and Democratic administrations this great political agency is used *to restrict the issue of money.*

Since 1878 the various Secretaries of the Treasury, although possessing the discretionary power to coin four million silver dollars per month, have, in the interest of capital, coined but two millions per month, the minimum amount permitted under the law.

The exercise of this discretionary power by the several Secretaries of the Treasury under the administrations of Presidents Hayes, Arthur, Cleveland and Harrison has alone deprived the people of the United States of a legal circulating medium aggregating nearly 260 million dollars, or quite 50 per cent. of the sum now estimated to be in actual circulation.

In the interest of capital ex-President Hayes vetoed the Bland Silver Bill, which had passed both houses of congress in 1878.

In the interest of capital ex-President Cleveland, *before his inauguration*, addressed his famous communication to the Democratic members of congress, urging "the suspension of the purchase and coinage of silver."

In the interest of capital President Harrison, during the present session of congress, caused to be made public his intention to veto the bill providing for the free coinage of silver, should it receive the sanction of both houses of congress.

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Experience demonstrates the folly of longer entrusting the task of relieving the people of the burdens they so wrongfully bear, to representatives in congress who owe allegiance to either the Republican or Democratic organizations. The financial legislation of congress furnishes conclusive evidence of the fact that the machinery of both these parties is used to continue the advantages now enjoyed by those whose interests are promoted by a restricted issue of money. The interests of this favored class are not jeopardized by the success of either of these parties.

The American congress that it is claimed unintentionally demonetized silver in 1873, during the intervening years has continuously refused to repair the injury by remonetizing it; while the measure that would furnish an adequate and safe circulating medium — that providing for the issue of money by the Government upon wealth-producing land — recently introduced by Senator Stanford, of California, is without a single avowed advocate among the prominent leaders of either party.

To all citizens who recognize the necessity for independent political action, the rapid growth and increasing strength of the new political party inaugurated by the agricultural classes, operating through the organization known as the Farmers' Alliance, should be a cause of encouragement and congratulation.

The significance of this great uprising, and the opportunity it presents for effective action, should not be disregarded by thoughtful men. Partisans will regard the movement as an ordinary contest for office, but intelligent citizens who are themselves victims of the present financial system cannot with impunity refuse their assistance and support to others who, in this movement, are battling for prosperity and good government.

The Citizens' Alliance of the State of Kansas is an organization of voters, who, acting in union with the Farmers'

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Alliance, are pledged to the support of the legislative and congressional nominees of this party. It is opposed to the re-election, and favors the retirement of all congressional representatives who owe allegiance to the Republican or Democratic party organizations. It holds the congressional representatives of these two parties responsible for the present depressed condition of industrial pursuits, and charges that the congressional legislation of the past twenty-eight years has made the industrial classes of the United States *a body of interest-payers*, the fruit of whose labor is enjoyed by the beneficiaries of such legislation.

An earnest appeal is hereby made to all citizens for their co-operation in this effort to secure impartial state and national legislation. Only by the concerted action of those whose interests are identical can the object be accomplished, while by united action in the manner proposed, the object can be attained.

The Republican and Democratic representatives in congress, although possessing the power to act, have for years sacrificed the interests and ignored the demands of their constituents, by yielding to the unjust demands of eastern capitalists in financial legislation.

It is evident that relief is possible only through the action of delegates sent to congress for the express purpose of accomplishing, by proper legislation, the financial relief which is so imperatively demanded.

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[SUPPLEMENTAL.]

A CHAPTER OF DETAILS.

In the foregoing pages the principles of an impartial financial system are briefly discussed. The following suggestions as to what in the opinion of the writer should constitute the principal *details* of a monetary system which, combining the essential features of adequacy, and flexibility, or elasticity, would be automatic and simple in its operation, are respectfully submitted for the consideration of the reader, and are based upon the following propositions, viz.:

1. That an arbitrary legal maximum limit to the issue of a legal circulating medium is necessary in order to insure stability in prices.

2. That at certain seasons of the year a greater demand for money exists than at others, hence the desirability of a flexible currency.

3. That the element of flexibility in a legal circulating medium is attainable only by providing for the issue of an amount equal to the greatest natural demand therefor — provision being made for the ready conversion of a temporary surplus into an obligation of the government, by which, without detriment to any class or interest, it would become productive.

4. That an issue of money by the government in supply equal to the demand, at an equitable rate of interest, would establish A CURRENT RATE at which money would always be obtainable.

5. That a financial system which shall deprive money of its power to command excessive interest rates, will remove the one great agency by which wealth is inequitably distributed. *

* It is claimed by reputable statisticians, that out of a population of sixty million people, 31,000 families are the present legal owners of $\frac{3}{4}$ of the total wealth of the United States. As astounding as this statement appears, there is but little doubt that the figures given are substantially correct.

The methods by which great fortunes are acquired by those who do not produce wealth by useful labor, are but little understood. To the average citizen, wealth which is legally acquired is legitimately acquired, and millionaires are credited with possessing a superior business talent, to which their success in accumulating immense wealth is solely attributable. By those who thus reason, legislation, as a potent factor in the amassing of fortunes, is strenuously denied.

The effect which financial legislation has upon PRICES AND WAGES is vividly illustrated by the amount of "dollars" necessary at the present time to discharge the debt of the United States government, as compared with the amount of labor products, which, at present prices, would liquidate the same.

Statistics disclose the fact, that although in "dollars" the national debt has been reduced from 2 $\frac{3}{4}$ billions in 1866 to 1 $\frac{1}{2}$ billions at the present time, yet it will now take more bushels of wheat, corn, or oats; more pounds of cotton; more barrels of beef or pork, and more days' labor to discharge the nation's obligations, than it would at the close of the war. Private indebtedness is affected in the same manner, and the result simply exemplifies the extraordinary power which capital wields over labor in the control by creditors of the nation's money volume.

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6. That an increased issue of a legal circulating medium as proposed, would result (1) in an enhanced price of useful commodities and property; (2) in an increased demand for labor products; (3) in increased compensation to wage earners; and (4) in immeasurably advancing the interests of all engaged in useful pursuits, WITHOUT REACTING UPON, OR IMPAIRING THE NORMAL, OR NATURAL VALUE OF THE UNIT OF ACCOUNT, OR "DOLLAR."

7. That "dollars"—metal or paper—possessing equal LEGAL POWER invariably possess equal money value—a depreciation in MONEY value of one below the other being impossible. *

8. That as money is the legal representative of acquired value, or PROPERTY, an arbitrary limit to its issue based upon POPULATION (or a per capita basis) is unscientific, illogical, and indefensible.

9. That such maximum arbitrary limit should be that percentage of property values which will provide, at an equitable interest rate, a volume of money equal to the legitimate demand therefor—the form of value selected to act as a basis for the issue, being that which is naturally most suitable for the purpose.

Under existing laws, land is property(†) and, as such, is superior to any form of acquired value upon which to base an adequate volume of money. Improved productive real estate could most advantageously be made the legal basis for the issue of money, and ITS PRESENT ASSESSED VALUE, with absolute safety, be established as the arbitrary legal maximum limit of the total issue.

The basis and maximum limit thus established, to confer upon owners of improved productive real estate the privilege of "coining" their values (under the certificate system of issue) that is now enjoyed by owners of gold bullion, would make such a percentage of acquired value legally available for money purposes, that excessive rates for the use of a *medium of exchange* would be unobtainable.

* That is to say: Should a volume of money consisting wholly of metallic coins, be expanded by the addition thereto of a considerable amount of legal tender paper dollars, the purchasing or money value of each unit, both metallic and paper, would be reduced in exactly the same ratio. This fact effectually annihilates the absurd theory of "intrinsic value" as applied to metallic money.

† Whether or not land should be property is a question, the solution of which, in its turn, would not be retarded by the present substitution of land for metallic values, as a basis for the issue of money in the interest of practical and expeditious financial relief.



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Any owner of improved productive real estate, in town or country, would thus be entitled, upon demand, to an issue of legal tender certificates or "dollars" to an amount not exceeding the present assessed value of the property pledged as security, upon executing to the government a first mortgage thereon bearing (say) two per cent. per annum to secure the return to the government of such certificates when they are no longer desired for money purposes.

The certificates being convertible, at the will of the holder, into savings bonds (of convenient denominations) issued by the government, bearing (say) $1\frac{1}{2}$ per cent. per annum, any *surplus* issue of certificates would be absorbed by the bonds.

The savings bonds being convertible into money, and the money into the bonds, at the pleasure of the holders of either, both adequacy and elasticity in the money volume is secured, and a redemption of the money provided for in the interest-bearing securities of the government. *

* The relative contraction of the volume of currency which takes place periodically, each year, at the time the annual grain crop is marketed, is lucidly described by the National Economist, as follows:

"Under the policy of a practically fixed number of dollars for the gross circulating medium throughout the entire year, the relation of the volume of money to the demand for its use is only about one-half as great during the fall and winter seasons as during the spring and summer seasons. This is true because improved machinery for handling and preparing the products of agriculture for market, improved methods of transportation and the wonderful modern methods for the transmission of intelligence, have shortened the season for marketing the products of agriculture so that they are now practically dumped upon the market demanding money in a very short space of time, and as consequence become a DISTURBING INFLUENCE that causes this great relative contraction in the volume of money. This contraction of the volume of money is attended with a powerful tendency to falling prices, which is most potent upon the products of agriculture, because they are the DISTURBING INFLUENCE that is demanding money from other channels of business. This position is demonstrated by the fact that the average fluctuation in the leading farm products for the last fifty years has been over forty per cent. This partially shows the effect upon price. The effect upon the money of the country is fully as striking. In the fall months of 1890 the Secretary of the Treasury was compelled, in order to avert a panic in New York on account of the scarcity of money, to pay out \$200,000,000, and at the same time the banks used \$30,000,000 clearing house certificates in the place of money the law required them to hold as reserve against deposits; and money ruled in Wall street 188 per cent on call."

Now, it will be apparent to all that this relative contraction of the currency carries with it, as its chief evils, a raise in the current rates of interest and a decline in the price of grain, on account of the scarcity of money. It is here that the beneficial effects of a system of interconvertible funding notes or savings bonds makes itself apparent. Those having a surplus of money invested in such savings bonds, upon which they are receiving only one and a half per cent. inter-