

THE COMING DELUGE OF GOLD

Many publications whose directors habitually sneered at the quantitative theory of money are now giving testimony to the vindication of that theory in discussing what some of the writers call "the coming deluge of gold." The men who a few years ago said that the quantity of money was immaterial provided it was all good, are now afraid that gold is going to become so plentiful as to disturb business. It is all right for them to admit the correctness of the bimetallic position, for the bimetalists all contend that the volume of money determines the value of the dollar, but it is too early to get scared about an over-supply. As long as it is necessary to count the same deposits two or three times, there is still room for more money without disturbing business.

The Commoner invites particular attention to three articles on this line. One was printed as an editorial Wednesday, May 16, in the San Francisco Chronicle, a republican paper. Discussing "the increased gold output—its influence on prices and the world's progress," the Chronicle said:

It is not unlikely that in the very near future we shall find some of the uncompromising advocates of the single gold standard, who declared that the volume of metallic money has no effect on prices, revising their crude and hastily expressed opinions. The signs are multiplying that the tremendous and constantly increasing output of gold is the principal factor in the present universal uplifting of prices, and, despite what has occurred already, the belief is now finding expression in commercial circulars and in magazine articles that we are just seeing the beginning of the gold inflation. If this assumption is true we may witness a repetition of the conditions which once produced in Germany a strong feeling in favor of the demonetization of gold. Certainly there is more reason to apprehend a flood of the yellow metal now than there was during the years immediately following the gold discoveries in California and Australia. Then the dependence was upon placers, whose riches, it was understood, would become exhausted; now the output is largely the result of a scientific process which compels the rocks to yield their wealth in constantly increasing quantities.

Referring to the rapid enlargement of the world's stock of gold, the Chronicle said that during the past eight years the world's output has exceeded one-fourth of the entire production of the preceding 404 years. From 1492 to 1896 the world's product of gold was estimated at \$3,904,301,000; from 1897 to 1904 inclusive \$2,354,049,500, an annual average of nearly three hundred million dollars. But, according to the Chronicle, this does not tell the whole story, and so it says:

Since the cessation of the Boer war production has increased steadily. In 1899 it was \$314,630,233; in 1904 it was \$358,893,654; in 1905 it is estimated that the yield will be \$395,000,000. There is no reason now for doubting that an annual output of over \$400,

000,000 will be reached and steadily maintained for some time to come.

What will be the effect of this enormous injection of gold into the commercial arteries of the world? The question is receiving a daily answer in the columns of the newspapers, which record the flotation of enormous enterprises and an expansion of industry, not even remotely approached in the past. The announcement of the placing of \$50,000,000 worth of bonds occasions less surprise and comment today than the marketing of one-tenth of that amount caused thirty or forty years ago. Railroad companies make betterments involving the expenditure of forty or fifty millions, and a municipality programmes an extension of its transportation facilities which will require \$100,000,000. The pig iron industry of the country has grown from eight to twenty million tons in less than a decade, and the expansion in other industries and of commerce has been equally marvelous, as the bank clearings, which increased from fifty billions to one hundred and fifteen billions during this brief period of enlarging output of gold, amply testify.

Let those who have sneered at the quantitative theory of money read this frank confession made in the conclusion of the San Francisco Chronicle's editorial:

The United States doubtless affords the most remarkable example of the tremendous effect exercised by the constantly enlarging stock of gold, but its experience is by no means unique. Germany has developed in a notable fashion during the past eight or ten years, and other countries have felt the impulse. At no period has progress throughout the entire world been more marked than at present. Even the hitherto backward sections are feeling the revivifying influence of the large metallic stock and are making advances which would have been regarded as extraordinary a few years ago. Under the circumstances it is not strange that writers should manifest a tendency to find analogies in the present conditions to those which existed a little more than half a century ago. For a while the soundness of these observations will be questioned, but as time advances a point of vantage will be gained from which a backward view may be taken that will resolve all doubts and thoroughly establish the accuracy of the contention that the quantity of metal of which the standard money is composed exercises a vast influence on prices and on the progress of the world generally.

Under the headline "Is New Gold Affecting Prices?" the New York Evening Post says:

The *Economiste Francais* of Paris, M Leroy-Beaulieu's financial journal, published, a few weeks since, a rather noteworthy review of the latest estimates of the world's annual gold production, and of the outlook

for the future. It reckons a probable \$400,000,000 production for 1905, as against the \$358,800,000 estimated for 1904, the \$325,527,000 in 1903, and the \$202,251,000 as recently as 1896. The article questions continued increase at this pace, but shows why it is at all events possible, and adds a word on the relations of such a movement, in the writer's opinion, to prices.

Then follows an extract from this French writer's article in which he intimates, although he is unwilling to expressly predict, that ten years hence the gold production will be twice as large as it is today.

In *Public Opinion* for May 6, Henry C. Nicholas has an article entitled "The Coming Deluge of Gold." Mr. Nicholas says that the production of gold during recent years has been "nothing less than marvellous and reads almost like a fairy tale." He attributes much of the enormous increase of gold during recent years to the improved methods of mining, and he says "there is every indication that the production during the next decade will be even more stupendous, and that the world is on the eve of an unprecedented deluge of gold." Mr. Nicholas says: "It is believed by many economists that the world's production of gold during 1905 will amount to more than four hundred million dollars, and that within two or three years the annual production will exceed five hundred million."

Pointing out that during the first five years of the present century the gold production will have amounted to \$1,600,000,000 Mr. Nicholas says: "The world-wide economic significance of this unprecedented gold production can be best appreciated when it is recalled that the total production of gold during the sixteenth century was only \$520,000,000; the production during the seventeenth century being \$628,000,000 and the production during the eighteenth century being \$1,308,000,00." He adds:

To say that the production of gold since the opening of the Twentieth century has been unprecedented is putting it mildly. The output for many years to come promises to be at a rate greater even than during the last four years. One may well pause and ask what effect this deluge of gold will have upon the trade and commerce and industries of the world.

The parallel which immediately occurs to mind is that almost miraculous world-wide uplift which followed the discovery of gold in California in 1848. The enormous increase in the production of gold which followed gave an impetus to the industrial progress of the world which continued with little interruption until the close of the century.

It might be interesting to compare some of these candid statements with the editorials appearing in the same publications relating to the money question and denying the quantitative theory of money—editorials which were conspicuous during the campaigns of 1896.

A GOOD JOKE ON THE PRESIDENT OF YALE

The Springfield (Mass.) Republican calls attention to the suggestion made by President Hadley of Yale a few years ago to the effect that trust magnates should be punished by ostracism from society and, referring to his recent announcement of a million dollar donation from Rockefeller, asks whether the chief of the trust magnates has played a joke on Yale's president.

While no one ever regarded the ostracism plan a sufficient one it is rather amusing to see the author of the suggestion paying homage to the most odious of all the trust magnates. It is safe to say that with one million of the tainted dollars in the college treasury President Hadley will never again advise turning the cold shoulder to any one who has money, no matter how he got it.

But while we smile at the fun Mr. Rockefeller is having with Yale's president we must not forget the temptation to which the college presidents and trustees are subjected. These men are entrusted with the care of institutions of learning and they find it difficult to secure endowments. To make the colleges self supporting they would have to raise the tuition and that would lessen the attendance and when the men of moderate means ignore the appeal for aid it taxes their

moral courage to refuse aid from the trust beneficiaries who are willing to purchase public favor with money collected from the people by unjust methods. They ought to refuse, but refusing would be much easier if the colleges were better supported.

I have had some experience in this matter. Illinois college, located at Jacksonville, Illinois, is one of the most deserving of the small colleges. It needs money to enable it to do the work it has in hand. As a member of the board of trustees I have opposed accepting money from the trusts and have appealed to the public for aid for it. But a few—a very few—have responded. The total amount received as a result of the appeal has been less than \$1,000. The failure of the masses to support the small colleges is liable to be construed as indifference to the insidious efforts now being made by the trusts to subsidize our colleges. Nothing would so much encourage the colleges to refuse tainted money as an outpouring of contributions from those who want to keep our institutions of learning free from pollution. If the farmers, business men, professional men and laborers would send what they could spare with assurances of interest it would

strengthen those colleges which are still independent. No amount is too small to help. One thousand readers of *The Commoner* giving \$50 apiece could together raise \$50,000. Four thousand readers giving \$25 each could raise \$100,000. Fifteen thousand readers giving \$10 each could raise \$150,000. Twenty-five thousand readers could by giving \$5 each raise \$125,000. One hundred thousand readers giving \$1 each would handsomely endow a college. If some other college is preferred, help it, but let the college officials know that you are willing to make a little sacrifice to keep our colleges from being silenced by donations from the high priests of "frenzied finance." I am especially interested in my Alma Mater, Illinois college, but there are several hundred small colleges that need assistance. Will you help according to your means?

Do the superintendents of insurance have access to the salary accounts of the big insurance companies? If so, why have they not discovered the reckless waste of trust funds on eminent statesmen? Or do the aforesaid statesmen earn the money by preventing hostile legislation?