The "Rag Baby" Boom Among The Bankers

The financial policy of this country, under republican rule for the past forty years, has been dictated by the Wall Street and banking interests, and every measure, save the national banking law, has aimed at a contraction of the currency. The retirement of millions of dollars of greenbacks immediately after the war and the demonetization of silver in 1873 contracted the money volume so suddenly and to such an extent that the great panic of 1873 followed. When the people asked for relief in 1872 by demanding the reissue of the greenbacks they were met with derisive cries of "rag money," "debased currency," "irredeemable paper money" and other catch phrases. Again in 1896, when it was proposed to open the mints to the coinage of silver, the cry was raised that it was a scheme to make money cheap; that to increase the money purchasing power of commodities, or decrease the commodity purchasing power of money, would disturb existing contracts, rob widows and orphans, cut down the wages of workingmen, ruin foreign trade and bring on a train of ruin, disaster and dishonor such as the world had never seen. In both of these contests the republican party sided with Wall Street and against the people.

But when national banks asked for legislation favorable to them, even though it meant an increase of national bank note currency, the republican party ignored its former opposition to "rag money" and gave them the desired legislation. Now, with $2,744,500,000 in circulation as compared with $1,506,631,000 in 1896—an increase in the per capita circulation from $21.10 in 1896 to $32.42 in 1906—Wall Street speculators and the national banks demand an asset currency law which will add at least $200,000,000 to the volume of money. Thousands of republican voters and a few of the republican leaders and editors evince a disposition to balk at this proposition, realizing that to fall in line for an asset currency law will place them in an awkward position—a position exactly opposite to that assumed by them and their party in 1872 and 1896. They fail to observe that their record for consistency will be vulnerable to attack if they do not give the national banks what they want, as they always have done.

When Mr. J. H. Schiff, head of the great banking firm of Kuhn, Loeb & Co., made his sensational address to the New York Chamber of Commerce on January 4, 1906, and predicted that unless there was some kind of an asset currency law passed soon we would have a panic beside which former panics would seem insignificant, a great many republicans took it as a reflection upon their party's financial management and resented it. In a vigorous editorial denouncing Mr. Schiff, the St. Louis Globe-Democrat, in its issue of February 10, 1906, said:

> "With the rapid and continuous increase of the circulation which is under way, surpassing, as it does, the gain in population, it seems a little absurd for Mr. Schiff and the other inflationists to ask for more currency. We have nearly as much now per capita as the wildest of the populists ever demanded, and it is increasing faster than population, which is something they never asked for. Messrs. Peffer, Simpson, Allen, Butler and their associates of 1896 were far more reasonable in their demands than are those New York populists of 1906 who, on the money issue, are persistently crying out, 'More, more.'"

To characterize those who demand an asset currency law as "inflationists" and class them below the "wildest of the populists" and assert that those who favored the free coinage of silver in 1896 "were far more reasonable in their demands" than those who advocate an asset currency, is pretty strong language, especially in view of President Roosevelt's advocacy of an asset currency in his message to congress less than nine months later.

After putting in good time for thirty years abusing those who favored the issue of paper money by the government in limited amounts, calling the advocates of such a policy "rag money" men, "repudiationists," and other choice epithets, it will indeed be a bitter pill for them to eat their own words and advocate "rag money" in the shape of asset currency. With prices jumping skyward now from the cheapening of money, how will these erstwhile protectors of the widows and orphans and workingmen square themselves with the world in the role of asset currency advocates? The prospective diet of "rag money" does not seem to make the Globe-Democrat slop over with joy, but that paper will either have to take the dose or stand convicted of political heresy.

But what is there behind this campaign for "rag money?" Nothing more nor less than the speculators of Wall Street and those who profit by loaning them the speculative funds. Even those who say an asset currency law is necessary admit that there is too much money at certain seasons of the year, and because there is a stringency at certain other seasons, they claim that an emergency currency is necessary to relieve the stringency, solely and only because the present volume is not "elastic" and does not "respond" to the varying demands of trade. But why do they not legislate to make the present volume "elastic" instead of trying the elasticity cure on the credit notes which they propose to authorize? They could do this very easily by requiring national banks to retire or deposit a certain percentage of their present bond-secured circulation when trade is slack and money becomes too plentiful. That such a law would not meet favor with the bankers is conclusive proof that it is not "elastic" currency they want so much as the right to coin their credit into money with the government to guarantee its redemption.

Let us see what kind of an argument President Roosevelt makes for an asset currency. In his annual message to congress he said:

> "Since your body adjourned there has been a fluctuation in the interest on call money from two per cent to thirty per cent; and the fluctuation was even greater during the preceding six months. * * * Excessive rates for call money in New York attract money from the interior banks into the speculative field; this depletes the fund that would otherwise be available for commercial uses."

That is the case exactly; and in recommending an increase of currency he plays into the hand of the speculators, for excessive rates for call money will deplete the fund for commercial purposes with an increased supply of money, as excessive rates deplete the fund now. We have 50 per cent more money now than in 1896, yet the high rates for call money draws it to New York just the same, and further increases would be absorbed in exactly the same way. But, they say, we propose to tax the issues of asset notes so that when they are not required in legitimate trade the tax will automatically retire them. They overlook the fact that legitimate trade can not afford to pay excessive interests rates, while speculators can and do pay as high as 125 per cent. The highest tax proposed upon asset notes is five per cent. Common sense will tell you that legitimate trade has absolutely no chance of competing with speculators in drawing out an issue of credit notes taxed five per cent. The kind of "elasticity" which credit notes will give to our currency will be the kind that stretches out and remains out.

There is one way, and only one, of keeping money out of the hands of the speculators, and that is to make speculation impossible. As that can not well be accomplished, the next best thing is to prohibit the loaning of money on call by national banks, as they are now prohibited from loaning money on real estate security. But the best and surest way of preventing excessive rates of interest on call loans is to induce the state of New York to place a limit upon the greed of the money sharks who charge extortionate rates. In his latest annual report Secretary Shaw said that New York City had the only call money market in the world. This astounding assertion must command serious attention, and if there is no sound reason why New York City should enjoy the distinction of having the only call money market in the world, she should be deprived of it, for it can not be denied—it is admitted by President Roosevelt himself—that this call money market of New York City drains all the loose money of the country to New York. Upon investigation it is found that there is no limit to the rate of interest that may be charged on call loans. In the foot notes under a compilation of "Interest Laws and Statutes of Limitations" on page 77 of the New York World Almanac for 1905 may be found the following:

> "New York has by a recent law legalized any rate of interest on call loans of $5,000 or upward, on collateral security."

As the speculators would hardly ask for the passage of such a law, it must be presumed that it was passed at the dictation of those having money to loan, principally bankers. Here we find the foundation upon which all the rascality and thievery is based. The money sharks had all limits removed and then because their supply of loanable funds became exhausted, they now ask congress to permit them to increase the supply of loanable funds by authorizing them to coin their credit into money. If the state of New York wants to legalize usury, the financial welfare of the nation should not be permitted to be jeopardized by it. President Roosevelt should put forth every effort to have his home state repeal this law immediately. He favored a law which would place a limit upon the greed of the railroads and the packers; let him throw his influence in favor of placing a limit upon the greed of the Shylocks of Wall Street, and excessive rates for call loans will cease. And when money can not be loaned at excessive rates in New York, all money temporarily out of use will not be drawn there. This will tone down speculation and leave money enough to transact the business of the country without resorting to "rag baby" issues.

B. E. V.

FROM THE PEOPLE

A Subscriber, Bonanga, Colo.—Did not the Homestead strike occur under the McKinley law, and was not the cause a cut in wages. (Yes.)

Frank E. Parke, McCurtain, I. T.—After having read your very able and impartial "Comment on the Message," I am fully convinced that the democratic party, of which I am a member, is one of the biggest truths in the United States. I have been carefully watching, reading and appreciating the doctrines of our party many years, more especially since the light of liberty has been admitted feebly by the "enabling act to Oklahoma" and the cloud of carpetbagism has begun to roll away and I find that we (you) are putting out nearly all the planks for the republican party, unintentionally. It seems that could we copyright our output, the g. o. p. would drop through its rotten old structure into oblivion soon and disappear forever.

H. C. Johnson, Denver, Colo.—If more currency is needed, why not let the government issue it instead of presenting millions of dollars to the banks? If the common people were to demand more legal tender with the assets of the nation behind the issue then would not the banks and the Wall Street interests, which are now seeking to control the currency of the United States, flood the country with literature on the evils and dangers of inflation? Are those who fight the cause of the people to be forever in the minority?

T. E. Moore, Lexington, Ky.—In the states where the secret ballot is in use: Require voter to sign his ballot, or if he can not sign make his mark in presence of officers of election; polls to be kept open a greater length of time. There should be room at the end of the ballot to sign and seal to cover the name, preserving secrecy of ballot. This would meet constitutional requirements of secrecy and insure honest elections and fair count in case of contest. Elections have been corrupt in the past and will be in the future if a remedy is not provided. Fine and imprisonment for violation of election law should be enforced. Oklahoma ought to reserve to her lawmakers the power to regulate such a safeguard.

John Crane, Logansport, Ind.—In your issue of December 7, I read Secretary Taft's silly little story of the "Little Brown Baby." It sounds well—but let me tell you the true story of the "Little Brown Baby:" The man that went across the street to settle a row, found, on entering the house, a big bully kicking and beating a little brown baby. "What has the brat done?" he inquired of the bully. "Why," said the bully, "the impudent little cuss thinks that all men were born free and equal and should be allowed to choose their own form of government and make their own laws, and I can not stand any such heresy." "Why," said the man, "I never heard of such wicked folly; at least not since 1776. Say, Mr. B., let me kick him awhile; do now, I will give you $20,000,000 if you will let me kick him in the solar plexus. I bet I'll take those foolish notions of independence out of him."

The deal was closed. Poor "Little Brown Baby!"