



FAILURE OF BIMETALLISM.

Japan's Experience with the Free Coinage of Silver.

The attempt of Japan to maintain a mint ratio that was different from the market ratio was a failure and resulted in denuding the circulation of gold. Bimetallism had failed in Japan as elsewhere.

The decline in the value of money had in Japan the effect it always has had of robbing the laborer and enriching the capitalist. The miserable pittance paid to the wretched operatives must at no distant period lead to a social revolution unless the rate of wages be considerably improved.

In 1872 a family consisting of five members of the lower middle class could subsist on 70 yen a year. In 1893 the cost of living had risen to 180 yen a year.

During a period of 22 years the silver yen declined very nearly one-half in its gold value, about two-fifths in its power to buy merchandise and about one-fourth in its power to buy labor.

The gold value of the exports from the United States and England to Japan was over \$18,000,000 in 1892 and nearly \$31,000,000 in 1896, while the imports of the two from Japan were over \$29,000,000 in the first year and less than \$31,000,000 in the last year.—Fred Perry Powers, in Sound Currency for March 1.

MONEY IN TEXAS.

Why Interest is High and Loanable Funds Contracted.

The Galveston Daily News reminds its Texas readers of the difference in interest rates in the northeastern states and in some of the western and southern states and gives them a few elementary lessons on the reasons for this difference. "Interest is never so low," it says, "in communities given over to suspicious fears, questionable assignments, fraudulent failures or to legislation with a decided turn against the creditor and in favor of the debtor."

Making its application to Texas, the News says: "We have a right to leave a fraudulent debtor a resident worth \$50,000, all the bank stock or bonds he can carry and an extraordinary collection of the tools of his trade or profession and to defy his creditors to crook a finger at him. We can do this if we prefer, but it is going to cost us something." It asks why the "goodly majority of the people of Texas," who "are not disposed to live high to-day and hide behind the exemption law, the assignment law or some other law to-morrow," should be forced by the discredited bad laws and a few dishonest men "to pay two prices for every dollar they borrow."

The House Built on the Sands.



Republican Suggestions.

The retirement from circulation of United States notes is a step to be taken in our progress toward a safe and stable currency which should be accepted as the policy and duty of the government and the interest and security of the people.—President R. B. Hayes, in His Annual Message to Congress December 6, 1880.

The several forms of our paper money offer, in my judgment, a constant embarrassment to the government and to a safe balance in the treasury. Therefore I believe it necessary to devise a system which will present a remedy for those arrangements, which, temporary to their nature, might well in the years of our prosperity have been displaced by wiser provisions.—President William McKinley, in His Inaugural Address March 4, 1897.

CURRENCY ELASTICITY.

Our System Inferior to Those of Scotland and Canada.

Need for More Money to Move Crops is at Once Supplied in Other Countries, But Not in This.

Secretary of the Treasury Windom said in his treasury report for 1890: "In my judgment the gravest defect in our present financial system is its lack of elasticity. * * * The demand for money, in this country, is so irregular that an amount of circulation which will be ample during ten months of the year will frequently prove so deficient during the other two months as to cause stringency and commercial disaster. The crops of the country have reached proportions so immense that their movement to market, in August and September, annually causes a dangerous absorption of money. The lack of a sufficient supply to meet the increased demands during those months may entail heavy losses upon the agricultural as well as upon other business interests."

How hard and inelastic is our present unscientific currency system, or lack of system, is apparent when a comparison is made with the currency systems of other countries. In a pamphlet recently issued by the sound currency committee of the Reform Club Mr. L. Carroll Root illustrates the relative elasticity of 20 different banking systems in 10 different countries. He says:

"The data secured include weekly or monthly statements of the outstanding circulation of the leading bank currency systems of the world. The period covered in each case is the two years 1894 and 1895. The method of preparation of diagrams has been to take the minimum circulation of the period as a base line and to reduce the amounts on other dates to percentages of this. In this way a common measure has been secured, and comparison of one diagram with another is facilitated."

We reproduce below three of Mr. Root's diagrams which show in a striking way the great difference in elasticity of currencies in Scotland, Canada and the United States.

BANKS OF SCOTLAND—TEN BANKS.

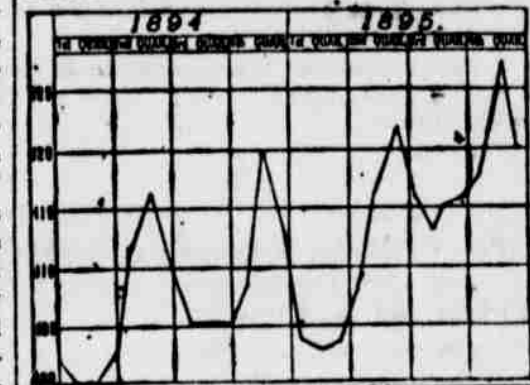


Table with 2 columns: Date, Circulation 1894, Circulation 1895. Rows for Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sept, Oct, Nov, Dec.

CANADIAN BANKS—THIRTY-EIGHT BANKS.

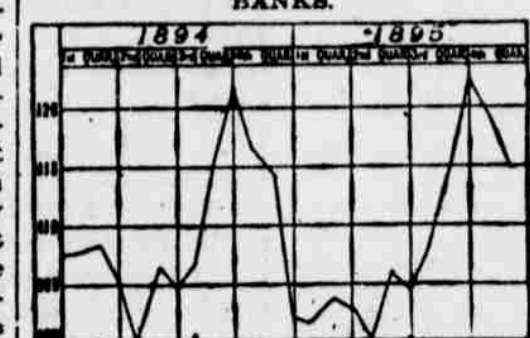
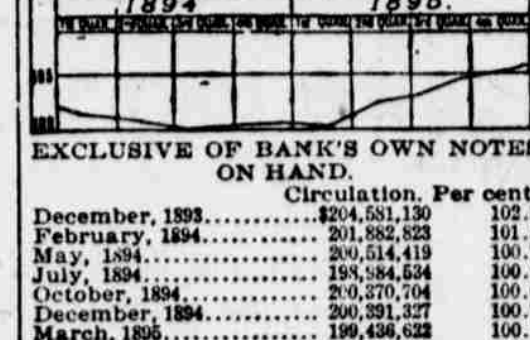


Table with 2 columns: Date, Circulation 1894, Circulation 1895. Rows for Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sept, Oct, Nov, Dec.

UNITED STATES NATIONAL BANKS.



EXCLUSIVE OF BANK'S OWN NOTES ON HAND.

Table with 2 columns: Date, Circulation, Per cent. Rows for Dec 1893, Feb 1894, May 1894, July 1894, Oct 1894, Dec 1894, Mar 1895, May 1895, July 1895, Sept 1895, Dec 1895, Feb 1896.

These diagrams show that in Scotland there is about 20 per cent. more of currency in circulation in November than in February. In Canada there is 22 per cent. more currency in circulation in October than in May. In the United States there was only six per cent. change in circulation during the two years 1894 and 1895, and the most of this change is accounted for not by the changing needs for currency at different periods of the year, but by the sales of United States bonds, which made it convenient for banks to increase their circulation. Mr. Root thus explains the changes in Canada and Scotland: "For instance, on comparing the circulation of Canada and Scotland, the first thing noticed is that in Scotland

there are two upward movements, one culminating in May and the other in November, while in Canada the former movement is entirely absent and the other occurs one month earlier than in Scotland. The explanation will without doubt be found in the Scotch practice of making payments on mortgages, interest, annuities, etc., at those dates—a practice not followed so extensively in Canada.

"In general a single annual movement may be said to characterize agricultural communities. This occurs in the fall, and is due to what we have come to call 'moving the crops.' Its explanation may be found in the fact that farmers as a class are not accustomed to make use of bank deposits, and consequently when payments are made to them for their crops (largely at a single season of the year) the surplus over immediate payments is required by them in the form of notes—it being unquestionably true that in any of our agricultural communities in this country the average farmer has in his possession during the six weeks following the sale of his crop a much larger amount of currency than during the rest of the year. The result in the aggregate is an extraordinary demand, such as that which leads in Canada to an annual expansion of 20 per cent. in the bank circulation."

Undoubtedly the needs for currency in the United States change about as much as in Canada, but the cost of buying bonds at a high premium on which notes can be issued only to 90 per cent. of their par value, the red tape necessary to obtain these notes from the government and the tax on circulation make a delay and cost in increasing the circulation which practically prohibit an increase until the need for such increase is past. Therefore interest rates in this country run up rapidly in August and September without appreciably affecting the supply of currency.

In Scotland and Canada the machinery necessary to increase the supply of currency is simple and is entirely in the hands of the banks; hence the cost and delay necessary are much less than with us. Thus in Canada a few big banks with numerous "branch banks" supply all parts of the country with currency. When more money is needed in any province—as in Manitoba when the wheat crop is being harvested—rates of interest begin to rise. The profits of supplying currency in this province are increased, and immediately additional supplies of currency are sent from the big banks in Montreal, Quebec or Toronto to their branch banks in Manitoba. Thus the cost of moving the crops is much lower in Canada than in the United States, where rates of interest go up and down without materially changing the supply of currency. Of course the farmers, through increased competition of bidders, who obtain plenty of money at low rates of interest and can afford to pay high prices, reap most of the benefit.

There are other advantages connected with "branch banks" which it is unnecessary to explain here. It is sufficient to say that in Canada there is no silver question to disturb business and occupy the time of politicians and legislators. It is not likely that we will have financial peace until we greatly improve our banking and currency systems.

Cheap Confederate Money.

A southern firm advertises 15 varieties of confederate bills for 25 cents, also a "rare collection of 50 different bills and shillings for only \$2." Apparently the firm has millions of dollars' worth of this money for sale cheap.

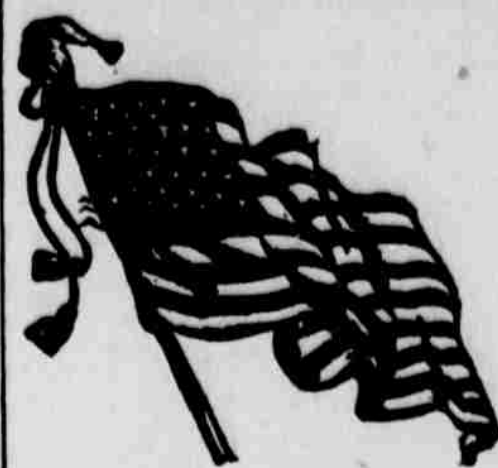
What a pity that our old fogy constitution is in the way! But for it the cheap money advocates in any state where they have a majority could buy up this whole confederate outfit and start in business at once. The amount of prosperity and happiness that could be extracted from this old paper mine would depend upon the size (population) of the state fortunate enough to secure the monetary outfit.

For instance, it would probably give Nevada more than \$1,000 per capita and would at once transform her from one of the poorest to one of the wealthiest of states. Instead of sagebrush and prizefights she would team with granaries and warehouses. Down with a constitution which prevents state home rule in monetary affairs and the manifold blessings of cheap money!

Retire Legal Tender Notes.

The fear of contraction has a good deal to do with the very common opposition to the policy of retiring the legal tender notes, but there is no sufficient ground for it. No one has suggested any process of retirement that would not be gradual, and the process would necessarily be spread over several years, though the beneficial results of the policy would begin to be felt at once. An act of congress providing for the retirement of the notes would establish confidence at home and abroad in the determination and the ability of our government to prevent a repetition of the panic of 1893 and its ensuing ills that would be of marked benefit to the country, and all the advantages of a sound currency system would be experienced long before the last of the legal tender notes had disappeared. Our large volume of paper currency has tended to keep gold out of the country, and with the diminution of notes the ordinary forces of trade would send gold this way.—Iron Age.

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