CURRENCY REFORM.

REAL INWARDNESS OF THE CRY OF THE SMOOTH FINANCIERS.

Infamy of the McCleary Bill, Which Its Supporters Will Not Discuss. "The Tigress Has Come Back With All Her Whelps."

Senator Henry Wilson, Feb. 13, 1862, referred to the efforts of our government, then in peril, to relieve its financial distress through the legal tender act in these words. "It is a struggle between the brokers, jobbers and money changers on the one side and the people of the United States on the other."

Hugh McCulloch, in his report as comptroller of the currency in 1864, wrote, "Hostility to the government has been as decidedly manifested in the effort that has been made in the commercial metropolis of the nation to depreciate the money as it has been by the enemy in the field."

William Pitt Fessenden reported, as secretary of the treasury in 1864, that "the solution of the problem (the violent fluctuations in the price of gold) may be found in the unpatriotic and criminal efforts of speculators to raise the price of coin regardless of the injury inflicted upon the country or desiring to inflict it."

Thomas Jefferson wrote to John Taylor in 1816, "I sincerely believe with you that banking establishments are more dangerous than standing armies."

When Jackson protested in his message of 1832 against the "exclusive privileges, which undertake to make the rich richer and the potent more powerful," Nicholas Biddle, president of the United States bank, wrote "As to the president's message, I am delighted with it. It has all the fury of a chained panther biting the bars of his cage. It is really a manifesto of anarchy, such as Marat or Robespierre might have issued to the mob of the Faubourg St Antoine, and my hope is it will contribute to relieve the country from the dominion of these miserable people."

The United States bank went down under Jackson's attack, but Benton well prophesied from the floor of the senate. "The tigress has been driven from her lair, but she has not been killed. She will come forth again surrounded by all her whelps."

These are the utterances of earlier statesmen who attempted to defend the people against the aggressions of those who, as Jefferson said in 1816, "have an interest as distinct from that of the community as that of drones is from that of bees."

There yet remains a Democratic party which is pledged to this work. There are yet public men willing to devote themselves to the same defense of the popular rights, even though they realize that there was no idle threat in the utterance of the president of the New York State Bankers' association, April 27, 1895, "The politician, high or low, who today turns from the straight course of sound money and the gold standard stabs dead once for all his every chance of political success, especially if he wants to be president."

The money forces are now organized and have their headquarters at Indianapolis, where the Wall street dominion will not be so apparent. They have a large establishment devoted to propaganda work and, though a voluntary association, have had sufficient influence to secure recognition in a special message of President McKinley to congress. They have their own representative at the head of the United States treasury, whose special mission is demonstrated by the fact that he was appointed by a Republican and protectionist president when he was a free trader and called himself a Democrat. It is common knowledge that President Cleveland was urged to appoint the same gentlemen to the same place in 1893. What Secretary Gage's mission is he himself has made clear. He calls it "currency reform," a euphemism for "currency revolution." The sum and substance of this so called reform appears in the secretary's testimony before the banking and currency committee, the culmination of which may be found in the banking measure now pending before the house of representatives (house bill No 10,289).

This bill proposes to retire all government paper and to place our currency system under the exclusive control of the united banks. As the gold standard defenders have dubbed their ruinous product "sound money," so they now put forward this cataclysmal scheme under the innocent title "currency reform." In no Republican newspaper, in no utterance of Republican leaders in the late campaign has there been even an inadvertent reference to this banking bill. Its existence is ignored, and "currency reform" is its synonym. In the recent monetary debate at Omaha two members of the banking and currency committee of the house were put forward to oppose government issues of paper—Mr McCleary, who has given his name to the bill, and Mr Fowler, whose name the bill at one time bore. Under repeated challenges and taunts these gentlemen declined to discuss their own measure or even to mention it. That such silence was preconcerted needs no proof.

In the recent political campaign no champions of this banking measure appeared on the Republican platform, although challenges were issued from Democratic quarters to indorse or repudiate the bill now pending before congress. In Massachusetts it was deliberately and repeatedly charged by Democrats that it was the Republican purpose to smuggle this great measure through the campaign without informing the Republican constituency of its nature. Yet no Republican senator, congressman or newspaper would speak or publish a line concerning the bill. Yet, with Republican success in the election, the same newspapers are teeming with surmises whether the president will call an extra session of congress for the sole purpose of securing "currency reform."

Plainly, a matter which is of sufficient importance to call for an extra session of congress is of sufficient importance to be explained to the voters. Yet at the end of a congressional campaign ninety-nine-one-hundredths of the people are ignorant of the contents and purport of the measure which constitutes "currency reform," in the administration's meaning of the phrase.

It ought, indeed, to be apparent now that there was a preconcerted plan to keep the voters in ignorance of the new banking scheme, and one need not go far to find the reason. Nine-tenths of the people, regardless of party, would oppose this measure if they understood it. * * *

If the bill passes the Fifty-sixth congress, its passage will be a deliberate deception of the Republican voters. There is no line in the Republican platform of 1896 which foreshadows such a measure. The treasury is filled with gold to repletion; the revenues will be ample when the war expenditures cease; the treasury balance is too large; the gold standard is established to the utmost limit of its devotees. Why, then, should there be any "currency reform?" They who ask this question are uninstructed. From the very beginning the gold standard has covered the plan of the bankers to obtain absolute control of the currency system of the United States. Secretary Gage is the product of that plan, and the president must reckon with his political obligations incurred without the knowledge or consent of the people. The Indianapolis movement is the money power organized with a purpose. It is "the tigress with all her whelps" come for her prey, as Benton promised. The charter of the United States bank was a small matter compared with this. That bank was one of many; this is a matter of many in one. Our whole currency system is to be taken from the control of the people, and the united banks are to assume command of it. They propose to maintain the gold standard and gold redemption of their own notes, to regulate the rates of interest, to control the volume of money, and all this without responsibility to the people.

This is a stupendous plan, but it cannot now be misunderstood. The house bill No. 10,289 was framed at request of Secretary Gage, and the Indianapolis authorities, in an address to the business men of the United States, say "The recommendations (of this bill) include the features of reform sought by the monetary commission in its report. Every advocate of change in our currency laws and every citizen and business man who seeks safe and stable things in finance should immediately recognize the vital importance of complete support of the measure." The great banks of New York and their associates are after a great prize. The Republican leaders see the danger of yielding to their demands, and no doubt there will be a contest within the administration ranks. We await the result.

The essential points of the proposed banking measure are as follows: Provision is made for a division of issue and redemption in the treasury, which is to take charge of redemption and exchanges of money with funds delivered for the purpose by the secretary of the treasury. All obligations of the government are to be paid in gold, and even the 460,000,000 silver dollars are made redeemable in gold by the treasury on demand.

It may be noted here that the claim of relief to the treasury from the so called "endless chain" of note redemptions must be stamped as a mere pretense, when one of the first provisions of the bill is an addition to the government's redeemable obligations of silver dollars amounting to more than the total of the United States notes and treasury notes combined. This first step, then, increases from $445,000,000 to the enormous total of $909,000,000 the liability of the treasury to redeem in gold.

It will be found upon critical examination that the alleged retirement of the United States notes is really only a substitution of other notes, identical with the old notes, with the simple addition of a bank's promise to redeem the notes on demand in gold. If the banks should be unable or unwilling at any time to redeem these substituted notes, they will be thrown upon the government treasury for redemption, just as the United States notes may now be presented.

The note so issued as a substitute for the United States note is called a "national reserve" note, identical in form with the greenback, but containing the promise of the national bank to which the note is issued to pay the same in gold on demand. These "reserve" notes are issued to the banks in exchange for a like amount of United States notes delivered by the bank to the treasury. A 5 per cent fund is deposited by the banks to secure the redemption of these "reserve" notes.

It is apparent that this substitution is a mere subterfuge, as the government remains liable for the redemption of all the reserve notes if the banks refuse to redeem them. As such refusal would occur at any time when gold is scarce, the government would be compelled to assume its liability at the worst possible moment. Bond sales at such a time would be at a sacrifice, and perhaps sufficient gold could not then be obtained at any sacrifice. At the same time the repudiating banks could throw silver upon the government for redemption. Thus in the final analysis the government's present obligation to redeem currently $445,000,000 in notes is changed to a liability to redeem $909,000,000 in a time of gold famine. The scheme reaches the summit of folly.

But the price to be paid for the bank's indorsement of the United States notes is even more to be deprecated. The banks are to receive the privilege of issuing 80 per cent of the amount of their capital in notes secured only by the assets of the bank. A 5 per cent "guarantee fund" for these so called "currency" notes is deposited in gold in the treasury, but as this fund is only applicable upon default of the bank to pay gold for its notes such a deposit cannot be called "security." It is merely a stored asset of the bank, to be applied to the note in process of liquidation. Other banks may be assessed 1 per cent in a single year toward this security fund, but in case of a general suspension of gold payments by the banks such a levy would not raise an appreciable amount toward the redemption of the hundreds of millions of unsecured bank currency.

It should be said in passing that the present bond secured note is to be continued for a time, but as the bond security may be entirely withdrawn in eight years, such a temporary provision is not worth discussing in connection with the ultimate and permanent conditions.

In concrete form the note issuing power is as follows: A bank with $1,000,000 capital may deliver to the treasury $400,000 in United States notes and receive $400,000 in reserve notes. It may then have $800,000 in circulation notes and operate with $1,200,000 in notes, together with its remaining capital of $600,000, a total of $1,800,000. Their $1,200,000 of notes must be paid on demand in gold. If such payment be refused, the bank is to be placed in liquidation. It is apparent, however, that no such process is possible in case of a general suspension of gold payments, as the concurrent liquidation of all the banks, when the money of these banks constituted the nation's currency, would create widespread ruin. The limit of unsecured circulation, not subject to special tax, is 80 per cent of the bank's capital. The present capital of the national banks is $640,000,000. But state banks are invited by the bill to enter the system. Such banks have a reported capital of $325,000,000, thus presenting a capitalization of nearly $1,000,000,000 and note issuing power of $800,000,000. The surplus and undivided profits of such banks now amount to over $500,000,000, which may be capitalized. Thus $1,000,000,000 of note issuing power may fairly be contemplated. * * *

Furthermore, it is familiar that the process of attracting money by raising the rate of interest means only a reduction in the price of goods. Thus our staple industries must pay the cost of the needed gold in products. But if this process were otherwise possible it is only conceivable when the banks of the country are combined into a practical monopoly. Thousands of banks, acting independently, will destroy any interest rate. If they can be compelled to conform, such controlling force is the realization of a banking trust.

Such indeed seems to be the necessary result of this banking measure, if it is not its main purpose. The bill provides for the establishment of branch banks. It is clear that such a provision is a roving commission of piracy against the small banks. They must obey the orders of the master banks under penalty of competition from the latter, with their large capital and deposits to back them. The very authority to enter any community with a branch would give the great banks the power speedily to convert the small banks into branches.

Another provision of the bill is equally efficacious. Each country bank is compelled to have a redemption agent in the clearing house city of its district, and its notes cannot be paid over the counter of a bank in another clearing house district unless the issuing bank has a redemptive agency in the district. Thus, if a local bank desires the general circulation of its notes in the country it must through its own clearing house bank secure agencies throughout the country. Its notes will thus remain in general circulation and in bank reserves in ordinary times. But if any bank should offend the great banks its notes could be collected at once and sent in mass for redemption. This would be an instrument of ruin.

It is also apparent that the city banks will hold the bulk of the gold fund, while the small banks will issue most of the "currency notes." These will then be dependent upon the great banks for their very solvency at all times.

As "currency" notes are legal tender between banks, the city banks could compel the country banks to receive bank notes in payment of their debts and in returning their reserves, and the country banks would have no power to command gold for redemption purposes. With all these levers under the small banks their dependence is assured and a banking monopoly is certain to result. Such a monopoly will be more stupendous in its power than any which the world has seen or the mind of man conceived. The comptroller of the currency has shown that the banking power of the United States is nearly one-third of the world's banking power. The political influence of such a money trust would be so vast, its control of business and merchants would be so complete, that patriots may well tremble at the prospect of such a consummation. * * *

But the main point, after all, is the abandonment to the banks of the people's sovereign power to control its own currency. If such power is to be given to the banks, they may as well have all they demand, for the country is in their power. Kings and emperors have guarded the sovereign power of issuing money above all others. In all the compromises made by monarchs with their peoples this privilege has never been yielded. It remains to be seen whether any government will give up this power. It is certain that it will never be done through a popular vote. It can only be consummated if the Republican party has so far come under capitalistic domination as to yield this great power to the bankers, not only without popular consent, but contrary to the known will of a vast majority of our people.—George Fred Williams in Arena.

ACME OF VILLAINY.

THE TRUST WHICH CRUSHES BOTH PRODUCER AND CONSUMER.

How It Is Hatched and the Dastardly Methods by Which It Thrives. Remedies Proposed to Rid the Country of This Pest.

Do you know what a "trust" is? The comic opera definition of mascot is, "A mascot is a mascot." And we are usually told that a trust is a trust. Selfish schemers are shrewd, even to the choosing of names. Hence the "goody goody" name "trust" was chosen for the acme of villainy. A "trust" is a combine. This combine is entered into to crush competition, sustain prices and cheapen production. Competition is crushed in this way. The victim is chosen, and his trade is located; then ruinously low rates are offered to his patrons—below cost production if necessary—until the victim's trade is demoralized and his patrons all taken from him. The trust being strong and powerful, can continue this programme until the individual manufacturer is ruined or forced to sell his plant to the trust at only a fraction of its value. Then the price of the article goes up again, higher than before, and the former patron of the ruined producer must begin to pay tribute to the monster.

But all this time the prices have been high in other places. So, while the trust was losing temporarily in one place, it was getting abnormal profits in other places, so it could have continued this warfare indefinitely, and the individual operator was doomed to certain destruction sooner or later. Thus one by one the victims are marked and exterminated. If the goods are a kind that can be shipped to various parts of the country, the victim's wings are clipped short by discriminating freight rates, and in many instances this is the only weapon that the trust needs. For a graphic presentation of this feature of trust operations read Henry D. Lloyd's great book, "Wealth Against Commonwealth."

On account of this great public evil a law was passed establishing the interstate commerce commission, to make transportation rates uniform and prevent discrimination. The commission has been in existence a number of years, yet in its recent report it says, "There is probably no one thing today which does so much to force out the small operator and to build up those trusts and monopolies against which law and public opinion alike beat in vain as discrimination in freight rates."

Competition being thus crushed, prices can easily be raised and sustained. It is impossible for "hard times" to come to a successful trust. Necessities, as sugar, are usually chosen for trust operations. The people must have necessities, and they must pay trust prices for the articles governed by trusts. This makes the trust safe, whatever may be the price of wheat, corn, cotton, wool, etc. It is right to sustain normal (not abnormal) prices, if they are sustained all along the line, so that all producers will get the benefit of the same. When the farmers prosper, manufacturers prosper, for farmers are able to buy. Then also there is plenty of work at good prices for mechanics and good business for the merchant. By a proper solution of the money question the normal prices of all staple products would be sustained. The sustaining of prices of staple products would assure normal prosperity to all producers of the same and consequently to the masses of people in general. But the sustaining of trust prices of trust products benefits only the few who are in the trust and makes the masses of the people contributors to the prosperity of the trusts.

We have now seen how competition is crushed and prices advanced or sustained. Production is cheapened by the concentration of production in the most favored localities, use of the latest and best machinery, etc. This is economically correct, but it entails much hardship by the closing of many factories, thus throwing many operatives out of employment. Thus, at the expense of labor, the monster's profits are enhanced.

As to remedies, the most sweeping one is for all the people to be in the trust. Then economy of production would be a virtue, because all would be benefited impartially by it. However rational and complete this remedy may be, we are not ready for it, as it would put into the hands of the government many and various enterprises. At the present time the government could not successfully conduct these enterprises. It should begin with the distinctly public enterprises, as the telegraph, railroads, etc.

But there is another remedy that would be quite effectual, and it is entirely feasible. A protective tariff is said to be for the purpose of protection of American labor, but I have never known the most extreme protectionist claim that it should protect American trusts. Yet, when Senator Pettigrew offered an antitrust amendment to the Dingley bill when it was pending in the senate, it was not sustained by the party that has alway advocated a tariff for the protection of American labor. However, at this late day, the Philadelphia Press, which has always been one of the leading organs for a protective tariff, says:

> The organization of vast corporations, heavily overcapitalized, which monopolize entire industries and whose avowed object is to exclude competition, must vitally alter public opinion and the demands of public policy on the protective duties imposed for the benefit of these industries. Protection assumes, as a fundamental principle, that a high duty will be accompanied by a free internal competition. * * * This competition will operate both to reduce the price at which the article produced is sold by the manufacturer and increase that at which the manufacturer buys labor, because, both in selling his product and in hiring his hands, the manufacturer is competing with other protected manufacturers. But if this competition is removed by the sale of all the plants in an industry to a giant corporation neither object of the duty will be achieved. Prices will not be reduced, and wages will not be maintained. Under these conditions the inevitable step must be to apply competition from abroad by reducing the duty, removing it or establishing special relations with some country able to supply free raw material or the finished product or both.
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> If the Tin Plate trust advances the price of tin plate, as it has begun to do, the duty on tin plate will be put in the most serious peril. This duty was imposed to create a competitive domestic industry, not to enable a trust to earn money on a capital of $50,000,000. So with the Paper trust. In the last fiscal year, 1898, the exports of printing paper were 107,405,403 pounds, worth $2,702,351. An export of this magnitude shows that paper can be made at least as cheap here as anywhere else, yet even with these exports, as long as domestic competition exists, the duty is valuable to maintain this competition. The International Paper company has destroyed this domestic competition. It is imposing on all consumers of paper the burden of paying dividends on a capital of $55,000,000 when its plant could be replaced for $15,000,000. The first step under these conditions ought to be to admit Canadian paper and paper pulp free in the treaty now under negotiation with Canada. If this does not give the needed competition, paper and paper pulp should go on the free list, and foreign competition should replace the domestic competition destroyed by the Paper trust.

The extent to which trusts are growing is becoming alarming. They seem to multiply in both hard times and good times.

There has not yet been found a way for farmers to form a trust to sustain normal prices for their products. Farmers are at the mercy of railroads and of competitive prices in a world market. The prices of farmers' products are determined in Liverpool minus the freight charges made by combined carrying companies. Farmers are not protected by either a tariff or bounty, yet for what he buys he must pay trust prices, and these trusts are protected by our tariff laws. Our enormous exports that we have been boasting so much of for the past few years and which give a heavy "balance of trade" in our favor are made up very largely—three-fourths or more—of agricultural products. Yet we grant the farmer no protection, either directly or indirectly (except on wool), and make him pay trust prices for most that he has to buy, as our tariff laws protect the trusts. We have a law against trusts, but we have never yet had an attorney general who would indorse it. It is said that the attorney generals under every recent administration have been corporation or trust attorneys. At any rate the antitrust law is practically a dead letter, for these illegal organizations thrive and multiply in spite of it. We want just and equitable laws and equality under the law. When will we get such simple justice as this?—Dr. C. F. Taylor's "Monthly Talk" in Medical World.

NOTICE.

In compliance with the statutes of the state of Nebraska, in such cases made and provided, notice is hereby given that sealed proposals will be received at the office of the Commissioner of Public Lands and Buildings until 9:30 o'clock a. m., April 3, 1899, for furnishing supplies for the quarter ending June 30, 1899, for the Hospitals for the Insane at Lincoln, Hastings, and Norfolk, the State Industrial School at Kearney, the Girls' Industrial School at Geneva, the Institution for Feeble Minded Youth at Beatrice, the Soldiers' and Sailors' Homes at Grand Island and Milford, the Home of the Friendless at Lincoln, the Woman's Industrial Home at Milford and the State Penitentiary at Lincoln. Estimates and blank proposals may be had upon application to the superintendents of the various institutions. A bond for a sum equal to the proposal shall accompany each bid. All bids to be made in duplicate. No proposal will be received unless in the office of the Commissioner of Public Lands and Buildings on or before the day and hour above mentioned. The original of each accepted proposal must bear a 50-cent revenue stamp, which may be affixed after the award is made. No bid in which samples are called for will be considered unless the samples are submitted.

The board reserves the right to reject any and all bids.

J. V. WOLFE, Secretary.
Lincoln, Neb., March 16, 1899.