FOINT IN POLITICAL ECONOMY

What Would be the Effect of Contracting the Currency $600,000.00 by Eliminating Silver Dollars?

Editor Independent: Upon nearly all economic questions, so ably discussed by you in The Independent, you and I are in agreement. But in your last issue in an editorial entitled "The Fall of Silver" you repeated a statement on the money question that was often reiterated in the campaign of 1896, that needs a careful re-examination by all populists. You said: "The $600,000,000 of silver dollars in circulation reduces the value of the gold dollars by one-half. If they were blotted out of existence every gold dollar would buy twice as much as it would now, or, in other words, prices would fall one-half."

The fault in this is that international commerce and the influence upon our prices of the gold in circulation in foreign countries are ignored and left out of the calculation. If we were isolated entirely from other nations, so that foreign prices of commodities did not affect our prices and so that a stringent money volume here could not be relieved somewhat by a full supply of foreign countries, then the proposition that to cut our supply of money in two would cut prices in halves, might be true. But under existing conditions it is impossible. In order to cut prices in two by reducing the money supply, it would be necessary to blot out of existence one-half of the legal tender money of all the nations whose commercial relations are close and who freely exchange gold and silver. Our $600,000,000 of legal tender silver constitute less than 10 per cent of the legal tender money in the great commercial nations now sustaining close trade and financial relations. Hence upon the quantity theory, if our $600,000,000 of silver were blotted out, the legitimate effect upon prices would be to reduce them about 10 per cent.

I say the legitimate effect. But I am not forgetting that the secondary effect, following the tremendous panic and financial collapse that would ensue, would for a time reduce prices much more than 10 per cent. But this would be the result of the panic; and after the recovery, and without a restoration of the $600,000,000 of silver, prices would legitimately rule no more than 10 per cent lower than before the silver money was taken out of the world's circulation.

I know, Mr. Editor, that you can quote plenty of political economists to the effect that, other things being equal, and barring other extraordinary influences, prices of all commodities in a country dependent upon the volume of money in circulation in that country.

Authority is good only when it rests upon reason. The reason for the above rule has largely disappeared. Prior to forty years ago, when those political economists declared the quantity theory as above, international commerce was a tiny dwarf, whereas now it has grown to be a giant. Then, prices upon the continent of Europe, or in Great Britain, even, had little influence upon prices in the United States. Not so now. Commerce flows between the nations with almost the same mobility as between the states of our union. Every influence affecting prices of staple commodities in one of these great allied commercial nations is felt in them all. Every important change in the money supply in one of them is immediately felt in all, and almost to the same extent.

Hence, the quantity theory of money, as written out by the old political economists, can no longer be followed. It needs to be modified to suit modern, existing conditions.

The closing of our mints to silver in 1873 did not cut prices in two in the United States, nor anywhere. The legitimate, primary effect upon our prices was never greater than a 30 per cent reduction; and I doubt if it was so much as that.

In the same editorial you grant it as true that "the market value of the silver as bullion held in the United States treasury has declined about $100,000,000." How can this be unless we have about $800,000,000 of silver certificates in circulation? The recent fall in silver has been only about 12½ per cent. If you go back to 1873 you will find a fall in silver of about 63 per cent; in which case you would be right, but not if you have reference to any recent fall in silver. Is there any considerable amount of silver held in the treasury except to redeem silver certificates, amounting to $467,000,000?

I do not raise these questions for the purpose of criticism, but only in order that we may all get right on these important questions.

W. L. HAND.

Kearney, Neb.

(The eastern dailies are again using the term "intrinsic value," and against that doctrine the item criticised was written. The elimination of $600,000,000 of silver would add one-half to the value of gold. A value that could be so increased or diminished could not be "intrinsic." The criticism that Mr. Hand makes occurred to the editor's mind when the article was written, and Mr. Hand himself explains why prices would fall one-half. He divides the effect of the elimination of silver into "legitimate" and "indirect" effect. Whether he classes it legitimate or indirect, the fall in prices would be as stated in the article criticised. The "standard money" of the United States consists at the present time of gold and silver. If one-half of it were eliminated, there would be a convulsion to which the affair of '93 would be insignificant. American securities of all sorts, except bonds secured by the power of tax, would decline enormously. That would reduce the power to buy of many millions to almost zero. The power to buy being gone, the manufactories which supply the present demand would close. That would reduce the power to buy of many hundred thousand of workingmen and where the end would be no man could tell. The fall might be more than one-half. When prices got down to the right point to suit the British, Germans and French, they would send gold in here to buy our property. When enough of it had come, prices would begin to rise again, then they would gather in their profits and take them over the ocean. That is what has been going on for the last hundred years under the British management of American finances, and probably will occur once more. The old economists on this question of the quantity theory of money were right. They always say "Other things being equal," that prices will rise or fall as the volume of money is increased or diminished. Remember "the other things." Loss of confidence, a psychological impulse created by falling prices, everybody calling for payment at the same time, these were the things the editor had in mind as well as the contraction of the currency one-half.

The amount of silver doing duty in this country as money is estimated by all the authorities at about $594,000,000. That of course includes what is held in the treasury and represented by certificates and what is in the hands of the people outside of the treasury. The estimate of the decrease in the bullion value of silver money was made by one of the most careful and competent writers in New York city, where he had every means at hand of arriving at a just estimate. Of course he included all the silver, whether held by the government or by the people at large.—Ed. Ind.)

Clay county receives a large railroad tax, because of large mileage in the county and no very big towns. Her people were frightened over the demand for any change in railroad taxation, fearing that they might somehow come out losers. So they whooped it up for the republican state ticket. But they come out losers anyway. They receive $3,534.60 of school money this apportionment, as against $4,767.92, the smallest December apportionment ever made by the fusionists. Of course, $1,233.32 isn't much—but it's something, and that's what it cost them to give "our man Mickey" 231 plurality over such a man as Billy Thompson.

What Wall Street Wants

Wall street has announced, through resolutions of the chamber of commerce, what it wants and what it expects congress to do. These demands may be summarized as follows:

That the national banks be permitted to retire circulation at will.

That new bank circulation should rest on the commercial and industrial credits of the banks.

That the silver dollar be made redeemable in gold.

That provision be made for the deposit with the banks of any public moneys in the treasury, including receipts of customs.

Gage county has always been a great refuge for mullet heads. Twelve hundred is about the republican majority. The smallest warrant for school money ever sent her by a fusion state auditor was for $8,221.27 (in December, 1899). This December she gets $6,550.36—or $1,167.11 less, about a dollar apiece for the excess of mullet heads, and they're dear enough at that.

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A Fable

Once upon a time the wolves and the sheep assembled in mass convention and among other things brought up for discussion was the question of the most nutritious and desirable article of food for the entire animal kingdom. The wolves being non-producers professed to possess about all the scientific wisdom of the animal creation; and especially did they loudly profess a hungering and undying love and friendship for the sheep. And because of their loud professions of wisdom and honesty many of the sheep believed them. The leader of the wolf gang then offered the following preamble and resolution:

"Whereas, long ages of experience have finally demonstrated to our satisfaction that the double standard of meat and grass cannot be safely maintained at a parity as articles of food unless properly so recognized by international agreement; and,

"Whereas, we sincerely desire the double standard of meat and grass; therefore, be it,

"Resolved, That we favor both meat and grass, at the proper ratio, as articles of food whenever the same is assented to by an international agreement of sheep, wolves, lions, jackals, asses and hyenas; and that until there is such an agreement nothing but meat shall be recognized as the proper standard of fod."

All of the wolves howled in support of the resolution, and frantically declared that the continued use of grass would drive all of the meat out of the kingdom. Many of the sheep, to appear smart, and being dazed and frightened by the loud professions of honesty and courage, voted with the wolves so that the resolution prevailed. Thereafter the wolves lived on mutton and the sheep eked out a miserable existence on thistles.

The wolves declined to arrange for an international convention to change existing conditions so that the single standard—mutton—became so completely established that any sheep manifesting a desire for grass was charged with moral treason and marked for slaughter.

Moral: Those that couldn't become wolves hung up the fiddle and waited for the clouds to roll by.

ALLEN SMALLEY.

Upper Sandusky, O.

D. F. Morehouse, of Fremont, had three cars of wethers on last Thursday's market, that had been on feed only about six weeks and brought the handsome price of $4.35 and a big profit on his investment. Mr. Morehouse expresses himself as especially well pleased with the work of the salesman, Mr. Martin Cullerton, who is with the well-known firm of Nye & Buchanan Co.

Perhaps it is to discipline Douglas county for giving Billy Thompson and G. M. Hitchcock such handsome majorities that the recent republican school apportionment is $7,013.49 smaller than the smallest December apportionment ever made by the fusionists. $33,252.82 in 1899; $26,239.33 this year.

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Effective December 7, the Chicago and New Orleans Limited, fast vestibule train, will be split out of Chicago, running from Chicago to Memphis as a Pullman car train only. Train No. 5, the Limited, carrying only Pullman sleeping cars, dining car and buffet-library car will leave Chicago daily at 7:00 p. m. for Memphis, Hot Springs, Nashville, Atlanta, Jacksonville, and arriving at New Orleans at 7:40 p. m. the next day. No coach passengers will be taken on it, they being carried to the above points on new train No. 25 having coaches only and leaving Chicago at 5:25 p. m. daily and arriving at New Orleans at 7:40 p. m. the next day. This coach train will also carry every Wednesday out of Chicago the San Francisco Excursion Sleeping Car running via New Orleans.

In addition, the New Orleans Special, fast day train, with through sleeping and buffet-library cars, and serving all meals in dining car, will leave Chicago daily at 10:00 a. m. and arrive at New Orleans at 10:55 next morning, connecting with the Sunset Limited of the Southern Pacific for Houston, San Antonio and San Francisco, the Sunset Limited leaving New Orleans daily at 11:55 a. m. Tickets and further information of railroad ticket agents.

A. A. HANSON,
Gen'l Pass'r Agent.

Half Rates For The Holidays

Via the Missouri Pacific. On December 24, 25, 31, and January 1 the Missouri Pacific will sell tickets at one fare for the round trip to all points within 200 miles, good to return until January 2.

Two passenger trains leave Lincoln daily at 9:15 a. m. and 10:05 p. m. for Nebraska City, Falls City, Auburn, Atchison, Kansas City and other points with chair cars, sleepers, etc. Full information at city ticket office, 1039 O street, or depot, 9th and S.

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