

The Independent.

Secretly But Persistently At Work

Financial Legislation As Now Planned

Editor Independent: There is no doubt about it being one of the purposes of the "financial group" to secure the complete adoption of the gold standard of payment by the destruction of every form of legal tender except gold coin. It is equally certain that another purpose is to destroy every other form of currency, and to supply its place with a bank currency that will give the banks complete control of the entire volume of currency upon which the business of the country will be compelled to depend.

Both purposes will be advanced by the retirement of the government legal tender currency. The proposition to make silver dollars redeemable in gold will, as I have already pointed out, convert the whole volume of silver currency into a debt against the government (according to the view of the "financial group") and will be followed, as certainly as night follows day by the demand from the "group" that it be paid and retired. In the end this will be done and the metal sold in foreign markets. The retirement of silver dollars will, of course, destroy them as a basis for the silver certificates, and this form of currency will go out of existence.

At this point it is well to call to mind the economic purpose and result of bimetalism. There is an economic difficulty that inevitably attends the use of the metals as material out of which to make money. Silver and gold are commodities and are not in any economic sense money. They are, under law, materials out of which money is made just as lumber is material out of which chairs, tables, etc., are made. Lumber has an exchange value in the market as lumber, but when it is converted into furniture then it has another economic or exchange value as furniture. Just so silver and gold have an exchange value in the market as metals. When made, by authority of law, into money they have another exchange value as money. The value of money, no difference out of what the money is made, has the same economic origin as the value of commodities. If

money is a legal tender then the money value is increased by the demand for it as a standard of payment, and the value of the material out of which it is made will be increased just as the value of lumber will be increased by an increase in the price of things made out of it. The difference between lumber made into furniture and silver and gold made into money is that in the process the value of the lumber as such is destroyed, but the exchange values of silver and gold as metals are not destroyed by coinage. When lumber is converted into furniture its market value as lumber is gone, and can not by any process be restored. When the metals are converted into money their values as metals remain subject to the fluctuations occasioned by supply and demand, because no difference what form they take they can be restored to their original form as metals. A silver dollar when coined is the equal of a gold dollar as a debt-paying money, but the commodity values of the metals are not equal. This presents the economic difficulty. It is impossible to make money out of a metal so that the money value is not subjected to such control of the commodity value that a fluctuation occurs in the exchange value of money.

The best device that experience has suggested to overcome this difficulty has been the use of two metals at a ratio fixed by law; treating them exactly alike under the law, so that when the demand for one kind of metallic money increases the value of the metal in the market, that demand turns to the money made out of the other metal. As might be expected, it has been continually observed that, during all the time when the metals were, for money purposes, treated most nearly alike, there was always fluctuation in the market value of the metals. Sometimes one was higher and sometimes the other, but the use of both, at a ratio fixed by law, as materials out of which to make "standard of payment"—debt paying money—resulted in reducing the range of fluctuation to the minimum. It is this control over the range of fluctuation that the "financial

group" want to get rid of, because it reduces the range of speculative and debt robbery.

At the time when the act of 1873 was passed, the metal in a silver dollar was worth more in the market than the metal in a gold dollar. When by law we ceased to treat the two metals alike, that moment the range of difference in market value increased, but the effect of the law has been to hold the equality of standard of payment money. This the "financial group" want also to get out of the way. This is expected to be accomplished by the pending legislation. Bimetalism has been the effort of experience to avoid the economic difficulty, but, while it reduced the difficulty to the minimum, it could not wholly avoid it. It did, however, prevent any serious evil, resulting from the conflict between the exchange values of the metals and the use of the metals as standard of payment money. When this safeguard was taken away at once the market value of the metal favored by law controlled the money value, while the market value of the less favored metal sank much below its value as a standard of payment. Leave but one metal, as desired by the "financial group," out of which to make standard of payment money, and the value of that standard will be controlled by the value of the metal. This is the goal to which we are urged by the "financial group" and when they have succeeded in forcing us to it, the law as it has stood for more than three-quarters of a century will favor their scheme. That law comes very nearly making the gold standard by coinage. A gold coin ceases to be a standard of payment by coinage the moment it loses the one-eighth part of one grain on each dollar, and is then only legal tender by weight.

The purpose of the "financial group"—the holders of large credits, the manufacturers of credits and dealers in credits—is to remove every possible governmental control over not only the paper currency but of the metallic currency. To accomplish this and make gold the standard of payment by weight—and the only standard—will be

greatly to their advantage. It will not only enable them to profit by the increased demand, but will enable them to increase the demand, for the metal out of which the debt paying money, with which to pay their debts, must be made.

At the same time they are planning to secure for themselves a special privilege under law by which, under the stimulation of an enormous inflation of money equivalents, they can manufacture credits, that must in the end be paid by a standard money contracted to such volume as can be furnished by the production of one metal.

The mistaken belief that some how seems to have taken hold of the minds of Mr. Bryan and Mr. Towne is playing into their hands. Has anyone heard of any effort on the part of the "financial group" to disprove the claim that an increased production of gold demonstrates the "triumph of the quantitative theory" of money? Of course not. They are entirely willing that the public should remain under such mistake, as a cover for their purposes.

Bimetalism is but a mitigation of the inherent evil of a metallic currency made by law a standard of payment, and the moment the volume is increased, and (with other demands) increases the demand for standard money until that demand exceeds, as it does now, the volume of money possible by the use of both metals to the limit of their production, then the evil returns in spite of bimetalism, and, to avoid that evil, the amount of standard money must be increased in some other way. During the civil war the demand exceeded the metallic supply, and the volume was increased by government legal tender paper. It was a currency based on the faith and credit of the nation, but it is now proposed to make a currency based on the assets of national banks. Let us examine the asset currency proposition and see what it really is, and what it really means.

(To be continued.)

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The One Important Issue

Your editorial in the last Independent, "New Party Alignments," seems to indicate that you have but little hope of accomplishing anything until the democratic party shall have gone to pieces—which is not likely to occur until after Gabriel's trumpet shall be worn out. Parties of negation never die. It is several times as likely that you will live to see the republican party go to pieces than the democratic. If the plutocracy has as firm a grip on that party as I believe it has, Mr. Roosevelt, La Follette, et al, will irrevocably divide it during the next four years, and I still expect that the plutocracy will fight its last battle under the democratic banner. As you well know, the plutocracy and proletariat are generally found working together in economic crises.

What the populist party needs is a bugle blast from a real leader, sounding a charge upon the enemy's works at some point which appears to be most vulnerable. For a year prior to July last the Nebraska Independent (and I have always supposed that you are practically it) was such a leader. But for the ability with which it was edited, the vigor with which it fought the idea of fusion and the feeling of hope with which it re-inspired many of us there would have been practically no populist party today. To Thomas Tibbles is mainly due the re-organization of the populist party on a "no more fusion basis."

We are now at the threshold of the campaigns of 1906 and 1908. I have been looking anxiously over every issue of your paper to see if The Independent is to be the leader in the coming campaigns that it was in the last one. The need of the times is a clear cut issue. In the last campaign it was "no more fusion." The issue presented by Mr. Watson is "no more

race issue" and "the revival of Jeffersonian democracy." The general trend of the expressions that I have heard from the populists of the country generally during the past six weeks is more hostility to the democratic party than advocacy of any special measure or policy. But no party can win by mere antagonism to, and denunciation of, a minority party. No new party ever came to the front except as the aggressive advocate of some vitally important measure or policy not advocated by an existing party.

Suppose that your feelings and mine about Mr. Bryan are very much alike, but I submit that it will be best for our party to discontinue making him a central figure on the political chess board, but to begin the vigorous agitation and advocacy of the fundamental populist principles, pressing them with such determination and persistence as to compel attention. Mere denunciation of republicanism and President Roosevelt will bring us no recruits from the republican party. They will have no more effect than water on a duck's back—unless it be to intensify the present prejudice against us. Mere denunciation of the democratic party and of Mr. Bryan will in like manner repel more than it attracts. Millions of people looking anxiously to the future are asking, not, "Who and what are you opposing?" but "What are you advocating?" "What will you do if we give you the power?"

No one is in a position to answer these inquiries as you can. Your bugle (The Independent) goes to more populist homes than any two or three other periodicals. The people read what you say, and think over it. They have absolute confidence in your sincerity; and they recognize your superior ability. Doubtless many thou-

sands of them have for six weeks been catching up the Independent as soon as it came, running over page after page, as I have done, to see if the issue of 1906-08 has yet been formulated.

This issue should not be any of the propositions that have been long before the country and continuously decided in the negative. It should not be any of the propositions heartily approved by a few but unalterably opposed by very many more. It should not be something entirely new and disconnected with those already discussed. On the contrary, it should be one that will appear to those we hope to reach as of transcendental importance. It must also appear to be attainable and in a reasonable time; and it must not be something that leaders in other parties can not make their followers believe can be secured by putting them into power. Such an issue is the populist presentation of the money problem—with an addition.

From its organization to the present time populists have insisted that—

- (1) All money must be made by the government.
- (2) That all money shall be full legal tender.
- (3) That no money shall be redeemable in any other kind of money.
- (4) That enough of it must be provided to enable all the people to readily exchange their services and products, and
- (5) That its value shall be kept as unchanging as is possible.

Every populist in the land will heartily endorse each and all of these propositions. Millions of members of other parties would have done so long ago but for the fact that their leaders made them believe that "this idea of money is impracticable." The first reason for this is that the bankers have with practical unanimity, fought this populist idea of money more virulently than they ever have anything else. But an even stronger reason is that the populist leaders them-

selves did not generally recognize the fact that what is called "bank credit" is really money and must be recognized and treated as money by law makers—just as it always has been by the courts. Had they understood this as well as you do—and have done—they could not have been so mystified and misled.

It therefore seems to me that all that is needed is to add to the five populist monetary propositions above stated something like this:

(6) Everything that actually does the work of money, and has the same effect as money and does nothing else must be recognized and treated as money.

(7) As expanding and contracting the value of bank credits has exactly the same effects on business prices and values as expanding and contracting the volume of real and recognized money has, the government has the right, and is in duty bound, to so control it as to prevent it from affecting the exchangeable value of the different kinds of money that may be issued by the government.

(8) That as the contraction of bank credits at times when industrial conditions really require expansion is a principal, if not the sole cause of commercial panics and long periods of industrial depression these bank credits—which have been rightly called hocus pocus money—should be steadily and relentlessly contracted as the quantity of real money is expanded; and that this elimination of the hocus pocus money part of our currency shall be continued at least until what remains will not affect the exchangeable value of real money.

I believe that your judgment will approve of this proposition (for I seldom find myself seriously disagreeing with you), but I am aware that your position as the head of the Independent puts on you a great deal of responsibility. It is right for you to consider well the views of the friends who