Financial Parallelisms

England and the United States

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Chapter I

Introduction

Science of History

(a) Underlying forces which mould history
(b) Protection of the accumulation of wealth
   the main object of government in these
   United States and England
(c) The foundation of civilization
(d) A lesson learned by two great nations
(e) A new factor makes its appearance
   (i) Colonization and settlement no longer
      an important issue
   (ii) The accumulation and distribution
       of wealth the problem of the
       coming age
   (b) Coitus

Chapter II

England and the United States

Wealth superseding title

A great national convulsion necessary
for its complete triumph.

The French Revolution and advent
of Napoleon furnished this opportunity
in England
(a) An alliance of all European powers to crush France.

(b) The impoverished state of the allies.

(c) England's relative prosperity—becomes the paymaster of the allied armies.

(d) England's national debt—its increase.

(e) A crisis.

(f) A rumor of a French invasion—suspension of specie payment.

(g) The Issue of unredeemable paper money.

(h) The demand for gold—the devaluation of paper money.

(i) Industrial and commercial prosperity in England.

The Return of Gold and Silver

(1) Devaluation of silver in 1816

Crisis and effect.

(b) The resumption of specie payments.

(c) Great industrial decline throughout England.

(2) The three events of 1819

The United States

The Crisis of 1860–61

(3) Condition of finances.
(b) The national resources - the first loan.
(c) The resumption of trade payments
(1) The rapid increase of the National Debt
(2) The cause of paper currency inflation
(3) A continued adaption
(4) Business insolvency
(5) The preparation of the authorities to resume specie payments
(1) An increasing currency demanded
   1. Decrease of business reputation
   2. A large number of labours thrown upon the market
   3. Decline of Confederate currency
(2) The first financial distress
(3) The Demobilization of labor in 1873
(1) Influence that led to it.
(2) Contractual that followed
(3) Decline in property values
(f) The resumption of these payments
(1) Drought among the farming classes
(g) General Conclusions.
Dr. Buckle tells us in his excellent work how great is the world, that all national development is controlled by certain external and internal forces which may be examined at any time by the thoughtful. The underlying causes of these influences may be arranged in such a form as to form scientific and philosophical works of great importance.

The underlying influences which lead to the remarkable financial parallelism between the two great English-speaking nations can be traced with great ease and certainty for since the dawn
of English and Anglo-American power—the two gigantic national powers have had their eyes centered on one illusory goal is now plainly in view. A strong national structure at all times ready to protect its citizens in the one mighty ambition which seems to permeate the very fabric of Anglo-American greatness namely the great passion to accumulate vast quantities of material wealth.

Now do we deem that the pursuit of wealth is dishonorable in every respect.

It is needless to state that such great civilization must have for its foundation vast quantities of wealth. But we are about to launch into a comparison of two great nations who were forced to learn by the painful hand of experience the perishable nature of that which men calls wealth and the vast importance and unshakable superiority of hearts of gold over dollars of gold.

Subsequent events of a historical nature will prove that during the first part of
the nineteenth century a new factor made its appearance in the English world, and fifty years later the same force began to exercise control in American affairs. Here-to-for the all absorbing question of settlement and colonization had occupied the mind of the great civilization of Europe and America. Now the accumulation and development of the newly discovered stores of wealth became a passion and capital strong into existence; a young giant eager for the race.

Chapter II

England and the United States.

Silently like a thief in the night the power of vested interests had been creeping stealthily into the place occupied at first by a landed and tilled aristocracy, and all that was necessary for its
Complete triumph was a great national conviction which would give capital the opportunity to demonstrate the complete helplessness of democratic institutions without constant aid and support.

In England, this conviction was in part induced by the fearful excesses of the French Revolution. In 1792, all Europe was startled beyond measure by the complete overthrow of Louis XVI and the tragic death of this ill-fated monarch. An alliance of European powers with England at it head immediately declared war against the French Republic. As many of the allies were already embroiled in war and famine; and as England proved to be the only nation with great resources among the allied powers, she soon became the paymaster of the armies in the field. This great drain upon her resources soon made it necessary to negotiate large loans with the Bank of England. In this way England's national debt increased with great solidity.
In the period between 1792 and 1797, the national debt nearly doubled and gold and silver completely disappeared, leaving the country seemingly on the verge of financial ruin.

The government was forced to make extensive loans to the trading classes owing to the great stringency in modern matters. A rumor of a French invasion led to a run on the Bank of England and a suspension of specie payments soon followed. Many who well said that the year of 1797 was the darkest year in England. Little or no success in the war with France on account, treasury greatly increased public burdens and a financial panic approaching.

As gold and silver were in constant demand on the continent, the business interests of England must rely on a non-convertable paper currency. The Bank of England doubled its issue during the next thirteen years and the great demand for gold
gradually forced the price from £3. 17s. 6d. in 1792 to £4 10s. the ounce of standard quality, in 1804 and in 1814, reached its highest point at £5 8s. the ounce. This we can see that the paper currency had depreciated on the gold which had appreciated 400%. Nevertheless, during the eighteen years through which this struggle lasted, the exports of Great Britain steadily rose in value. In 1792, they amounted to £16,231,572 while in 1810 they reached the magnificent sum of £34,061,901, and in 1815 had increased to £42,875,996. In spite of the fact that we were supporting a great continental army and the debt had increased from £231½ millions to £816 millions and throughout all England there existed the greatest prosperity the country has ever known. Prices increased, work was plentiful and the whole country seemed to dance with joy. The population increased from 9,400,000 in 1792 to 13,420,000 in
1815. The increase in wealth kept pace with the increase in population after the defeat of Napoleon. Gold and silver began to flow toward our shores. The price of gold in currency really fell from £5- 80 per ounce to £3 17s. 4d. in 1817.

In 1816, three years before the law was enacted for the resumption of specie payments and five years before my notes were redeemed in gold or silver, just as gold and silver were tumbled out of their hiding places, silver was demonetized and the single gold standard was adopted. In view of the fact that business interests of England had greatly increased and for this reason if no other the any delinquency should have been avoided, and owing to the fact that a great number of unemployed soldiers had been thrown upon the labor market an ever increasing surplus of money was necessary. Doubtless there had been an inflation of the volume of money
and some wild speculation but such disorders should be checked with the utmost care. The money supply should be checked and under the speculation of the wildest nature no money should be with drawn from circulation. Gold and silver had circulated side by side for many centuries so the striking down of one of the means of redemption caused a panic which lead immediately to contradictions of loans in the country banks, and this led to a still greater destruction of credit throughout the country. A loss of confidence, the shutting down of factories and mills, and much was great distress among those who were thrown out of employment. Riots and bloodshed were common the breaking up machinery by the ignorant classes, and the destruction of property were daily occurrences. In the midst of this intense distress the businesses
thought it necessary to contract the currency preparatory to the resumption of specie payment. Now in her history did England pass through such a period of industrial depression. Famishing workmen wondered what the country in mob. The poor laws were subjected to a terrible strain and 1819 is noted because of three events which seem to be closely allied in every respect, namely, the passage of a bill in Parliament bringing about a return to specie redemption, the Manchester Massacre and the passage of the noted "six laws". The contraction of currency, and the refusal of Parliament to enact very much needed reforms, led to great agitation among the laboring classes. The unions that workmen were constantly calling after their boy's labor led to careful preparation on the part of the authorities to prevent any
out-break. At Manchester, a great assembly of laboring men were charged by cavalry, and many of their numbers either wounded or killed. Parliament met and six laws were passed very much abridging the freedom of English citizens were hastily passed.

Now let us turn to the United States. In 1860, we find this great country facing for more serious difficulties than England encountered from 1792 to 1815. In less than a year from that time, nearly one half of our great country was devoted in open rebellion and we found that the army and the navy were so distributed throughout the country as to render practically no aid to the government at Washington. Her treasury was empty, the revenue fell off, so that she was forced to rely on her credit for means to carry on this war. Thus we see the two great countries were faced by
nearly the same difficulties. Both
men abashed in resources, but the
laws relating to private property
made it possible for capital to face
the government to accept their
items.

Both countries were fortunate in
their selection of chief officers of
the treasury. Sir William Pitt resembled Mr. Chase in
many ways. Both commanded the
unbounded respect of the people; both were to a great ex-
tent unsatisfactory to the leaders
in the financial world. Both were
honored in every respect and their
palmentions has never been questioned
even by their enemies.

Mr. Chase immediately upon receiv-
ing his appointment was authorized
to make a loan of 10 million dollars.
Treasury notes were to be issued,
and sold at par to the one who
accept the lowest interest. The first
installment, of 5 million dollars received
and for $1,831,000 at 12½%.  Of the
remainder bids were received for $465,000
at rates ranging from 15 to 3½ percent
and succeeded in raising the $5,000,000
at 12½%.  Biddle in his financial
memorandum states that, "When Secretary
Clough fixed the measure, he must
theedly learn two things: first the
urgency of being able to borrow
money; second, the difficulty of obtaining
it even at a high rate of interest."

As the stream of revenue had fallen
very low; Secretary Dix informed the
committee of Ways and Means that
sixteen millions would be a liberal
estimate for the first half of the
year 1861.  The equipment of the army
soon demanded another loan and
the Secretary was authorized by
Congress to make a loan of $21,000,000
which was floated by an association
of New York bankers.  Soon after
this another large loan was author-
ized 50 millions of which was to
be non-interest bearing treasury notes.
These were the first non-interest-bearing notes ever authorized by our government. The bankers were very unwilling to buy interest-bearing securities, but when these notes made their appearance a cry of protest went up. In account of their lack of full legal tender power, banks refused to receive them on deposit. Railways would not accept them, but when full legal tender power had been given them they circulated freely. But this only agitated the banks, they entered into active protest against the issue of more paper money, deeming that the government had no right to interfere with their monopoly in this respect. After various meetings of the New York bankers, and conferences with Secretary Chase, the association of bankers held a meeting and voted to suspend specie payments, and the government was forced to follow this example, leaving the country with a nonconvertible paper currency just like
England in 1797.

The financial condition of the country was very grave indeed. Time and again, Secretary Chase informed Congress that new issues of paper money of bonds and paper money must be immediately made to save the government from impending ruin. A heavy duty on imports was enacted, and many internal revenues on luxuries and necessaries were imposed. The national debt increased very rapidly, and reached its highest point in 1865, $2,845,907,626.56 of this gigantic sum.

$150,000,000 were legal tender notes in circulation, $21,400,000 bearing interest at 6 1/2%, $830,000,000 were Treasury notes, payable on demand, bearing 7 3/10%, and $4,540,483,701 Treasury notes, payable on demand, with only $25,000,000 of gold in circulation along the Pacific coast.
<table>
<thead>
<tr>
<th>Date</th>
<th>Demand Notes</th>
<th>Legal Tender Notes</th>
<th>National Bank Notes</th>
<th>Value in spec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1862</td>
<td>53,040,000</td>
<td>96,620,000</td>
<td></td>
<td>86.8</td>
</tr>
<tr>
<td>1863</td>
<td>3,350,019</td>
<td>297,767,114</td>
<td></td>
<td>74.5</td>
</tr>
<tr>
<td>1864</td>
<td>780,999</td>
<td>431,176,670</td>
<td>31,295,276</td>
<td>38.7</td>
</tr>
<tr>
<td>1865</td>
<td>472,602</td>
<td>432,187,966</td>
<td>146,137,860</td>
<td>70.4</td>
</tr>
</tbody>
</table>

By the above table it will be seen that the paper currency trebled its value in one year (1862-3). The next year, that amount was doubled, and the year after that, two millions were added to the sum total, making an increase of $346,917,966. This alone would inflate the currency to some extent and cause prices to rise; a fact very much lamented by our creditor class who were forced to take money of less value in payment of outstanding debts. This led to constant agitation on the part of
the monetary classes to get the bonuses of
the country back, as they said, on a solid
financial basis, claiming that the
great prosperity which continued during
the war and until checked in 1873 by
the panicky, since the year 1857,
was due to wild speculation. The heavy
taxation incurred by the war. The
throttling of a great army of unemployed
and to a great extent enfeebled
working men upon the market. The
destruction of the vast Confederate
circulation of the south and great
loss in credit through the country
demands custody and buoyant currency.
But the turmoil of war had scarcely
subsided until suggestions were being
made to resume specie payment. Bank
plans were suggested. Mr. Sherman, in a
speech before the Senate spoke of these
plans. In the meantime, it became
known to the people that the govern-
ment was contemplating a wholesale
liquidation of the greenbacks. Meetings
were held in every school house.
the subject of contraction was discussed on the platform among the people throughout the country; but in spite of the many protests and petitions, Congress immediately, in 1866, empowered the Secretary of the Treasury to destroy, in the first six months after the passage of the act, 10 million dollars of treasury notes, and from that time on four millions worth each month. Besides this, the Secretary of the Treasury was empowered to look after green backs up in the treasury, and leave them there until he saw fit to remove them. A protest went up through out the country. Financial stringency was felt throughout the land, and when Congress assembled in 1868, this power was taken from the Secretary by an overwhelming vote. Thus we may see how the first plan proved a failure. Congress was not only forced to stop the destruction of the green backs, but the people also demanded that more should be...
issued. Consequently, 2.5 million of the 4 million which had been destroyed were reissued. But on January 14, 1873, an act providing for the resumption of the volume of circulating greenbacks to 200 million dollars was passed. This provided for the cutting down of the volume of circulating greenbacks to 200 million dollars. In the meanwhile, the United States again followed the example of England by the demonetization of silver in 1873. It seems that a general movement against silver commenced in 1871, when Germany replaced the silver standard by the gold forcing the French to pay in gold the indemnity of the Franco-Prussian War, and placing a large share of her silver on the market forced France to follow her example. Thus breaking up the Latin Union. This was followed in 1873 by the demonetization of silver in Belgium also in the United States. This abandonment of silver as a money metal led to a constant fall in the price of
silver as measured in gold. Again history repeats its self. On the demon-
jization of silver in 1873, a vague feeling of insecurity seemed to pre-
rade. Whether the money volume was insufficient to carry on the business
of the country was a question. The wealth had increased from 23 billion
in 1865 to about 34 billion in 1873, while the currency had decreased from one
billion eight hundred million in 1865 to seven hundred and fifty million in
1873 a contraction of over a billion
of dollars. We will allow the reader to draw his own conclusions as to
the sufficiency of the money volume
in 1873. Never the less, there was
great stringency in money matters
and great turbulence among the
laboring classes, very much resembling
that experienced in England when
silver was demonetized in 1816;
and, as in the case of the greenbacks,
a general protest from the people caused
Congress to hastily undo a part of
the works which, if history tells the truth, was entirely unsolicited by the great common-people since there had never been a petition or a demand for the demonetization of silver. It seems that the United States, like England, had chosen a very unfortunate time for the declaration of one-half of her redemption money. For, as we have stated in 1875, the law for the resumption of the payments was placed on the statute books. But with the advice of Mr. Sherman, Congress decided that this law should not go into effect until the gold reserve had reached a hundred million dollars. It reached this point in 1879, when each payment was resumed officially throughout the United States. But troubles did not improve. As in England, labor was rapidly organizing to protect themselves from an unseen foe. Strikes and lockouts were of daily occurrence. Prices fell, and labor became scarce. Distress and suffering spread through-
the land. Wealth kept on increasing, while the pecuniary circulation decreased from $18 per capita to $16 per capita in 1880. Ground rents have been on a general decline since 1873. In 1893, another terrible panic struck the country bringing destruction of business interests all over the country. In England, a series of panics very much resembling those in the United States show that there has been a close analogy between England and the United States in financial affairs during the last quarter of a century.

**General Conclusions—**

1. From the financial occurrences in three countries, we plainly see the necessity of an adequate volume of circulating medium.

2. Any contraction of this money volume will, in nearly every case lead to industrial depression, falling prices, and universal distress.

3. The value of the money system does
not depend upon the material of which the money is made, although it is well to have it as near the ideal in every respect as possible: yet any material, whether it contains intrinsic value or not, if there be sufficient power behind it to ensure its redemption in services, wealth or the payment of taxes, or debts, is perfectly suitable, and in many cases far superior to money composed of gold or silver.

4. We may also conclude that prices may be controlled by the supply of the money volume, and that a "limitless money" is a valueless money." The value of the money be it made of paper, gold or silver depends entirely upon its volume.

5. We also see how industry may be stimulated and by the judicious management of the money issues parties and financial delusion may be avoided.