

Graduating Thesis
on
The Maintenance of
Our Present Money
System.

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The Maintenance of Our Present Money System.

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At this time an introduction to a subject of this kind is probably unnecessary. It seems that every American Citizen is wide-awake on the money question; yet where one hundred are discussing what our financial system should be there is hardly one that knows what it really is.

Of what does our present money system consist? In brief it has the metal gold for a foundation; in other words gold is the standard of value. On this metal as a foundation we build our financial superstructure of silver, copper, nickel and paper. Gold, silver and paper currency are our legal tender for the payment all debts or obligations, both public and private.

Among the advantages of our present monetary system are:

1. Its Stability. I believe this quality should be the first requisite of any money system. For if the money declines in value prices must rise and if it rises in value

prices must fall. Illustrate: Money is dearer now than it was about twenty-five years ago. Actual facts show us that prices are lower now than they were then. Then one hundred pounds of flour cost from six to eight dollars; now the same amount can be had for about one-third that sum.

In 1870 money was more plentiful and wages consequently higher than in 1896; hence commodities were correspondingly higher than at present. Simply put the principle is this: Money plenty, prices high; money scarce, prices low. Certain conditions, such as the condition of country, plentitude or scarcity of crops and new inventions, may and do modify the above principle but the fundamental idea is always true. If the money volume often fluctuates the disastrous effects on creditors and debtors, laborers and property owners is obvious. If a dollar has a certain value to-day and another after a limited time, the creditor would be afraid to loan ^{it} for fear that when due it might be worth less than when loaned; the debtor would fear to borrow the dollar for it might be worth more.

2. The interconvertibility of all our money, whether coin or paper. If by any means one kind of money could not be converted into another kind, it is plain to see that serious increments or diminutions of that form of currency might result.

3. The stable legal-tender quality of our paper currency. Our paper currency is exchangeable for gold or silver so long as Uncle Sam keeps his pledge to redeem it.

4. The convenience of paper money. This matter of convenience is more important than might appear at first thought. The writer has never been burdened with exceedingly large amounts of cash in metal but he can easily imagine how inconvenient it would be. It is chiefly to secure a readiness of exchange and transportability that so large a volume of all business is done on credit. Our paper currency is one extensive form of credit.

5. The fifth and greatest advantage is the use of the Gold Standard. When we say that the United States has a "gold standard"

we simply mean that gold is the standard of value, the yard stick by which all our other money is measured. The value of the silver and paper dollar is regulated by the value of the gold dollar. As a measure of value the gold standard has no equal. The general level of gold prices is more stable than that of silver prices and the former do not fluctuate as frequently as the latter.

More credit can be done in gold-using than in silver using countries. Why so? Because the value of gold and its effect on prices is more ^{certain} and fixed than that of silver. To my mind there is no serious disadvantage in a large volume of circulating credit, so long as it is founded on a safe and steadfast basis. A rapidly developing country like our own has need of an extensive system of credit among its people for such a condition is evidence of thrift and confidence in the land.

The extent of the gold standard: It has been adopted by the most civilized countries on the globe. England led the van of civilization by establishing this standard in 1816 while Costa Rica brings up the rear of the

procession in 1896. The leading nations that now have the gold standard are the United States, England, Germany, France, and Austria-Hungary. Russia has been preparing for a similar course by ordering 100 000 000 ^{gold} rubles coined in 1895 and she has lately taken very decisive steps in the direction of the gold standard. The three small but thrifty countries of Norway, Sweden and Denmark all adopted the gold basis in the same year as the United States.

What has been the effect of the gold standard on these nations? If we are to judge by the commercial standing of these nations, the effect has been most salutatory. The effect on all these nations, the United States included, has been to strengthen and build up commerce, to promote manufactures; to steady prices and wages; and finally to preserve an unimpaired credit among them each and all. All these nations largely attribute their prosperity to their financial system.

From the single gold standard, I pass to a consideration of the double

standard, or technically, Bi-metallism. As the word would indicate bimetallism means the equal treatment of gold and silver as money. As ordinarily understood it means the unlimited coinage of both silver and gold.

As a system is often judged by its extent, I pause to ask, what is the extent of bimetallism? Cite me to a country that has a bimetallic system? Can you name one? No! you cannot for there is none, no, not one.

As to the impracticability of bimetallism, it has been weighed in the balances and found wanting. Mexico is a notable example of its failure. The greatest attempt at International Bimetallism was by the League of the Latin Union in 1865. The chief countries in this league were France, Belgium, Italy and Switzerland. In 1878 the Union suspended the coinage of silver except subsidiary coins and so the league finally broke up. Now, why did this attempt fail? Some say because England was not in it. They say, we want England in the league because she has the

largest controlling interest. But a study of England's past and present policy leads us to the conclusion that England does not want bimetallism. She will never join a bimetallic Union? So then if international bimetallism cannot succeed without her, it must be impracticable.

I will next discuss the seventh great division of my thesis which is nothing more or less than the familiar subject of the free coinage of silver. After such a thorough educational campaign I take it for granted that all know what "free coinage" means, even if I should add unlimited and at the desired ratio of 16 to 1.

My first subdivision is the effect on money of the free coinage of silver. The first unavoidable effect would be the expulsion of our gold currency. This exodus would take place in accordance with the well-known Gresham's law which simply states, "that cheap money will drive out dear money." This law, enunciated about three hundred years ago, has been tried in several instances and always found by experiment to hold good. For example,

in Mexico, silver has driven out gold till it is now practically on a silver basis. The second effect would be the depreciation of all our paper currency. Paper money in all civilized countries is redeemable in the primary or standard money of the nation. By instituting free silver we would, as shown, drift to a silver basis and then silver would be the primary money, or money of final redemption. Since the redeeming money is made cheaper, the money to be redeemed must become cheaper also. Therefore both our silver and paper currency would be contracted in value, since a given amount would buy less of the products of labor.

Next we consider the effect of free coinage on prices. It has previously been shown that with a silver standard prices fluctuate more than with a gold standard. The general tendency of this unsteadiness is to raise prices.

If the prices are unstable we can easily see the effect on the people. It would probably affect the wage earner more than any other class. The laboring man, perhaps

more than any other, has a right to demand that the product of his labor shall be a constant. Practically the only argument advanced for free silver is that it would make money more plentiful. We concede this as an inevitable consequence. But here is where the natural law of supply and demand comes in. Let us suppose the supply of money under free coinage is double to what it was before. Now if the demand should also be doubled there would be no serious fault to find with this new system. But history and everyday common sense teaches us that if you increase the supply of anything you lessen the demand. This law is so self-evident that it should require no proof. In fact it is axiomatic. Nature's forces are valuable in proportion as they are limited in supply. Why is air unvaluable? You laugh at the question but even some apparently shrewd politicians do not understand the principle involved in the answer. To drive the truth home, why is gold worth more than silver? Is it because the government makes it so? Is it so by the dictation of the plutocracy?

Under all forms of government and varying conditions, the white metal has always been worth less than the yellow metal. Dear Silverite, how will you explain that fact?

There can be no other true explanation than ^{that} gold has always been harder to get than silver. Why, in the days of good king Solomon, "silver was counted as nothing."

Again, why are diamonds worth more than gold? Has Congress legislated value into them also. Why is the price of corn so low this year? The dumbest school boy will tell you: "Cause there is so much of it!" Now, you make the supply of silver too great and you are bound to decrease its value. There is no earthly means by which you can legislate fifty-three cents worth of silver into ~~one~~ hundred cents worth. You may call it a dollar but in value it is the same fifty-three cents as it was prior to your legislation. The creditor will demand two dollars where one sufficed before and you will either have to pay him this, or defraud him. If the law should make a depreciated dollar pass for a full dollar, it is clear that all debtors would be financially

benefited for they could then pay their debts in actually less money than before. But a debtor cannot exist without a creditor and the latter must be protected as well as the former. Thanks to even handed justice, the verdict of the election was that the one class should have equal rights with the other class.

Our last consideration is to notice the effect of silver coinage on the nation as a unit. It is argued by the opposition that we are a debtor nation and that a great increase in our silver money would enable us to pay off our debts very easily. The first premise is correct but the conclusion is fallacious. The argument considers only one side. If the creditor nations' payment was at the option of the debtor nation the reasoning would hold. But other nations will, and ought to, measure our money by its value in the markets of the world. So the nations on a gold standard that we owe would either demand payment in gold or its equivalent; the nations on a silver standard would accept our silver only on its bullion value. Our commerce would

only be sought by such countries as China, India and Mexico that are on a silver basis.

Independent action of the United States for the remonetization of silver was strongly urged in the last campaign. We laugh at the man who says he can live independent of everybody else; who says he can get everything he eats, drinks or wears independent of every other living soul. We can extend this idea to the individual nation. As no man can be totally independent of every other man, so no nation can be totally independent of every other nation.

In the preceding two thousand words or more, I have endeavored to briefly give the nature of our present money system. I have argued for its maintenance by considering some changes proposed, dwelling with some length on the free silver proposal. I realize that my subject has been a common one, yet I have given my opinion as formed from extensive discussion and reading, with some original thought. If this thesis

has any merit it lies in composition rather than in thought. For the theme and thought are commonplace and the question is one that is losing interest, yea, by many regarded as settled. With such a mass of literature already on this subject it might seem impertinent for me to have increased the supply. Yet it is a great consolation to know that its circulation will be limited to one volume and that will some time occupy a slightly infrequent corner in the college library.

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