# Currency Reform

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# Contents

1. *The Silver Dollar.* . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 3
2. *The Greenback Dollar.* . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 5
3. *The Absolute Dollar.* . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 7

THE consideration of the financial policy of the nation is no longer confined to legislative assemblies, or to the study-chamber of the philosopher. Where a few years ago some recognized authority in what passes for social science was regarded as final, from whose decision there was no appeal for the average mind, now, on the contrary, the farmer, the tradesman, and the mechanic, lend willing ears and enthusiastically take sides in the controversy. No surer indication could be found than in this fact, that financial questions will exercise a determining influence in the political campaigns of the future.

The whole controversy, however, is one of such recent growth, and its discussion occupies so much of the public attention, that instead of adding another article to the number of financial essays, with which we are becoming deluged, it has seemed to the writer that it might be of more general interest to state,'as clearly as may be, the different divisions under which nearly all shades of opinion on the subject may be classified.

## 1. *The Silver Dollar.*

At the termination of our civil war, silver, either alone or conjointly with gold, was almost universally recognized as legal tender money for unlimited amounts. True, England had demonetized it sixty years ago, but it is only in very recent years, and through her influence, that other great nations have been led to follow her example. The United States, Germany, Sweden, Norway, Denmark, Turkey, Portugal, Egypt, Japan, Brazil, and a large number of smaller states, mainly within this period have been induced to demonetize silver and inaugurate the gold standard. In 1874, immediately following the action of Germany and the United States, Holland, and the states comprising the Latin Union—France, Belgium, Switzerland, Italy and Greece, though maintaining the double standard, yet restricted the coinage of silver.

The inevitable effect of these concurrent proceedings has been to induce an almost general system of contraction throughout both America and Europe, whereby their productive industries and commercial relations were obliged to readjust themselves to the new standard. The increased demand thereby created, by devolving upon gold alone the functions before performed by both the metals, has caused gold to rapidly appreciate in value as measured by its purchasing power of other commodities.

At an early period in our late civil war it was seen to be impossible to carry on the government by dependence upon coin. To meet the exigencies of the case a national legal tender money—the greenback—was issued interconvertible with an interest bearing bond. The 5–20 bonds when first issued were expressly understood to be redeemable in this legal tender. In 1869, “a bill to strengthen the public credit” was enacted, making the bond indebtedness of the United States payable in *coin.* At this time, and in fact from the organization of the government until February 12, 1873, silver was a circulating medium and a legal tender for all debts, public and private. The demonetization of silver was carried through Congress, strange as it may seem, without the apparent knowledge of its members, or even of the entire committee having the bill in charge; even seven months after the bill, in which this provision was incorporated, had received the President’s official approval we find Gen. Grant (in a letter written to Mr. Cowdry, Oct. 3, i873) evidently ignorant of the fact.

That the disuse of silver has directly appreciated the value of gold in the markets of the world by increasing its purchasing power is not a mere matter of opinion, but sustained by incontrovertible facts. The proportion of silver to gold in use as money in Europe, was very nearly three of silver to five of gold; at least two-thirds of this silver being an unlimited legal tender. By the demonetization of this two-thirds, (one-third being still in use as subsidiary coins), we have withdrawn one quarter of the entire quantity of metallic money. Consequently on the remaining three-fourths must fall the power of expressing values, that is, its value would be increased twenty-five per centum. It must also be borne in mind that this new standard applies to all preexisting debts and contracts; obligations contracted under the double standard being, on maturity, expressed in the enhanced value of the single standard.

Lord Beaconsfield, with that all comprehensive vision that characterizes the statesman, clearly saw this result in 1873, and thus expressed himself in his speech at Glasgow:

> "When the various States of Europe *suddenly* determined to have a gold standard, and took steps to carry it into effect, it was quite evident we must prepare ourselves for great convulsions in the money market, not occasioned by speculation or any old cause which has been alleged, but to a new cause with which we are not sufficiently acquainted, and the consequences of which are very embarrassing."

Our entire debt, national, state and municipal, with corporate and private indebtedness, is estimated to aggregate fully one-third of all the property of the country. To meet this load of obligations made upon the basis of gold, *silver and greenbacks*, we have first demonetized silver, and secondly, pledged ourselves to cancel the greenbacks. In effect, we enter the money markets of the world with this vast indebtedness to compete with Russia, Austria, Turkey, Italy, Spain, and other debtor nations for the purchase of gold, thus vastly increasing the demand. While our abilities to meet obligations have thus suffered such a violent contraction, there has been no contraction in the obligations themselves. Preeminently the debtor nation of the world, we enter into a league with the creditor nations to increase the demand for gold, so that by all ways possible the coin left to measure debts shall be raised to the utmost limit.

Gold being the standard of valuation, the effect is only seen in the corresponding depreciation of products, labor, and property of every description. Nor is this the full extent of the damage, for this tampering with the value of the monetary unit operates in so insidious a manner that soon all species of productive industry are deranged and paralyzed, but this is precisely where falls the burden of the enhanced value of all indebtedness.

This course of reasoning while irresistible in itself is borne out fully by an appeal to facts. It is now a matter of demonstration that with the ten per centum depreciation, as measured by gold valuation, silver has really appreciated in value as measured by its purchasing power of all other commodities. That is, the demonetized silver dollar of to-day exceeds in purchasing power more than ten per centum the silver dollar of five years ago, with the exception of the commodity gold. While silver has fallen ten per centum measured by gold, the average fall in the price of commodities in England since 1872 shows conclusively that the purchasing power of gold is there greater by nearly twenty-five per centum. In other words, while all other commodities measured by the gold standard have fallen from twenty to twenty-five per centum, silver has fallen only ten per centum. Further, if instead of commodities, we take land, we will find that measured by the same standard there has been a fall of fifty per centum; and in labor, which in the words of Adam Smith, "is the real measure of the exchangeable value of all commodities," there has been a still further depreciation of from fifty to one hundred per centum. Instead, therefore, of the charge being true that the debtor seeks to meet his obligations with a ninety cent dollar, he is only protesting against the extortion of a. 125, 150, or even a 200 cent dollar made by his creditor.

In India, however, where silver alone is the standard, we have the testimony of the Governor and his council, that there has been no fall in the value of silver measured in commodities other than gold. We invite attention to the following brief extract from their report to the Home government, under date of Sept. 22, 1876. The Governor-General says:

> "The prices of commodities and precious metals in London and India witness to a considerable rise in the value of gold since March, 1873, and especially since December, 1875, and do not show any fall in the value of silver measured in commodities other than gold."

In 1877 we have further testimony to the same effect. Silver is the measure of value throughout Asia (Japan excepted), and the same fact proved by trade in India is also verified in China and throughout the entire Asiatic continent.

As the demonetization of silver by so many governments has led to its depreciation, it is confidently alleged that its remonetization with full legal tender qualities will enhance its value. France, with a double standard, stands almost the solitary exception to the worldwide depression of business; maintains a silver circulation of $300,000,000 at par with gold, yet its silver possesses a valuation equal to but 400, instead of412% grains to the dollar. By being restored to its full legal tender qualities, we not only tend to undo the mischievous legislation of 1873, restore silver to its time-honored place as an American coin, but thereby set into operation natural causes that must eventuate in its appreciation to par value with gold.

After this summary of the facts and figures bearing on the silver question, it will need no further remarks to show that there is due from the government "honor and good faith" no less to its citizens than to professed money lenders.

## 2. *The Greenback Dollar.*

For many years there have not been wanting writers at home and abroad who have sought to obtain a deeper glance into the problem, and have uttered their protest against a further adherence to the metals as a medium of exchange. They have insisted that the time had arrived for a new departure from the outgrown methods of ruder times, and the results of our financial experience during the war has increased this class of writers.

The Greenback was a promise to pay, but as we could get no coin to carry on the war, and much less to pay for the proposed issue, a bond was therefore prepared into which we could fund any excess of currency, said bonds being payable in currency in not less than five, nor more than twenty years at the option of the holder, and bearing interest at six per centum. The amendments of the Senate making the interest payable in coin, and refusing to accept the national money at the national custom houses, thereby depreciating it in advance, the subsequent exemption of the bonds (dead capital) from taxation, and the creation of the National Bank system are well known.

The National Bank bill is based on the bond, and altogether presents an instance of unscrupulous rapacity and class-legislation seldom equalled. Full interest is not only paid to the banks upon the bonds bought—their capital in trade—but there is also returned in notes nine-tenths of the face value of the bonds, together with the exclusive privilege and monopoly of banking.

A course of legislation has also been followed by which it has been sought to throw the whole currency of the country into the hands of these private corporations through the enforced retirement of the greenback. To effect this and inaugurate specie payment, the large volume of paper outstanding in 1865 serving the functions of money have been contracted two-thirds, although the business of the country was becoming adapted to the changed condition. The wide-spread misery into which we have since fallen, the almost extinction of our manufacturing prosperity, and the conversion of millions of able-bodied men into homeless Wanderers is well known. That fortunes have been lost, business ruined, industries suspended, and labor starving, is but a repetition in our land of the results of similar methods in England's financial history.

Has it been necessary? Is a specie basis essential to the commercial exchanges of a nation? Can not a currency be based on the entire wealth of a nation as well as on one or two of its productions? These are the great questions now under popular discussion, and striking at the very roots of the old system. What is money? Judge Kelley says:

> "It is that which a government declares shall be legal tender in payment of debts throughout its jurisdiction. It is purely a national and local institution, the crucial test of which is, Is it a legal tender?"

Henry Carey Baird says:

> "Anything which freely circulates from hand to hand, as a common acceptable medium of exchange in any country, is in such country money, even though it cease to be so, or to possess any value, in passing into another country. In a word, an article is determined to be money by reason of the performance by it of certain functions, without regard to its form or substance."

We may with confidence assert that the business of the country has long since outgrown the limited quantity of coin, and the specie, even in specie paying countries, scarcely enters into the settlement of debts. In fact the claim of a specie basis even in England, as we will see, is only a myth, having long since been supplanted by credit to meet the increased requirements of trade. The bank check is the monetary instrument of the age, millions of dollars being settled daily through the Clearing House without the use of either specie or bills. The business of London through "an inflated paper currency" of checks is so great that gold constitutes but one half of one per centum of the entire amount. It is a matter of history that whenever gold has been generally sought on the bills supposed to represent it, it has invariably failed to meet the demand and general bankruptcy and wide-spread ruin has periodically been the result.

£6,000,000 of the Bank of England bills are based, not on specie, but the government credit, representing debt, not coin. Whenever there has been a general demand for coin suspension has invariably resulted and an increased issue of bills been necessary to restore confidence. Yet these bills retain their par value, not because of their assumed redeemability, but of the government credit behind them. Bank deposits in England, that is, bank credits, as well as bills, perform the functions of money as assuredly as the gold on which they are professedly based. These credits are not deposits of coin, but, to use the words of Bonamy Price, "merely represent debts," yet they aggregate over $5,000,000,000; while against this vast sum of veritable purchasing power we have perhaps $150,000,000 gold as bank reserves.

Specie as a basis being thus confessedly outgrown and its place supplanted by credit, the question arises shall the credit which supplant it be private or that of the nation ? Paper has ceased to be a mere representative of coin, but has become an actual substitute for it—and deriving its value from the confidence we have on its endorsement. But the unlimited inflation of bank credit currency worked by means of checks and kept at par with gold on which it is based, as an inverted pyramid may be said to be based on its apex, is a system whereby the mass is readily enslaved by the few who manipulate it, for it directly increases the power of the few at the expense of the many. A specie basis is thus seen on its face to be a delusion, without warrant in fact, unsafe in practice, and a relic of pre-industrial ages; in fact it might be cited as a glaring instance of what ethnologists would term a case of survival.

In lieu thereof there is demanded a National paper money issued on the authority and credit of the government, representing its entire wealth and made a legal tender in the payment of all debts, public and private. Not an exchange of commodities, but a medium of exchange whereby the products of industry are conveyed from hand to hand and representing the articles exchanged. The heavy tax imposed by the National Bank system would be done away and instead of delegating the credit of the government to private corporations at the expense of the people, the national credit would be behind every dollar issued.

But these bills are to be based on the Government bond, and made convertible into them, offering a depository paying a low rate of interest, based on the whole wealth of the nation. This system would recall our bonds from abroad and have them held at home. Every bill issued by the government represents a portion of its debt; whatever amount is thus held in the form of a circulating medium would entail no interest charge, and by its convertibility into a bond there could result no inflation beyond actual need, for every dollar not required in the channels of trade, not taken up at higher rates, would be presented for redemption in the bond. Our debt would be held at home, we would save the present drain to foreign countries to meet the interest; insolvent savings banks and trust companies would be unknown, and the present stagnation in trade removed. The volume of currency would depend upon the amount which would be required by the wants of trade. When business would be more profitable than the investment in bonds at a low rate of interest, bonds would be converted into money, and *vice versa.* In the words of Mr. Groom, in such an interchangeability "there is a subtle principle that will regulate the movements of Finance and Commerce as accurately as the motion of the steam engine is regulated by its 'governor.'"

## 3. *The Absolute Dollar.*

Paper money, in every form with which we have been familiar with it, has ever been professedly based on coin. Even the greenback was a "promise to pay," and thus gives color to the claim of the resumptionist that the honor of the nation is at stake till that promise be fulfilled. But the discussion has long since passed out of the limited arena of constitutional requirements, or even the intentions of a preceding generation. The question is not one of interpretation, but one of justice, and the general recognition of this point would relieve the discussion of much that is irrelevant.

Paper money is a necessity; this is not denied. But heretofore paper has but served the purpose of supplementing the inadequate supply of the metals and been made subservient to them. Based upon coin, its value as a medium of exchange depended upon the fluctuating value of an ever-shifting commodity, liable to be withdrawn when its presence was most needed. From 1809 to 1849, gold advanced in value fully 145 per centum; then under the stimulus of Californian and Australian mining, and its demonetization by Germany, fell till within recent years.

Absolute money differs from the greenback in not being convertible into any bond whatever; instead of being a promise to pay, it is a promise to receive for custom dues and taxes. Congress has definitely fixed the length of the yard and the size of the bushel, but the value of money has been left an uncertain quantity; it has delegated its right to emit the current money of the people to private monopolies, and refused to "regulate the power thereof."

At the period of our greatest prosperity the annual increase of the wealth of the nation has been but about three per centum, while at the present time we have the authority of the Chief of the Bureau of Statistics, at Washington, for placing it, " perhaps as low as two per cent." The editor of the *Irish World* to whom this statement was communicated, (and one of the very ablest advocates of currency reform), believes that for years even this estimate has been too high, and that it will not much exceed one per centum. There can be no permanent prosperity as long as the people are forced to pay an oppressive tax not warranted by the circumstances, and every cent extorted from the people above the rate of annual increase of wealth is an usurious tax, that silently, but surely absorbs the profits of productive enterprise, lowers wages, and lessens production.

Interest diverts the fruits of labor from the unrequited producers to the monopolizers of the means of labor, reduces the workingman to economic subjection to a speculative class, and perpetuates the monarchical principle of the centralization of wealth in the hands of a few. Carrying with it, on the one hand, the inevitable degradation of the mass by the permanent institution of a pauper class, the consequent perpetuation of misery and crime, with the enforced sacrifice of social progress to private greed; and, on the other hand, cursing the holders of capital, by hardening the heart, deadening the conscience, blunting the sensibilities and deforming the moral nature. Individually robbing man of his ability to exercise his normal functions as a social unit, and socially disintegrating the bonds without which the social organism falls into decay by the introduction of the anarchical and destructive offshoots of individualism, greed, rapacity and avarice. Until the power of usury to absorb profits is destroyed the economic freedom of the proletariat will remain but the substance of things hoped for, and only under a just monetary system can association and cooperation secure such a desired result.

Let the government issue these paper money-tokens to the people through their state, county and municipal authorities at the same rate as bills are now furnished the banks, one per centum, sufficient to cover expenses. Secured by the national credit, they would present an unchangeable measure of values, unlike gold, "fixed as the sun." While under our financial system there is no legal guard against checks and drafts being limited only by the demand and the demand subject to the wildest speculation under governmental control, this would no longer be left to hazard. "It is far more dangerous to grant Congress the power to issue an unlimited amount of bonds than to authorize it to issue more money upon the report of a Board of Commissioners, based upon carefully gathered statistics and well prepared tables, showing the progressive ratio for the increase of the absolute money required by the extent of trade, bills of exchange, money of account, commerce, and the annual products." (Hill.)

Our foreign exchange is not regulated by *coin* exportations but by *product* exportation. Exports balance imports, but the balance, if against us, is not paid in money, but the *commodity*, gold. It is taken at its weight, as bullion, not as money, and, whatever our currency, we would continue to settle foreign balances as in the past, with products. If we do not export enough of the products of our fields or workshops to pay for what we get, we must either reduce our luxurious imports correspondently to balance the account or give the products of our mines. Hence our money tokens, while serving as a fixed measure of value at home, would release our subjection to the financial condition of things abroad; instead, however, of being worthless abroad, their unquestionable security would render them as exchangeable there as our bonds are now, or Bank of England notes.

Such in brief are the three great divisions of Currency Reform. The first class, really conservative, alarmed by the rapid growth of an American plutocracy, by which they are crowded from the ranks of the monied aristocracy, and excluded from a share in the spoils, loudly demand the restoration of silver, not so much in the interest of justice as "to restore the ancient order of things." It is essentially a reform in the relations of the aristocracy to each other.

The second class, more thorough and constructive in their methods, fully emancipated from the worship of the golden calf, still stumble over the rock of usury. Proposing no measure that will relieve industry from the constant drain made upon it, they seek only a readjustment of the distribution of the spoils of labor. If the first class may be compared to an absolute monarchy with a limited peerage, this class may be likened to a constitutional monarchy with its great and powerful middle class to direct affairs and be represented in parliament. Consequently the success of the 3.65 bond scheme with traders, it being essentially a movement for the relief of middle men from the "depression of trade," and so indirectly only benefitting the working classes.

In the third division we strike the hard pan of absolute justice and take the first step toward the inauguration of a cooperative government, placing the social ban upon the false and anarchical theory of political economy that regards labor as a commodity to be sold, and capital, the child of labor, its master and tyrant.

Capital can never accrue save through social cooperation; being, therefore, a social product, it must have a social destination. This is one of the fundamental laws of the social organism; to ignore it is social disintegration and anarchy. The system of absolute money is the only system of finance wherein distribution is not subordinated to production, wherein social rather than class interests are paramount, and it can alone restore these social laws to their normal functions.

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