



***CHARLES
N. FOWLER***

***SEVENTEEN TALKS
ON THE BANKING
QUESTION***

Charles N. Fowler

Seventeen Talks on the Banking Question

**Between Uncle Sam and Mr. Farmer, Mr. Banker, Mr.
Lawyer, Mr. Laboringman, Mr. Merchant, Mr.
Manufacturer**

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FIRST NIGHT

THE STANDARD OF VALUE

UNCLE SAM: Gentlemen, I have invited you to take part in one conversation a week upon the much-vexed and all-important question of a financial and banking system for my country. We shall continue these conversations until we arrive at some conclusion which will be satisfactory to all of us, although this may seem difficult at the outset.

To begin with, I want to assure you that our talks shall be absolutely confidential, and nothing that is said at these meetings shall ever go any farther, unless we agree to announce our conclusion. With this understanding we can be brutally frank with each other, and I can expose my hand to you.

The present situation is one demanding immediate attention, and only our ignorance, greed or political cowardice can prevent us from arriving at a satisfactory solution of this problem. We must be sincere and patriotic in our purpose, for we represent practically every phase of our citizenship, and I assume you are typical of the average intelligence of the people.

Here is Mr. Lawyer to steer us clear of legal obstacles, Mr. Laboringman to speak for our millions of daily toilers, Mr. Farmer to point out the disadvantage of agricultural loans, Mr. Merchant to illustrate the defects of our present commercial credits, Mr. Manufacturer to caution us against the conversion of our liquid capital into fixed investments and Mr. Banker to tell us of his woes and enlighten us upon the remedies for all his ills.

What we don't know now, we will each attempt to find out before our talks come to an end. Certainly there is some solution to this question. In short and in fact it must be solved.

I am the laughing stock of the entire civilized world today. For our persistent folly we suffer losses in the aggregate amounting to hundreds of millions of dollars every year. We ought to have, and can have the best and the most efficient banking system in the world. Indeed, we ought to give the laugh to all the other countries in banking, as we do practically in everything else. It is up to us.

MR. BANKER: Uncle Sam, I agree absolutely with what you have just said. I believe it is our duty to sit every week, as you suggest, continuously until we arrive at some conclusion upon which we can all agree. If we do this I believe, since we represent so many callings and are so representative of the various lines of business, we shall find the public approving of our conclusion.

I suggest that we begin with the very A, B, C of this question, and settle one point after another as we go along. If we do this, our differences will disappear as we progress, and the X, Y, Z of this question, or the formation of a financial and banking system, will be comparatively easy in the end.

For example, we must first fix clearly in our minds what a standard of value is, and what our standard of value is, what money is, what currency is, what capital is, what a bank is, and so continue step by step to the end, leaving absolutely nothing for guesswork, if that is at all possible.

The experience of the world has been so broad and complete that our solution of this question is entirely possible, although we have some problems that are peculiar to ourselves.

MR. LAWYER: That plan suits me exactly, for only recently I made a thorough study of the question of our standard of value. My investigation took me back more than 6,000 years, and I found the subject amusing often as well as intensely interesting, while the result of my research was most satisfactory.

I discovered that everything from baked clay to the credit of practically every government that has ever existed had been used at some time or other, as a standard of value, or a measure of value.

MR. FARMER: Mr. Lawyer, just what do you mean by a "standard of value"?

MR. LAWYER: A "standard of value" is anything that may be selected by which all other things in some particular locality or country are measured.

The Indians of British Columbia used haiquai shells; one string being equal to one beaver skin. In Australia tough green stone and red ochre were used. In Central Africa slaves were used. In Iceland the law made cattle the standard of value. In the Fiji Islands whales' teeth. In the South Sea Islands red feathers were used. In Mexico and Abyssinia salt was used.

Agriculture has produced its standard of value; corn, maize, olive oil, cocoanuts, cocoa-nut oil, tea, tobacco, cacao, beans, wheat, rice.

The pastoral life produced its standard of value; sheep, cattle, goats, horses and practically every other domestic animal, according to the time and place.

The following history of American experience in the development of a standard of value cannot be better restated, and is practically a repetition of the experience of mankind in all the ages, therefore I want to read what Horace White says upon the subject:

"It may be said that Virginia grew her own money for nearly two centuries, and Maryland for a century and a half.

"The first settlers of New England found wampumpeage, sometimes called wampum and sometimes peage, in use among the aborigines as an article of adornment and a medium of exchange. It consisted of beads made from the inner whorls of certain shells found in sea water. The beads were polished and strung together in belts or sashes.

"They were two colors, black and white, the black being double the value of the white. The early settlers of New England, finding that the fur trade with the Indians could be carried on with wampum, easily fell into the habit of using it as money. It was practically redeemable in beaver skins, which were in constant demand in Europe. The unit of wampum money was the fathom, consisting of 360 white beads worth sixty pence the fathom. In 1648 Connecticut decreed that wampum should be 'strung suitably and not small and great uncomely and disorderly mixt as formerly it hath been.' Four white beads passed as the equivalent of a penny in Connecticut, although six were usually required in Massachusetts and sometimes eight. In the latter colony wampum was at first made legally receivable for debts to the amount of 12d. only. In 1641 the limit was raised to fifty pounds sterling, but only for two years. It was then reduced to forty shillings. It was not receivable for taxes in Massachusetts. The use of wampum money extended southward as far as Virginia.

"The decline of the beaver trade brought wampum money into disrepute. When it ceased to be exchangeable in large sums for an article of international trade the basis of its value was gone. Moreover it was extensively counterfeited, and the white beads were turned into the more valuable black ones by dyeing. Nevertheless it lingered in the currency of the colonies as small change till the early years

of the eighteenth century. While it was in use it fluctuated greatly in value.

"The first General Assembly of Virginia met at Jamestown July 31, 1619, and the first law passed was one fixing the price of tobacco 'at three shillings the beste, and the second sorte at 18d. the pounce.' Tobacco was already the local currency. In 1642 an act was passed forbidding the making of contracts payable in money, thus virtually making tobacco the sole currency.

"The Act of 1642 was repealed in 1656, but nearly all the trading in the Province continued to be done with tobacco as the medium of exchange.

"In 1628 the price of tobacco in silver had been 3s. 6d. per pound in Virginia. The cultivation increased so rapidly that in 1631 the price had fallen to 6d. In order to raise the price, steps were taken to restrict the amount grown and to improve the quality. The right to cultivate tobacco was restricted to 1,500 polls. Carpenters and other mechanics were not allowed to plant tobacco 'or do any other work in the ground.' These measures were ineffective. The price continued to fall. In 1639 it was only 3d. It was now enacted that half of the good and all of the bad should be destroyed, and that thereafter all creditors should accept 40 lbs. for 100; that the crop of 1640 should not be sold for less than 12d., nor that in 1641 for less than 2s. per lb., under penalty of forfeiture of the whole crop. This law was ineffectual, as the previous ones had been, but it caused much injustice between debtors and creditors by impairing the obligation of existing contracts. In 1645 tobacco was worth only 1-½d. and in 1665 only 1d. per lb.

"These events teach us that a commodity which is liable to great and sudden changes of supply is not a desirable one to be used as money.

"In the year 1666 a treaty was negotiated between the colonies of Maryland, Virginia, and Carolina, to stop planting tobacco for one year in order to raise the price. This temporary suspension of planting made necessary some other mode of paying debts. It was accordingly enacted that both public dues and private debts falling due 'in the vacant year from planting' might be paid in country produce at specified rates.

"In 1683 an extraordinary series of occurrences grew out of the low price of tobacco. Many people signed petitions for a cessation of planting for one year for the purpose of increasing the price. As the request was not granted, they banded themselves together and went through the country destroying tobacco plants wherever found. The evil reached such proportions that in April, 1684, the Assembly passed a law declaring that these malefactors had passed beyond the bounds of right, and that their aim was the subversion of the Government. It was enacted that if any persons, to the number of eight or more, should go about destroying tobacco plants, they should be adjudged traitors and suffer death.

"In 1727 tobacco notes were legalized. These were in the nature of certificates of deposit in Government warehouses issued by official inspectors. They were declared by law current and payable for all tobacco debts within the warehouse district where they were issued. They supply an early example of the distinction between money on the one hand, and Government notes, or Bank notes, on the other. The tobacco in the warehouses was a real medium of exchange. The tobacco notes were always payable to bearer for the delivery of this money. They were redeemable in tobacco of a particular grade, but not in any specified lots. Counterfeiting the notes was made a felony. In 1734 another variety of currency, called 'crop notes,' was introduced.

These were issued for particular casks of tobacco, each cask being branded and the marks specified on the notes.

"The circulating medium of the New England colonies was quite as fantastic as that of Virginia. Merchantable beaver was legally receivable for debts at 10s. per pound. In 1631 the General Court of Massachusetts ordered that corn should pass for payment of all debts at the price it was usually sold for, unless money or beaver skins were expressly stipulated. In other words, a debt payable in pounds, shillings, and pence might be paid at the debtor's option in any one of three ways; in corn at the market price, in beaver at 10s. per pound, or in the metallic money of England. For more than half a century this order continued in force and operation, other things being added to the list from time to time.

"In 1635 musket balls were made receivable to the extent of 12d. in one payment.

"In 1640 Indian corn was made current at 4s. per bushel, wheat at 6s., rye and barley at 5s., and peas at 6s. Dried fish was added to the list. Taxes might be paid in these articles and also in cattle, the latter to be appraised.

"The need of metallic currency was severely felt. In 1654 it was ordered that no coin should be exported, except 20s. to pay each one's traveling expenses, on penalty of forfeiture of the offender's whole estate.

"The cost of carrying the country produce taken for taxes amounted to 10 per cent of the collections. A constable once collected 130 bushels of peas as taxes in Springfield. He found that he could transport this portion of the public revenue most cheaply by boat. Launching it on the Connecticut River, he shipped so much water on board at the falls that the peas were spoiled. Thus we learn that

money ought to be easy of carriage and not liable to injury by exposure to the elements.

"In 1670 it was ordered for the first time that contracts made in silver should be paid in silver.

"In 1675, during King Philip's war, the need of metallic money for public use was so great that a deduction of 50 per cent was offered on all taxes so paid.

"The first local currency of New Netherlands was wampum, but it was subordinate to the silver coinage of the mother country; that is, it was reckoned in terms of that coinage as fixed by the Dutch West India Company from time to time. It was fixed at six white beads for a stiver. Wampum was not made in the province, but was imported from the east end of Long Island, the principal seat of production. It is mentioned in a letter from the Patroons of New Netherlands to the States General in June, 1634, as 'being in a manner the currency of the country with which the produce of the country is paid for,' the produce of the country being furs.

"Beaver soon became current here, as in New England, and for the same reason, its currency value being fixed by the company at 8 florins per skin. As 5 wampum beads were equal to 1 stiver and 20 stivers to 1 florin, and 8 florins to 1 skin, the ratio of wampum to beaver was 960 to 1. The market ratio did not coincide with the legal ratio very long. Nor was the legal ratio of either wampum or beaver to silver maintained; for, in 1656, Director Stuyvesant wrote to the company urging that beaver be rated at 6 florins instead of 8, and wampum at 8 for a stiver instead of 6, as these rates were nearer the commercial values.

"In 1719 the Assembly of South Carolina made rice receivable for taxes, 'to be delivered in good barrels upon the bay in Charlestown.' In the following year a tax of 1,200,000 pounds of rice was levied, and commissioners

were appointed to issue rice orders to public creditors, in anticipation of collection, at the rate of 30s. per 100 lb., in the following form:

"This order entitles the bearer to one hundred weight of well-cleaned merchantable rice to be paid to the commissioners that receive the tax on the second Tuesday in March, 1723.'

"Rice orders were made receivable for all purposes, and counterfeiting was made felony without benefit of clergy.

"In eastern Tennessee and Kentucky, early in the nineteenth century, deer skins and raccoon skins were receivable for taxes and served the purposes of currency.

"When California was first invaded by gold seekers there were a few Mexican coins in circulation there, not nearly sufficient to answer the needs of the growing community. The immigrants brought more or less metallic money with them. The smaller coins were those of many different countries, chiefly Spanish. For want of sufficient coins, the first trading was done largely with gold dust, sometimes by weighing it in scales, sometimes by guesswork. A 'pinch' of gold dust about as large as a pinch of snuff had a current value and was a common measure in places where there was no means of weighing. At a public meeting in San Francisco, September 9, 1848, it was resolved by unanimous vote that \$16 per ounce was a fair price for placer gold. This rate was at once adopted in all business transactions. By and by private coiners of gold came into the field. The Legislature was at first alarmed by the appearance of these unaccustomed pieces, and passed a law to prohibit circulation and to close the shops where they were made. It was soon found, however, that they were a great convenience. Then the law was repealed. Several establishments immediately went to work assaying and coining gold. One of these was at Salt Lake City, whose

productions were known as Mormon coins. Only one of these establishments, that of Moffat & Co., of San Francisco, conformed exactly to the government standard of weight and fineness. All the others, however, including the Mormon ones, circulated freely, and were received on deposit by the banking houses until the government set up an assay office and began to stamp octagonal pieces of \$50, called 'slugs,' and afterwards those of \$20 each. This was done in 1851; the San Francisco mint was not ready till 1854. The Moffat coins continued to circulate after the mint had gone into operation, since everybody had confidence in their goodness. It is estimated that \$50,000,000 of private coins were struck. They were received in the Atlantic cities at their assay value only."

The foregoing illustrations drawn from our own history serve to explain the nature of money and the processes by which mankind learns to distinguish between good money and bad.

MR. FARMER: In all that has been said there is nothing stranger nor more interesting than what is going on today.

Uap is one of the most interesting of the South Sea Islands. It is the Western outpost of the Carolines, which were purchased by Germany from Spain for \$3,300,000 at the close of the Spanish-American War. The form of money used by the people and the perfection of the system of currency is as interesting as anything in the history of the human race.

The small change consists of pieces of pearl shell and small round stones. Large sums are represented by fei. These are big circular stones in the form of wheels ranging in diameter from one to twelve feet. In the centre of each is a hole through which a pole is thrust to facilitate carriage from one spot to another.

These coins are not minted on the island, nor has any addition been made to the supply of them for a number of years. They were originally fashioned in the Pelao Islands, and brought thence to Uap in canoes over a stretch of four hundred miles of ocean. A very large fei could not be changed into smaller coin without seriously disturbing the currency of the island. The owner of one of these twelve-foot masses of wealth is a sort of J.P. Morgan. Like the man with the million dollar bill in Mark Twain's story, he does not need to break his money in order to pay for anything he may buy, but readily secures all that he desires on credit.

It speaks volumes for the honesty of the islanders that all this stone money is left out of doors standing against the sides of the huts. The annals of Uap do not contain a single record of the theft of a fei, but perhaps the difficulty of disposing of such unwieldy cash may be a potent factor in the matter. Not only is the ownership of a large fei equivalent to the command of an unlimited amount of currency, but abstract possession seems to entail the same advantage.

Many years ago a canoe carrying one of these large stones was sunk a few miles off the island. Although the fei went to the bottom of the ocean and has lain there ever since, the man to whom it was consigned enjoyed all the advantages that would have accrued from its delivery to him. During his lifetime he was accredited one of the wealthiest men of Uap. Not only that, but he bequeathed his interest in the submerged fei to his son, and it has been passed on in like manner through four or five generations, securing all the advantages of substantial wealth to each.

MR. LAWYER: Metal of some kind has been used as far back as the records of time go, and strange as it may seem, gold was the first metal to be used as well as the first to be discovered, as a standard of value, or measure of value. Iron

was used in Sparta, spikes in Central Africa, nails in Scotland, lead in Burmah, copper, tin and silver in Rome. Silver and gold were used in China a thousand years ago. In her palmy days gold bracelets and rings were weighed out in Egypt, measuring value.

For the past two hundred years there has been a distinct evolution of the world's present standard of value going on, sometimes it has been gold, sometimes it has been silver, sometimes nations have tried to have both. During the last hundred years the struggle to use both has gone on persistently until within the last twenty-five or thirty years.

William A. Shaw states that in France during a period of one hundred years, the ratio between gold and silver had been changed one hundred and fifty times. The controversy of this period has well been called the "Battle of the Standards."

A constantly increasing trade between the nations of the earth has made a common standard of value more and more important, while the ever-increasing refinement in the exchange of commodities among the peoples of the earth has made a single standard absolutely essential.

Experience has wrought the change, and now the entire commercial world has gold as its standard of value.

It is interesting to observe how gold because of its peculiar fitness, as compared with any other commodity, was finally selected and adopted as the world's standard of value.

If we were to study for months for the purpose of ascertaining what the characteristics of the world's standard of value should be, we would define the characteristics of gold as particularly distinguished from any other metal or thing.

First: Gold has by far a greater stability of value than any other substance. It is very doubtful whether there is a

perceptible change, at least any such change of value, as could be agreed upon. It is so small.

Second: Gold has portability, or the facility of transportation from one part of the country to the other, or from one nation to the other, that makes it desirable as compared with any other metal, that is to be thought of for a standard of value. For example, the same value in silver weighs thirty times as much.

Third: The divisibility of gold at the mint into convenient pieces for trade and commerce is all that can be desired.

Fourth: It has, practically speaking, perfect durability. It will not corrode, or waste away, except by wear, and waste by wear is now largely obviated by the use of some representative, such as our gold certificate.

Fifth: Gold possesses homogeneity or perfect uniformity of structure and material.

Sixth: Gold possesses cognizability, or can be readily known or recognized.

It was undoubtedly all these inherent qualities, these prerequisites that led to those legislative enactments which have during the last hundred years singled out this yellow metal as the most fit arbiter of the world's trade.

The first legislative act that seemed to lead to this ultimate decision of the world was passed by the House of Commons in 1774, but not until 1816 was the law passed that definitely settled the question of the standard of value for Great Britain. The very same law passed in that year, now nearly one hundred years ago, remains in force to this day.

In 1853, the United States followed Great Britain in an attempt to establish the gold standard. We reduced the weight of our silver coins, smaller than one dollar, and made them legal tender for only five dollars in amount. The silver

dollar was not considered in this legislation of 1853, and not until February 12, 1873, did the gold dollar become the unit of value, when the gold standard was unequivocally established. The silver dollar was at that time worth about two cents more than a gold dollar, and therefore it was omitted from the coinage. This was the famous crime of '73, about which the men now wearing gray hair, or no hair, heard so much in the '80's and early '90's. Yes, we were hearing this as late as 1896, when it was the Battle Cry of the Presidential Campaign.

It may be stated that practically the whole civilized world, with the single exception of Great Britain, has come to the single gold standard, since 1873.

The only country now remaining upon the silver basis, or that has not taken steps to place itself upon a gold basis, is, according to the report of the Director of the Mint, the Central American States, which are of comparatively no commercial importance whatever.

MR. MERCHANT: How much gold is there in the world today?

MR. LAWYER: It was estimated in 1890 that the amount of gold accumulated was approximately \$4,000,000,000 (four thousand million dollars).

The amount of gold produced during the last twenty-two years, or since 1890, by all the countries of the world approximates \$6,500,000,000 (six thousand five hundred million dollars). Of course a deduction, or allowance, must be made for what has been used outside of monetary purposes, or in industrial consumption, approximately \$1,500,000,000 (one thousand five hundred million dollars). A deduction should also be made for what has been absorbed by India, about \$700,000,000 (seven hundred million dollars), and also by Egypt, about \$200,000,000 (two

hundred million dollars), or nearly \$1,000,000,000 (one thousand million dollars), by these two countries.

The Director of the Mint in his report, Page 53, says:

"In statistics of the precious metals India is the most important country of Asia, and has long been one of the most important in the world. The Government of India has advised this bureau that the uncoined gold imported into that country might be considered to be used for ornaments and in manufactures. This amounted in 1910 to \$47,026,698.

"The movement to India deserves to be treated in a class by itself. A large part of the gold and silver that goes there sinks out of sight, and whether it is made into ornaments or buried in the ground, is withdrawn at least in large part from the monetary stock of the world. Some of it may be brought out in periods of emergency, such as times of famine, and reconverted into money, but in the past a steady stream of the precious metals has moved into India and disappeared as a factor in the commercial world. Sir James Wilson, K.C.S.I., for many years in the Government service in India, in a comprehensive address delivered before the East India Association of London, on June 14, 1911, reported the net imports of gold by India since 1840 at about \$1,200,000,000, or one-tenth of the world's production in that time.

"It may be questioned whether the economists who are expressing fears as to the effects that may result from the production of gold at the present rate are aware of the amount of that metal taken by India since the gold standard was definitely established, and the Government began to pay out sovereigns freely. That occurred in 1900. For the ten-year period, 1890-1899, the net imports plus the country's own production were \$135,800,000; for the eleven years, 1900-1910, they aggregated \$433,800,000. For the

British fiscal years ended March 31, 1911, they amounted to \$90,487,000, or about one-quarter of the world's production after the industrial consumption was provided for.

"If this ability on the part of India to take and pay for gold proves to be permanent, it is apparent that there will be no over supply to trouble the rest of the world."

The finance department of the Government of India, in its report for the fiscal year ended March 31, 1911, commenting upon these figures, says:

"The gold figures are striking, but it is equally remarkable that the increase in gold has not been at the expense of silver; the country, in other words, continues to take practically the same amount of silver, but it prefers that the addition to the imports of treasure which it has been able to claim should be in the form of gold."

Sir James Wilson, in the address alluded to, sums up his explanation by saying:

"As for India, her prosperity is steadily advancing. Great numbers of her people prefer to spend their savings on gold rather than on other commodities. The probability is that altogether apart from questions of currency India will continue to absorb gold in ever increasing quantities."

"The Egyptian situation is somewhat like that of India. The country is on a gold basis, and for thirty years has been steadily taking gold in the settlement of its trade balances. The high price of cotton in recent years, and the increasing production of the country explains the trade balances, but there is some mystery about the way the gold disappears from view. It does not enter into bank stocks, and it is difficult to understand how a country of its size and population, and in which the masses of the people are so poor, can absorb so much gold coin. In the first period under review the customs records show net imports by

\$58,670,000, and in the second period, \$146,660,000. For the year 1910 they were \$30,000,000.

"Some light is shed upon the situation by the following statement in an address by Lord Cromer, made in London, in 1907:

"A little while ago I heard of an Egyptian gentleman who died leaving a fortune of £80,000 [\$400,000], the whole of which was in gold coin in his cellars. Then, again, I heard of a substantial yeoman who bought property for £25,000 (\$125,000). Half an hour after the contract was signed he appeared with a train of donkeys bearing on their backs the money, which had been buried in his garden. I hear that on the occasion of a fire in a provincial town no less than £5,000 (\$25,000) was found hidden in earthen pots. I could multiply instances of this sort. There can be no doubt that the practice of hoarding is carried on to an excessive degree."

In round figures the approximate amount of gold remaining for commercial or banking purposes is approximately \$4,000,000,000 (four thousand million dollars), in addition to what we had in 1890, making a total of \$8,000,000,000 (eight thousand million dollars).

Of this total amount the United States has \$1,800,000,000 (one thousand eight hundred million dollars), or nearly one-quarter of the monetary gold supply of the world.

However, if we had our proper proportion of the world's monetary gold, considered from the standpoint of our bank resources, we should have upwards of \$3,000,000,000 (three thousand million dollars).

MR. BANKER: How do you make that out?

MR. LAWYER: The banking resources of the entire world are now about \$55,000,000,000, while those of the United States are about \$25,000,000,000, or two-fifths of the bank

resources of the world, and therefore we are entitled to two-fifths of the eight billion of monetary gold of the world. This would give us \$3,200,000,000.

While, as I have just said, it is true that there have been no discoveries of new fields since 1890, with the exception of the Klondike, a most important event occurred in the discovery of the Cyanide process, which was, with the circumstances attending it, well described by the Mining World and Engineering Record of London, which said:

"The discovery of the Cyanide process must be regarded as one of the greatest achievements of modern time. And there can be no doubt that Cyaniding will be held by the coming generation for its importance, not so much to the mineral industries directly, as for its bearing upon world economies in rendering possibly a greatly increased output of gold and silver year after year. In a comparatively brief twenty-year interval since 1890, when Messrs. McArthur and Forrest brought the modern perfected Cyanide process prominently before the mining world, the output of gold has amounted to 284,081,289 fine ounces. This is a most astonishing showing, especially when compared with a total output of 401,311,148 fine ounces for the entire 397 years previous from 1493 to 1890, a period lacking just three years of being four centuries.

"For the great expansion in the world's output, particularly noticeable in the past fifteen years, the spread of the Cyanide process is directly responsible. Nor, if we except the Klondike, has this record production been boomed by the development of new fields. The cream of the world's gold fields had already been skimmed in previous years in California, Australia, South Africa, Siberia, India, and elsewhere. It is mainly on the cast-off leavings of the old field that the Cyanide process has achieved a record production of the yellow metal. And among those leavings,

we must not forget the innumerable low-grade properties whose exploitation has been rendered fundamentally possible only by the Cyanide process. It is these latter which now furnish the bulk of the world's supply of gold, and upon which the world must depend very largely for its future requirements."

MR. BANKER: Those figures are startling. We must be getting more gold than we need for banking purposes.

MR. LAWYER: On the contrary, our banking resources are increasing faster than our gold supply. In 1890 the banking resources of the world were estimated at \$16,000,000,000, less than one-third of what they are today. That is, the banking resources have trebled since 1890, and the gold supply for reserve or monetary purposes has only doubled.

MR. BANKER: What about the gold supply for the future?

MR. LAWYER: The production during the past four years has been about stationary, averaging \$450,000,000 each year. You must remember there have been no gold discoveries of any consequence during the past ten years, and it is very probable that the production will remain almost stationary for a few years to come. At present it looks as though the gold supply, and the demand for gold for monetary purposes, would run along about equal. Of course the more intimate the business relations of the nations of the earth become, the more efficient will the reserve of gold become, because the reserves of the world will become more and more mobilized, and therefore more efficient in the conduct of the world's business.

MR. MERCHANT: From what you have said, and as a result of my own study, I am convinced that the adoption of the Gold Standard was a natural selection. It was the survival of the fittest.

Thousands of books have been written upon this subject, and libraries literally filled with them.

In 1896, when the Presidential campaign was fought out on this question, my investigation led me into an extended historical review of the use of metals as money. I found that it had been in use by the Babylonians, the Egyptians, the Greeks, the Romans, the Chinese, the Europeans during the middle ages, and that the struggle between gold and silver during the last two hundred years had resulted to the advantage of the people, to the commerce of every nation and to the whole world. This last struggle was not whether gold or silver should be the standard of value, but whether both should or could be used as the standard of value. That is, could we have a double standard. The decision has been unequivocal and universally in favor of a single standard of value, and that standard gold.

But the double or bi-metallic standard had been a troublesome question long before that. Professor Ridgeway says that from the first to the last the Greek communities were engaged in an endless quest after bi-metallism * * *, but while the gold unit never varies in any part of Hellas, until a late epoch, the silver coins exhibit differences not merely between one district and another, but even between one period and another in the same city or state. There is incontrovertible evidence to prove that the same trouble was caused by the fluctuation in the relative value of gold and silver, as arises in modern times. DelMar also states that gold Greek coins remained constant while the silver ones varied, and had to be adjusted.

At present, it may be stated as a general truth, that all other things throughout the commercial world are now measured by gold, or very soon will be, as all the commercial nations of the earth, with a single exception, have taken steps looking to the adoption of the Gold Standard.

The Gold Standard is the evolution of the ages.

SECOND NIGHT

WHAT IS MONEY?

UNCLE SAM: At our talk last Wednesday evening we all agreed upon two facts, and these were fundamental to the consideration of a financial and banking system for me.

The first fact was this: that Gold is the Standard of Value all the world over, as well as our standard.

The second fact: that a Standard of Value was something by which the value of all other things is measured.

It must necessarily follow then, and be perfectly clear to all of us that everything we produce, and everything that we buy and sell is measured by Gold. In other words *that Gold is our money and that our money is Gold.*

MR. LAWYER: Uncle Sam, you say "Gold is our Money." Now, it seems to me as though there must be something done to gold to make it money, even though all our money is gold.

MR. BANKER: Yes, something is done to gold to make it money, and to circulate it as money. Just three things are done to gold to make it possible to circulate it as money.

First, we have established a degree of fineness. The gold coin we circulate as money is nine-tenths pure gold, or nine-tenths fine, and one-tenth of cheaper metal. This is added to give it an increased hardness so that the loss by rubbing the gold against other things will not be so great. This loss is called the abrasion of gold.

Second, we have established a unit of value in gold which is one dollar, composed of twenty-five and eight-tenths grains of gold, nine-tenths pure, or fine.

Third, Uncle Sam here cuts up the gold into pieces as follows: he makes a two dollar and a half piece, which contains two and a half times as much gold as our unit of value and stamps each piece two and a half dollars. It is known as a quarter eagle, being one-quarter of the ten dollar piece which is called the eagle. He makes a five dollar piece which contains five times as much gold as our unit of value and stamps each piece five dollars. It is also known as a half eagle. He makes a piece which contains ten times as much gold as our unit of value and he stamps it ten dollars. It is also known as the eagle. He makes a piece which contains twenty times as much gold as our unit of value and stamps it twenty dollars. It is also known as the double eagle. This is called making coins, or coining money.

These four gold coins constitute all the money there is in the United States, for Uncle Sam does not make pieces containing twenty-five and eight-tenths grains of gold, nine-tenths pure, or fine any more, and stamp them one dollar because this piece of gold was so small as to be inconvenient, indeed an actual nuisance. Uncle Sam stopped making these coins in 1890.

UNCLE SAM: That is right, and I don't make any more gold pieces now containing fifty times as much gold as my unit of value for the same reason that I don't make any of the dollar pieces. A fifty dollar piece was found to be inconvenient and in a way an actual nuisance.

MR. LABORINGMAN: Well, Uncle Sam, I would like to have a few of such nuisances, and if any of you fellows have any of these two nuisances, even the one dollar pieces about your persons, I wish you would allow me to relieve you of all you have of either kind. When it comes to getting rid of that kind

of a nuisance, you don't seem to be in a hurry about it. However, just remember that I stand ready at all times to remove a nuisance of that kind, if it happens to be bothering any of you.

MR. MERCHANT: We will remember that and give you the first chance.

MR. LABORINGMAN: Well, you might as well forget it, for I'll never get the chance.

MR. MANUFACTURER: Mr. Banker, did I understand you to say that the four gold coins you have mentioned, the two and a half, the five dollar, ten dollar and twenty dollar gold pieces constitute all the money that there is in the United States?

MR. BANKER: That is precisely what I said, and I stand ready to prove it. Yes, to demonstrate it absolutely, and if I don't convince everyone of you that I am right, I'll eat all the other stuff you call money that you can bring me.

MR. LAWYER: Here is a gold certificate, isn't that money?

MR. BANKER: Mr. Lawyer, please hand me that certificate. Here is what it says on its face: "*This certifies that there have been deposited in the Treasury of the United States of America Ten Dollars in Gold Coin payable to the bearer on demand.*" It is perfectly evident, Mr. Lawyer, that this is nothing but a warehouse receipt for ten dollars, stored in Washington subject to the demand of the holder. There is just the same difference between that and the gold coin as there is between a trunk and a trunk check. You would not hold up a trunk check, and tell me that it was a trunk. This certificate is no more money than a trunk check is a trunk.

MR. LAWYER: You are right, Mr. Banker. There is nothing so absolutely essential in our talk, as illustrated by this incident, as the use of correct, exact language. And I am very glad that you have impressed this fact so indelibly upon our minds at the outset.

MR. FARMER: Did you say, Mr. Banker, that all the money there was in the United States were the gold coins? Then you said that if you didn't convince the rest of us that that was the fact, you would eat all the other stuff that we call money that we would bring you. Now, it seems to me as though that was just one of your smooth, slick tricks of getting what we have got in our pockets, as usual. How does that strike the rest of you boys? Now, I have a few silver slugs here, Mr. Banker, that will keep you busy chewing until you pass over, if you try that game on us.

MR. BANKER: That is all right, Mr. Farmer, but you wait until you hear me out.

Now, let us agree upon one fact, and that is this, that Uncle Sam over there is not making or coining any other pieces of gold than the four pieces I have just described, and that none of the one dollar or fifty dollar pieces are now in circulation. Do you all agree that that is a fair assumption under the circumstances?

UNCLE SAM: Yes, that is a perfectly fair assumption that all of the gold now in circulation consists of the four pieces I am now making, the two and a half, five, ten and twenty dollar pieces. But, if they constitute all the money I have in circulation, I am mightily fooled, and it is high time I was put right.

MR. BANKER: Well, that is what I am going to do. I am going to put you right, for you have not only been fooled yourself, but you've been fooling the people long enough as well.

Three hundred and fifty years B.C., one of the greatest philosophers, and one of the wisest men that ever lived, described the development and evolution of money, and defined what money was better than any man ever has since, I think. That man was Aristotle. Aristotle's account of the origin and definition of money was as follows:

"It is plain that in the first Society (that is in the household) there was no such thing as barter, but that it took place when the community became enlarged: for the former had all things in common, while the latter, being separated, must exchange with each other according to their needs, just as many barbarous tribes now subsist by barter; for these merely exchange one useful thing for another, as, for example, giving and receiving wine for grain and other things in like manner. This kind of trading is not contrary to nature, nor does it resemble a gainful occupation, being merely the complement of one's natural independence. From this, nevertheless, it came about logically that as the machinery for bringing in what was wanted, and of sending out a surplus was inconvenient, the use of money was devised as a matter of necessity. For not all the necessities of life are easy of carriage; wherefore, to effect their exchanges, men contrived something to give and take among themselves, which being valuable in itself, had the advantage of being easily passed from hand to hand for the needs of life—such as iron, or silver, or something else of that kind, of which they first determined merely the size and weight, but eventually put a stamp on it in order to save the trouble of weighing, for the stamp was placed there as *the sign of its value*."

Wilbur Aldrich says: "Gold, and no other thing, sustains all the functions of money. Gold is money as soon as it is taken from the earth, without smelting, without refining, without minting and without limitation."

Horace White says: "Nobody would give that which has cost him labor in exchange for something which he could obtain without labor."

MR. MERCHANT: Mr. Banker, you quoted a man there, Mr. Aldrich, I think it was, who said that gold alone

possessed all the functions of money. Just what do you mean by the "functions of money"?

MR. BANKER: I am glad that you asked that very question, because those functions have determined the place of gold in the world's business, and made it the standard of value of the world, and consequently the money of the world.

Those functions are these:

First: Gold is a measure of value; that is, all other things are measured in gold.

Second: Gold is divided into units, such as our dollar, the English sovereign, the French franc, the German mark, and so determines prices.

Third: Gold is a medium of exchange.

Fourth: Gold is a storehouse of value; that is, the people of the world hold it as an absolutely safe form of property, varying less in value than anything else they can possess.

Fifth: It is such a permanent form of value that it is made the basis or standard of future or deferred payments: not only at the end of a year, but at the end of twenty-five or fifty years.

MR. MERCHANT: I would like to ask you whether you think there is anything in this claim that gold is cheaper today than twenty years ago? Whether it is falling in value, and as a consequence prices of everything else, which must be compared with gold, are rising?

MR. BANKER: No, sir, I do not think that the increased output of gold is the cause of higher prices. The increased prices can be more than accounted for in other ways. Think of it. There are:

1. The Trusts,
2. The Middleman,

3. Advertising,
4. Unscientific Management,
5. Overcapitalization,
6. Monopoly! Monopoly!
7. Extravagance,
8. Militarism,
9. Exhaustion of Soil,
10. High Rates of Interest on Agricultural Loans,
11. Unnecessary Disease,
12. Concentration of Population in Cities,
13. Shorter Hours by one-quarter,
14. Increased Wages by one-quarter at least; in some instances, 150%,
15. Shorter Hours for Women,
16. Child Labor Laws,
17. Minimum Wage Laws,
18. Workmen's Compensation Acts,
19. Insurance Against Unemployment,
20. Old Age Pensions.

MR. LABORINGMAN: Well, I don't know what you fellows think, but I am for everyone of these forward movements that make for a better humanity, morally, intellectually and physically; and I'm utterly opposed to the unfair advantages that any man, or corporation, has over any other man, or any other corporation. A just government rules its people through just laws, and guarantees equal opportunities under the operation of those laws.

MR. BANKER: So I think we all are, or will be, very soon. Every lover of his country, everyone who recognizes that the government exists for man—manhood and womanhood—must be for these purposes, but all these things will require a readjustment, and will take time. I am only saying that these things more than account for all your high prices, but let me finish.