

**THE MONEY QUESTION:
A HANDBOOK FOR THE
TIMES, PP. 1-201**

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The Money Question: A Handbook for the Times, pp. 1-201 by Henry V. Poor

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Prof. H. C. Adams
July 1899

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A HANDBOOK FOR THE TIMES

BY

HENRY V. POOR

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PREFACE.

In the following pages money is treated as a subject coming within the range of the exact sciences, every proposition, if properly elaborated, having all the force of demonstration.

Three kinds of money are in use in the United States :

I. Metallic money, the universal equivalent, and consequently the standard of value, its value being measured by its weight.

II. The notes and credits of banks and bankers, issued or assumed to be issued, in the discount of merchants' bills.

III. Notes of the Government, for the redemption of which, previous to their issue, no adequate means are provided.

The first kind need not be considered at any length, as its value is measured by its cost and the demand therefor, the insignia of Government adding nothing to its value.

The value of the second kind of money depends on the provision made for its retirement previous to its issue. If the institutions issuing it are restricted to the discount of bills representing merchandise prepared for, or in process of distribution, it will be retired by its use, being accepted equally with metallic money by the holders of merchandise, and by the issuers in the payment of bills in the discount of which it was issued. As it is safer and more convenient in use than metallic money it will have the preference, its use discharging capital from the exchanges. It has become the money of all commercial communities, metallic money having with them little other function than the discharge of balances arising in their foreign or domestic trade.

At the foundation of our Government provision for the second kind of money, that of commerce, was made through the instrumentality of a National Bank which served as the custodian of the public revenues collected and discharged by means of its notes. The Bank was restricted in its issues to bills of exchange representing merchandise in the process of distribution, its issues being a part of the

machinery therefor. They could not be in excess, as they were presently used in the place of metallic money to reach their constituent, being retired by their use. No restriction was imposed as to the amount of notes that might be issued other than the limit to the discount of merchants' bills.

At the foundation of the Government State Banks were in operation. Their number was rapidly increased and to such an extent that they always supplied the greater part of the currency. Their issues were received by the National Bank in the payment of the revenues, as in the ordinary course of business. As the Bank had to account to Government, at the par of coin, for the notes, received in the payment of the revenues, of the State Banks, it required the daily discharge of all balances found against their issuers. In this way the restriction imposed upon the National Bank was imposed upon all others, so that there could be no excess of issue either by the National or State Banks. The result was a currency perfect in its kind, convenient in use, and always of the value of the merchandise which it represented, and consequently of metallic money, being accepted equally with this in the sale or purchase of merchandise.

The Bank, upon which the whole monetary system of the country necessarily rested, was overthrown, being, as was alleged, a menace, through the vast capital wielded by it, to the liberties and welfare of the people. The State Banks took its place as the custodian of the public revenues received and disbursed in its notes. As they were not restricted in their issues to the discount of merchants' bills, and as with most of the States the object was an increase of money, whatever the kind, they were speedily compelled to suspend specie payments. As the National Bank was not to be restored, and as the State Banks could be no longer used, the only alternative to the Government was to collect the revenues in metallic money to be held in its own strong box, leaving the people, always to use paper money in some form, to take care of themselves. In time measures were gradually adopted by them for the improvement of the currency, among the most important of which were Clearing Houses, at which the rule of the stronger became that of the weaker. In spite of all this the banks of the newer States, from the want of any adequate restraint, continued to flood the country with their worthless issues.

While the operations of the Government were on a small scale,

not exceeding \$100,000 daily, the payment of the revenues in metallic money did not cause any great inconvenience, as only small balances remained in the Treasury. When suddenly its expenses rose from \$150,000 to \$3,000,000 daily, the alternative presented to the Government was a return to the money of the banks, or an issue of one of its own notes. At the breaking out of the war of the Rebellion the amount of metallic money in sight, that is, in the banks of the cities of Boston, New York, and Philadelphia, equalled about \$63,000,000. The Secretary of the Treasury undertook to carry on the operations of the Government, on the enormous scale which they had assumed, wholly by the use of metallic money. The result was a speedy suspension of specie payments by the banks which, in a most patriotic manner, had placed their means wholly at the disposal of the Government. As no return was to be made to the notes of banks, and as metallic money—then gold—was not to be had, the only alternative of the Government was an issue on a vast scale of its own notes. To make way for these the issue of notes by the State Banks was prohibited. A National Safety Fund System was indeed created, but the issue of notes under it was made so onerous that only a limited amount was supplied.

Soon after the close of the war the Government undertook the retirement of its notes, a process arrested from the stringency created. If they were allowed to remain in any quantity it was inevitable that the amount would be largely increased. If the notes of the Government were proper money, they should be issued to an amount equal to the assumed wants of Government and people. In the process of their retirement the amount was reduced from \$700,000,000 to \$346,000,000. It has since been increased so that it now stands at \$830,000,000. They have produced, and are producing, all the effects of a currency based upon debt instead of capital; vast expenditures without any adequate means for their support, and great apprehension and alarm that any considerable run upon it may force the Government into a suspension of specie payments, in which, as its currency is the basis of all other issuers, every industry in the land will be involved. To avert such a calamity a return to the system established at the foundation of the Government is now urged, a system which would provide all the money that could be properly issued; a money always reflecting the means of the people; a money everywhere of the value of metallic money, the latter being

almost wholly discharged from the exchanges. To urge such a return is the purpose of the following pages. The method is alike simple and obvious — the funding of the notes of the Government, and the creation of a National Bank as the custodian of the public revenues, receivable and disbursed by means of its notes, the issues of all other institutions to be left free, with the certainty that the restrictions imposed upon the National Bank will be imposed upon all. Such a return is inevitable; the only question being whether it be made to avert, or be the necessary result of a great catastrophe.

MONEY.

IN every age the most valued possession has necessarily been the money of the race, the standard of value, the universal equivalent. At an early stage cowries and wampum served as money. As man rose in the scale, with increased transactions, copper, from the wider range of its uses, became his most valued possession, consequently his money. For the same reason, with his continued advance, copper gave place to silver, and silver to gold, with nations whose exchanges, from the extent of their productions, are on a very large scale. As every form of life that has existed still exists, copper is still the money of races on a comparatively low plane; silver with races highly civilized, but whose transactions, large in the aggregate, are inconsiderable in ratio to their numbers; and gold with all the great commercial nations of the world. In the substitution of one metal for another as money the rule of convenience was alone followed, precisely as it has been in the substitution of the railway for the ordinary earth-road, of ships driven by steam instead of wind, and of power for hand looms. Every one throughout history has sought to convert his products into the article in most general request, into money, or into promises to pay money, certain of being able, by direct exchange, to obtain anything of which he might stand in need. Such article became money by common preference, in which neither governments nor concert had more to do than with the selection of articles of food or clothing.

The qualities fitting a metal to serve as money are a high relative value; a capacity of subdivision without impairing its value; of resisting the action of the elements; of receiving, no matter how minute the piece, an impress denoting the weight of pure metal it contains, consequently its value; and a uniformity in value through long periods of time due to a uniformity in the cost of its production, and in the demand therefor based upon a sense of