CHEAP-MONEY EXPERIMENTS IN PAST AND PRESENT TIMES; REPRINTED, WITH SLIGHT REVISION, FROM "TOPICS OF THE TIME" IN THE CENTURY MAGAZINE

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JOSEPH BUCKLIN BISHOP

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CHAPTER I

THE PEOPLE AND FINANCE

THERE are a few elementary principles in economic science the mastery of which by the great body of the American people would be of incalculable value to us as a nation. One of these is that no government can create money out of anything which it may choose to call money. Another is that all classes of the people, rich and poor, laborer and employer, are far better off with a sound and stable currency than they are with any of the varieties of "cheap money." Another is that no part of the financial or business world can be benefited or injured by changes in the monetary standard of value without corresponding benefit or injury to the other parts. Still another is that the larger part of the business of the country is transacted upon credit, and that anything which tends to disturb or to foreshadow

disturbances of the monetary standard of value cripples credit and demoralizes all business. Finally, though we have by no means exhausted the list, it would be of the highest importance for the common people to become thoroughly convinced of the fact that in every instance in which the financial world is disturbed by changes or threats of changes in the standard of value the sufferers are always the poorer people and the beneficiaries always the rich, for the latter are able to guard against the coming trouble which they are quick to scent, while the former are powerless to take the necessary precautions even if they were able to anticipate it.

The harmful delusion that the Government has the power to create money is traceable directly to the Legal Tender Act of 1862. Previous to that time the American people, in common with those of other enlightened nations, believed that the sole function of government in relation to money was to certify to the weight and purity of the metal contained in it. This view, which, it is scarcely necessary to say, has been shown by the experience of all civilized countries to be the only sound one, was completely upset in the minds of thousands of uninstructed people by the issue of the legal tenders and the subsequent decisions of the Supreme Court upholding the right of Congress to make such issue. The pernicious doctrine that anything which the Government might choose to stamp as money—paper, or silver, or nickel, or

copper—became *ipso facto* money for the amount named on its face obtained so firm a lodgment in the popular mind that calls began to be heard from all quarters for the liberal issue of Government money in almost every form except—gold. The country has passed safely through several varieties of the "greenback craze," which was the most radical and dangerous form of the delusion, but it has yet to reach the solid ground occupied before the war. So long as the admission is allowed that the Government can create money there is no satisfactory answer to be made to the questions, "Why should we have a gold standard?" "Why should we have national banks?" or "Why should we have any limit put to the volume of our currency?" If the Government can create money, why should it not create all that everybody wants? Why should anybody work for a living?

We must get back as a people to a just comprehension of the truth that no government can make an inferior form of money equal in value to a superior form like gold by enacting a law decreeing that it shall become so, and that it cannot do this for the simple reason that the superior form costs more, and it is this cost which constitutes its value as a medium of exchange. The kind of money which every man wants is the kind which will buy the most of the things which he needs—that is, have the largest purchasing power. Nothing is clearer than that cheap money means high