

AMERICAN MONEY

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American money by John Borden

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JOHN BORDEN

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MONEY**

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BY

JOHN BORDEN,

CHICAGO.

1889

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AMERICAN MONEY.

According to the most reliable data, the money of the United States on Nov. 1, 1888, consisted of

Gold coin and bullion	\$711,705,050
Silver dollars	309,750,890
Fractional silver coins	76,660,481
Minor coins, (about)	18,000,000
United States notes	346,681,016
National Bank notes	239,069,230
Total	<u>\$1,701,866,667</u>

The amount of the gold coin and bullion is derived from the report of the Director of the Mint for 1888 and is his approximate estimate. The amount of the other specie items are also derived from his report. The amount of the United States notes (greenbacks) is the same as fixed by law. The amount of National bank notes is taken from the report of the Comptroller of the Currency for 1888.

The amount of coin certificates outstanding on July 1, 1888, was according to the above report of the Director of the Mint,

Gold	\$142,023,150
Silver	229,491,772
Total	<u>\$371,514,922</u>

As these certificates are issued for coin deposited, the above items give an indication of the proportion of paper money to specie required to satisfy the demand for the two

kinds of money. Adding together the items of coin certificates, national bank notes, and greenbacks, the result is,

Paper money.....	\$957,265,168
Specie.....	744,601,499
Total.....	<u>\$1,701,866,667</u>

The yearly coinage of silver dollars is about thirty-three millions. These, as fast as they can be put in circulation, appear in the form of silver certificates. The amount of national bank notes has been declining. The high price of bonds, the decreasing quantity, and the low rate of interest has put a blight on the national bank system. And unless other (good?) securities are found to supply the place of United States bonds, the national banks as issuers of paper money will cease in the near future upon the extinction of the interest bearing public debt, if not before.

The above figures show too many kinds of money. There are three kinds of legal tender: gold, silver dollars, and greenbacks. There are four kinds of paper money: greenbacks, national bank notes, silver certificates, and gold certificates. The present money system lacks simplicity. It will be shown hereafter that it also lacks honesty.

The national bank notes should be entirely withdrawn and all bank note issues prohibited. The coinage of silver dollars should be stopped, and as soon as practicable all the silver certificates should be withdrawn, and the silver dollars which they represent disposed of. About sixty millions are needed for change just as halves and quarters are. The gold dollar is too small for actual use, and one dollar bills fail to cover the case entirely. The paper money should be a fixed amount of United States notes, not less than six hundred and fifty millions. And the additional demand for paper money should be supplied by gold certificates. The export of gold during the fiscal year ending June 30, 1889, was \$59,952,285. The annual product in this country is about thirty-three millions of dollars; of which, about eleven millions are used in the industrial arts. These figures show that any additional amount of gold which might be required by the above changes in the currency could be easily obtained.

The fractional silver coins are redundant. According to the public debt statement July 1, 1889, there were in the treasury uncalled for, an excess to the amount of \$25,129,733. This excess has arisen from a speculation in trade dollars, which were put upon the government at a profit under a law providing for their recoinage into fractional silver coins.

The use of the minor coins (nickels and cents) and their amount is increasing.

The proposed amount of greenbacks is set quite low enough. If the amount of paper money is not above the legitimate demand for that kind of money, its payment is not sought after. This demand is not one for more money, but for a different kind. A certain amount of paper money is preferred to coin for use in current transactions and to pass continually from hand to hand, when the amounts involved are of any size. It is much easier to carry, count and conceal than specie; is not subject to the objections of bulk, weight and wear; and is more difficult to counterfeit and tamper with than coin when properly made. The present amount of greenbacks, national bank notes and silver certificates, added together, exceeds eight hundred millions. It is obvious, that if silver dollars were preferred to paper, the specie would be in circulation instead of the certificates. There is no demand for the redemption of national bank notes, nor silver certificates in order to obtain specie thereon. All the silver dollars wanted are in circulation already. And heretofore but little demand has existed for the redemption of greenbacks, although they are paid in gold. The demand for gold, to export and to hoard, falls chiefly on the gold certificates. Hence if the standard coin were of gold alone, none would be exported unless it was redundant, and hoarding would not be stimulated by the fear about the future value of money. And if the demand for paper money and especially for small notes was chiefly supplied by greenbacks there would be little or no demand for their redemption. An additional amount of paper would be required in order to fully satisfy the demand for that kind of money. This would be supplied by gold certificates, which being for large amounts as now, (none less than \$20) would supply any demand for coin, as against paper, which might arise. If the amount now held in the

treasury to redeem greenbacks, viz. one hundred millions, were retained for that purpose, it would be quite adequate for the new and increased amount of United States notes. By this scheme, counting interest at four per cent. on five hundred and fifty millions, the people would save annually twenty-two millions of dollars, less the cost of printing and issue of the notes. Every part of the profit arising from the use of paper money belongs exclusively to the people. And it is a gross fraud upon them to give any part of it away to national banks, or any private corporations.

The above scheme is probably utopian. In time past every effort was made to wipe out the greenback entirely. The profit on paper money has been scrambled and fought for and shared among private corporations ever since the foundation of the government—the profit on the greenback issue only excepted. They were first issued in 1862, and it would be quite safe to say, that the people have saved by their use as money to this time more than the face value of the entire present issue. And again every favor is shown to the silver dollar. It is transported to applicants at public expense. Any one who wants gold must pay the charges himself. The field for small notes is granted to silver dollars exclusively. The banks have lent their assistance also to the coming change of standard from gold to silver. It may require another hundred years of financial disasters to rid the country of schemers, who continually favor a cheap dollar and still cheaper substitutes for the same. But it will be discovered and settled ultimately that a complex and variable currency composed of cheap money does not bring stable and lasting prosperity. The country has prospered and grown rich under the gold standard since specie resumption January 1, 1879, at a rate unknown before. A change from a gold to a silver standard is very liable to work a change in the aspect of things. It can hardly occur without a shock.

But prophecy is not the purpose of this essay. It is proposed to explain the nature and uses of money by a commentary on the different kinds now current in the United States; and also to show that the changes in the currency above suggested ought to be made.

I.

THE STANDARD.

The standard, or money unit, being a tangible thing, requires not only a name, but that it should be composed of a fixed amount of something which is durable, and which maintains a permanent and invariable value as nearly as the nature of the case will allow.

It was settled by the act of April 2, 1792, that the money of account of the United States should be expressed in dollars or units, decimally divided, into dimes or tenths, cents or hundredths, and mills or thousandths.

Also the law now in force (Act, Feb. 12, 1873,) makes the standard for both gold and silver coins of the United States, such, that of one thousand parts by weight, nine hundred shall be of pure metal and one hundred of alloy. The alloy of the silver coins shall be of copper. The alloy of the gold coins shall be of copper, or of copper and silver; but the silver in no case shall exceed one tenth of the alloy. It is now almost entirely of copper. Means have been found for the more complete separation of silver from copper.

The law also enacts, the gold coins of the United States shall be a one dollar piece, which at the standard weight of twenty-five and eight-tenths (Troy) grains, shall be the unit of value. The other gold coins are, a three dollar piece, a ten dollar piece or eagle, and also a double, half and quarter eagle. Their standard weights are multiples of the standard weight of the gold dollar.

In 1827 the Government procured at London, a brass (Troy) pound since and now in the custody of the Mint at Philadelphia, to which the law declares the coinage shall conform. More recently the French metric system was legalized. But Troy weight is the one used.

The theory of the law as to gold coins is, that a dollar in gold coin is a piece of gold certified to be of a certain weight and purity by the form and impress given to it at the Mints

of the United States. Any number of such dollars is the number of grains of standard gold in one dollar multiplied by the given number. *Bronson v. Rodes*, 7 Wall. 229.

In estimating coins, the alloy is not valued. Its value is too small. And except for direct use in coinage the precious metal would be worth as much, or more, without it.

Property is estimated, bought and sold; taxes and duties are assessed and paid; public and private debts are incurred and discharged; and all business done and transacted in terms of the standard, or money unit, and by means of it, its multiples and sub-multiples and their representatives.

The standard, or money unit, is the common measure of all wealth. Therefore, like any other unit of common measure, it should be of a fixed and uniform magnitude, and remain so always, or as near so as possible.

This can be made clear as follows:

Everything which is called property in the law, is termed wealth in the science called economics. The word, property, relates to the right of possession and enjoyment. Hence it is proper to say, that one has or may have, property, in lands, tenements, goods, chattels, rights, credits, moneys and effects. On the other hand, wealth refers to all these things as being more or less in quantity, or greater or less in estimation. As for instance, an acre of land, a bushel of grain, or a day's labor are each worth more than half the quantity. And most articles of wealth vary through all degrees of quality. An acre of good land, and a bushel of good wheat, are each worth more than the same quantity of a poorer quality. Land is worth more in the city than in the country. Farm products are worth more in the markets than on the farm. One man's labor is worth more than another's, if more efficient.

As wealth admits of being more or less in quantity, it follows, that of any two economic quantities denoted by, w , and d , the equation

$$w = v. d \quad (1)$$

expresses the ratio, or relative value, between them. The article or quantity, w , is worth v times the article or quantity, d . All exchanges are made on the basis of *Eq. (1)*. If there