

THE GLORY OF THE AMERICAN REPUBLIC

The Science of Government The Hope and Dependence of the Human Race

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CHAPTER XII

The Monetary Systems of the Nation

The colonies had very little or no experience in the subjects of banking. We do not mean to say they were ignorant of financial matters, for such would not be the truth. They engaged in many enterprises, some of which were extensive and largely a monopoly, extending far into the interior; such for instance as the fur trade; and some were over the seas including the West India trade and some were purely colonial, being the trade in foreign and domestic goods between the colonies; but the greater part was local and of limited extent. It required finances and a knowledge of trade to carry on these enterprises successfully; and those engaged in them were people well versed in their special lines and efforts.

But the people generally were engaged in agricultural pursuits; in the raising of cattle, sheep and hogs, and depended largely upon these for maintenance exchanging their surplus for other needed articles of use and requirements; consequently they had little or no use for banks and for banking. No such people could gain a knowledge and experience in the subject of a national monetary system and national banking.

The first bank of the country was organized in 1780, a little before the close of the war of the revolution. When the present government was established there were not more than three or four banks in the country and these were managed upon such lines as had been developed in the European nations at the time, being adapted to the local conditions and were purely state banks.

It will be seen by this that their experience was limited, and they were not prepared to establish a national system of finance beyond the coinage of gold and silver. The future was left to learn by its experience; and discover its requirements, and to establish such a system as seemed best adapted to its conditions.

The state banks increased rapidly in numbers as the affairs of the country became more and more settled. Many of the more substantial ones held a limited amount of government coin as a sustaining basis for their bills of issue, and many others had little or no sustaining basis except perhaps the good faith of the officials; while others still, were mere "wild cat" schemes and often promoters of speculations of various kinds and without doubt were in some instances engaged in actual swindling.

This system of banking and finance prevailed for more than eighty years from the organization of the first bank in 1780 until the time of the civil war.

During this period there was scarcely ever sufficient coin to meet the requirements of trade, which was largely carried on credit. The people were forced by the circumstances existing then to depend to a large extent upon bank notes in the transaction of business and to meet their obligations. These bank notes when used beyond the local influence of the bank of issue were invariably at a discount. For instance, the notes, bank bills, of a Philadelphia bank when offered in Boston would be at a discount and the notes of Boston banks offered in New York would in the same manner be at a discount and so on ad infinitum.

The people had all the experience of such a banking system necessary and desirable, and it should not be lost sight of, at the present time and under the present circumstances when the country is considering other and many defects still claimed to exist; though we have no fear of the resurrection of such a system, nevertheless it is a part of the history and experience of the nation.

The country during this period passed through and suffered the consequences of three separate and distinct financial disturbances. The first one mentioned occurred in 1814, the second in 1837, and the third in 1857, all of which were sweeping in the disastrous effect they produced upon the banks and business of all kinds in every state of the nation.

Specie was suspended and general business was everywhere at a "stand still" and failure the rule.

It was during the time of the civil war, because of the necessity, that any thing approaching systematic methods of banking and a monetary system was, after an experience of more than eighty years, adopted and established by the national government. The method of banking then took form in the present national banks and was a great advance over the old state banks. The national banks proved to be suitable for the purpose intended; and were of immense service to the government in securing funds during a time of financial straits incident of the civil war and proved of great benefit to the people. The bills and notes of issue of these national banks, being sustained by government bonds, were good at their face value in any part of the country which was of immense advantage to trade and commerce not only locally but nationally.

The monetary system of the government which on account of the scarcity of coin, consisted of its treasury notes known as "green backs", and paper fractional currency known as "scrip", "shin plaster" etc., and were good at their face value throughout the country. All commodities however increased at a tremendous rate in cost value, and the purchasing power of all paper money of both the government and the banks was finally reduced to the lowest ebb. This system however, has since been enlarged and improved by the adoption of a gold standard and numerous other amendments made from time to time by the Congress and we have now a currency of gold and silver, of bills and notes all of which are of equal value, and of great purchasing power anywhere in the United States with a government credit equal to that of any government on the globe.

The present banking system, though superior to any system yet adopted in this country it is claimed, even now, is far short of the actual requirements. Wherein improvements can be made, or what the remedy is, it seems, is beyond the understanding of the most experienced bankers. Imperfections must always exist in all the affairs of men. A perfect system of finance is impossible. But it is commendable in us as a nation that we seek after improvements; that we look forward to and strive after, the best.

The present banking system has, however, served the country under modern methods of doing business, and managing commercial affairs, much better than the old state banks, and it should continue to be the system until a more perfect one with fewer imperfections, can be, and is, evolved. Such a system must of necessity meet the wants of, and be an actual benefit to, all the people.

We do want a better banking system and a more elastic one; but not such as our great political leaders are calling for. We want a banking system that will serve all the people alike, and promote their interests in distributing trade and property more uniformly instead of concentrating it more and more each decade into the hands of the few to the detriment of the many. When such a system can be evolved it should be the policy of the country to adopt it, but until then, we believe it will be unwise to attempt new experiments.

What we do not want is a currency that is so elastic that one dollar can be stretched into two dollars; that a thousand dollars can be used in two other places at the same time by one man; that a million dollars can handle and control the business and commercial interests of a hundred million by a small clique for their personal ends.

When we can eliminate this idea from the minds of all men, we shall be in a position to formulate a system of banking that will

promote the best interests of the country, and the best interests of mankind throughout the whole world.

However, upon the subject of a national monetary and banking system, beyond the coinage of gold and silver, the founders of the republic had little or no knowledge and experience and could not have been expected to formulate and provide such a system for the future guidance and direction of the nation, and incorporate it into a national constitution. But upon all subjects that came within their knowledge and experience they did far more for the nation and for the civilized world to permanently benefit mankind than any people who had previously undertaken to establish a government in behalf of a people and of the human family in modern or ancient times, if we except the Hebrews.

(To be Continued)

FOOD SAVING THAT SAVES

In letters sent by it to the members of congress the American Defense society declares that the existing situation in the matter of food saving "is a farce." It charges that very many persons fail to observe the meatless and wheatless days established by the national food administration and that many others on those days feast "to repletion on fish and poultry of all kinds."

Though wealthy and lavish New York may present conditions that are not typical of the country at large it is impossible to deny the truth of the general verdict of the American Defense society that "our food conservation is to a large extent a failure." In thousands of intelligent and patriotic families every suggestion of the food administration is conscientiously followed and other effective methods of food conservation are employed also upon the initiative of the efficient housewives. Unfortunately however, both precept and example are lost on the selfish, the indifferent, the shallow, the indolent.

There is need, as the American Defense society says, of "adequate food conservation legislation," and no time should be wasted in framing and enacting such legislation. Unnecessary consumption of foodstuff required for export must be prevented, and mere requests or suggestions from the president and his food administrator will not have that effect in the desired degree. The war cannot be won under voluntary food saving any more than it can be won under voluntary military service or voluntary war taxation.

It is well that the demand for more effective food conservation measures should come from patriotic citizens and societies rather than from the food administration or from groups in congress. In free governments public sentiment alone makes legislation effective. The public sentiment on the question of food saving is sound and dependable. The great majority of the people will welcome and as earnestly support food saving legislation that is reasonable, necessary and fair to all.—Chicago Daily News.

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