

The Weekly Crisis

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MONEY AND PRICES

A Reply to Remarks on the Subject in the Kansas Farmer of January 7th, 1885.

From the Junction City (Kans.) Tribune.
In the Kansas Farmer of January 7, a correspondent discussing the low price of wheat, puts the following question to the editor:

"Don't you think there ought to be more money in circulation?"

This question the editor answers in the negative, in various forms, through two columns discussing saying the amount, or volume of money about has nothing to do with the price of the products of labor. The editor says:

"It is a common expression with many people who think things are bad, that money is scarce. Such persons always attribute dull times and low prices to a scarcity of money. Scarcity of money is an effect, not a cause."

No good friend, it is not scarcity of money that all us; if a thousand million new dollars were coined to-morrow, it would not add one cent to the market value of wheat."

In our opinion there is error enough in that statement to curse and crush all the commercial nations in the world; if we except it is a truth and not upon it. It is so contradictory to the teachings of all the great writers on public economy, to all history, and to all right reason in the subject, that we desire to make some reply. We hope the editor of the Farmer will excuse us he himself says:

"It would be well for many people if they would entertain correct opinions on this subject; it might be as well to say, if they would not entertain incorrect ones."

On that proposition we agree; hence this discussion. It is our opinion that, on the proper understanding of this general question, depends the prosperity, the happiness, and even the liberties of the American people, and all the commercial nations and people. There are processes of taxation, means of robbery, and powers of oppression connected with this "Money and Prices" question that are stronger and more certain of results than are the laws and edicts of kings and emperors; and which are absolutely irresistible by nations and people who do not understand them. And it may be remarked, further, that the editor of the Farmer has touched upon a vital point. One that should be settled, so that all may understand it, viz.: Does the volume of money affect prices?

The Farmer says no, the Tribune says yes. That makes an issue. We ask no one to accept our mere opinions or dicta. We offer the testimony of others:

A leading Boston journal, in 1877, said:

"The prime element in determining the value of money, whether gold or paper, is quantity, and it is subject to the same law as other commodities. Increase the quantity, and it will buy less. In other words, it produces a rise in prices, but no increase in value."

Dr. Soothern, the great German economist, says:

"The value of money has fallen through the issue of paper money, as well as through the increased production of gold and silver."

John Stuart Mill, the great English authority says:

"If the whole money in circulation was doubled, prices would double. If it was increased one-fourth, prices would rise one-fourth."

Ricardo, an English economist, says:

"That commodities would rise and fall in price in proportion to the increase and diminution of money, I assume as a fact that is incontrovertible. That such would be the case, the most celebrated writers are agreed. By limiting the quantity of coin, it can be raised to any conceivable value."

Prof. Walker, of Massachusetts, says:

"As the currency is expanded, prices must correspondingly."

John M. Palmer, director of the bank of England, says:

"There is no means of supplying the tank with gold, excepting only the diminution of the bank notes, which immediately contracts the currency and lowers prices, by increasing the value of money."

The United States monetary commission, one of the highest monetary authorities in America, says:

"Primarily, then, prices must have been controlled by the volume of money, as affected by credit."

"There never can be any universal fall in prices, and a general withdrawal of credits, without a preceding decrease in the volume of money. As the volume of money shrinks, prices fall."

The American Review of 1876, says:

"Diminishing money and falling prices are not only oppressive upon debts, but are the greatest, but may cause stagnation in business, reduced production and enforced idleness. That such would be the case, the most celebrated writers are agreed. By limiting the quantity of coin, it can be raised to any temporary relief."

Prof. M. Wolaski, of France, in 1879, said:

"The sum total of the precious metals is reckoned at fifty billions, one half gold and one half silver. If by a stroke of the pen, they suppress one of these metals in the monetary service, then the demand for the other metal, to the ruin of all others."

"That the dark ages were caused by decreasing money and falling prices, and that the recovery therefrom, and the comparative prosperity which followed the discovery of America were due to an increasing supply of the precious metals and rising prices, will not seem surprising on unreserved, when the noble functions of money are considered. They co-exist because the two are necessary by their quantity to meet the needs of circulation."

Baron Rothschild, of France on the same occasion, said:

"The suppression of silver would amount to a veritable destruction of values (fall of prices) without any compensation."

Prof. Laycocke, before the Belgian monetary commission in 1873, said:

"Debtors, and among them the state, have the right to pay in gold and silver according to the testimony, as follows:

"The two greatest events in the history of mankind have been brought about by a successive contraction and expansion of the circulating medium and of the currency. And, as provided and intended to occur in the interest manner possible, the influence of this mighty agent on human affairs, the destruction of mankind from the ruin this cause had produced, was owing to the directly opposite set of agencies being put in operation. . . . The London Times, in May, 1883, said:

"It is certain, as Mr. Goschen says, that prices of commodities are affected by changes in the volume of the circulating medium in which they are expressed. Germany, Italy and the United States, during the past ten years, are absorbing in their currency more gold than the available supplies. They have taken between them not less than \$200,000,000. (\$1,000,000,000) and a large part of this has necessarily been obtained at the expense of the general stock. The result has been that, as the stock of gold has been diminished, the price of gold has gone up; or, in other words, that the prices of commodities have fallen. It is impossible that so large a drain of gold can have failed to affect prices."

Speaking of the progressive contraction of the currency then going on Senator John Sherman in 1869, said:

"The contraction of the currency is a far more distressing thing than senators suppose. Our own and other nations have gone through that process before. To every person, except a capitalist out of debt, or a salaried officer, or an amateur it is a period of loss, danger, suspense, enterprise, bankruptcy and disaster."

"To attempt to impose upon men the burden of a growing debt in the name of the public, business, and society, applying a new standard of value to their property, without any deduction of their debts, or giving them any opportunity to compound with their creditors or to distribute their loss, is unsound, and would be an act of folly without example of evil in modern times."

Mr. John A. Logan, in his great speech of March 17th, 1871, discussing this question of "Money and Prices," as illustrated by the panic of 1873, said:

"But sir, that the panic was not due to the character of the currency is proved by the history of the panic itself. . . . Nor, sir, the panic was not attributable to the character of the currency, but to a money famine, and to nothing else."

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The London Economist of April 21, 1883, view of the facts and tendencies of the case, and of England's good fortune:

"The range of values of the export of the United Kingdom, owing to the difference in price, alone amounts to thirty per cent between 1873 and 1874."

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