

# THE PEOPLE'S PILOT.

FOR THE FREE AND UNLIMITED COINAGE OF SILVER AND GOLD AT THE PARITY RATIO OF SIXTEEN TO ONE WITHOUT REFERENCE TO ANY OTHER NATION ON EARTH.

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## THE BOND AND THE DOLLAR.

BY JOHN CLARK RIDPATH, LL. D.

### PART II. GENESIS AND EVOLUTION OF A MONSTER

From the Arena, February number.

It was on the 18th of March, 1869, that the government of the United States made its first league and covenant with the bondholding interests against the people. By the terms of that league the millionaire who had given a hundred thousand dollars for a bond of the same denomination should receive back, true enough a hundred thousand dollars, but should receive it in units of another kind worth about two for one.\*

From that day, distant from the present by more than twenty-six years, there has been no deviation or shadow of turning on the part of entrenched intrigue to carry out the compact. Year by year the bolts and bars have been driven ever further and deeper with blow on blow of the sledge of the money power, until the national fraud has been glorified under the name of honor, and the wholesome truth nailed in the coffin of contempt. Each succeeding administration has been even as its predecessor, but more so in its devotion to the bondholding interest at the expense of all besides.

Having secured the declaration of the payment of the national debt in a currency different from the currency of the contract, the next step was that of lengthening and perpetuating the bonds. If the bonds, now payable in coin, were good for ten years or twenty years, then they would be better for thirty years or forty years to run. Nor will the government now be so eager to pay when payment in coin is impossible. The people can now be made to believe, what is true, that the government cannot for the present pay our bonds. They must therefore be extended. Great financiers will they be who can sell us a five-per-cent bond with an extension of ten years, and take up a six-per-cent bond which is falling due. That is the process of refunding in a nutshell, and that requires the gigantic intellect of some great secretary to do it. We, the beneficiaries, may hold out to him impossible prospects of being president—if he will do the work well!

The history of the various refunding operations by which the short high-rate bonds of the government sold during the war period were translated into long lower-rate bonds is but the record of a scheme which was contrived by the bondholders themselves, ratified by an undiscerning Congress, and carried into execution by the treasury department of the United States, with the ulterior design of preventing payment by lengthening the time to run, and with the still further hope of making a perpetual interest-bearing fund in the European manner.

The first measure passed by Congress with this intent was the act of July 14, 1870, entitled "An Act to Authorize the Refunding of the National Debt." This act reaffirmed the proposition that all the bonds of the United States were redeemable, both principal and interest, in coin, and authorized the secretary of the treasury, as such bonds, series after series, should fall due—that is, reach the date at which the government had the option of redeeming them—to prepare and sell new bonds, extending the time to run and lowering the nominal rate of interest. Under this act the process of refunding was carried on by those interested in it as actively and earnestly as though it were a manufacturing industry, until all the bonds were extended and most were made as long as the current lives of men. Then the work abated, partly because of the weakness of all posthumous inducements, and partly because by this time certain symptoms of alarm and jealousy were noted among the people.\*

The bonds had now become the most profitable of all investments. Of all the forms of property they were the most exempt from hazard, most convenient, and most strongly fortified by law. They offered themselves, however, only to the surplus accumulations of capital. The man of moderate means must needs employ his whole resources in the business to which he devotes his energies. When capital accumulates in large amounts and there is no such thing as a national bond in which it may ensconce itself and begin to grow, such capital must of necessity offer itself for the promotion of legitimate productive, manufacturing and commercial enterprises. It must under such conditions do something useful for mankind; but where the bond exists, surplus capital takes the form of the bond by preference of all other enterprises, and to that extent all other enterprises languish and weaken for their wonted stimulus.

By the beginning of the eighth decade thus much had been accomplished: The bondholding interest had confirmed itself to the extent of getting a long bond for a short one, with the guaranty of payment of both principal and interest

in coin. The next point attained by the bondholding power—for it had now become a power—can hardly be touched upon with equanimity. The coin of the United States existed in two kinds, silver and gold. Should the government ever again reach the basis of specie payments, the debtor would have the option of paying in the one coin or the other, according to his convenience and the plenitude of the given kind. This option constitutes the essential element of bimetallism. That it could be taken away from the debtor seems in the retrospect a thing so monstrous as to be incredible. It was a valuable option which the debtor in the United States had held unchallenged from the foundation of the government. No creditor had ever tried to take it from him. It had never been denied by any. It had always been cheerfully conceded down to the time of the Civil War, when an unforeseen condition removed all coin and put the country, as we have seen, on the basis of a legal-tender of paper.

Now that coin was again in sight, or was supposed to be coming in sight, now that the government had declared its purpose to pay the national debt in coin, though that debt had been contracted on a basis of paper, it might reasonably have been supposed that the bondholding interest would be contented with that enormous concession, and being thus glutted to repletion, would seek no further extortion from the American people. But on the contrary the monstrous scheme was conceived of destroying the option of the debtor to pay in silver, by destroying the coin unit of that metal, thus reducing the debtor—all debtors, including the government of the United States—to the necessity of paying in gold only. The scheme was not only conceived, but was contemplated with equanimity, not indeed by the people, but by those whose interests were so profoundly concerned. In the last session of the Forty-second Congress, the question was insinuated into legislation, but was hushed from the public with a skill worthy of the noblest cause. It was already the plan of the conspirators to have an act passed by Congress as soon as possible declaring a date at which specie payments should be resumed in the United States. But preliminary to such declaration and as an antecedent thereof it was seen to be advantageous to tamper with the coin dollar in which payment was to be resumed.

For the time being and for some years to come—so ran the bondholders' dream in 1873—the government and people alike must continue to prosecute their business on the basis of the paper legal-tender; but in the future, as we the financiers clearly perceive, another dollar, that is, a metallic dollar, is to be substituted for this legal tender of paper; and it is to our interest to have that other dollar as valuable as possible. We will not only go to the length of substituting a metallic dollar still worth a premium of from thirty to fifty per cent for the current dollar of the country, but we will go further than that, and tamper with the metallic dollar itself, so that that also may ultimately, in some twenty years, be worth two for one! We will take away, if we can, by some process, the optional dollar now constitutional for eighty-one years in the United States, and will place in its stead a dollar in one metal only—a metal that we know, from its scarcity and from our ability to corner it in the markets of the world, must rapidly, under such conditions, appreciate in its purchasing power, all the time hiding its own fallacy, while at the same time the discarded metal, being disparaged and abolished, must lose its quality as primary money and be driven gradually into the relation of subsidiary coin and mere merchandise.

Words are inadequate to describe the profundity and criminality of this scheme. It was carried into effect by the Act of Feb. 18, 1873. It was done by a turn of Shylock's wrist, so adroit, and one might say devilish, as to be indescribable in the phraseology of this world. It was an act on which no king of the seventeenth century would have ventured without incurring the risk of revolution. It was an act which, instead of being misrepresented by those who have found it out and nailed it to the gibbet of public contempt, has never been adequately denounced. It was an act which has positively blackened the honor of the American republic. It was an act which though subsequently defended, even to the present day, by all the purchased ability of the world, is nevertheless condemned by the conscience and common sense of mankind as the most cold-blooded, unjust, uncalled-for, unmitigated and damnable outrage ever done in this century to the rights and interests of a great people!

The Act of 1873 abolished the standard unit of money and account in the United States. Until that time all other coins in use under our constitution and statute had been made to do obeisance to the silver dollar as the unit of money and account. That dollar had never been al-

tered by the fraction of one grain in the quantity of pure metal composing it from the time when it was ordained in 1792 to the time when it was abolished from the list of coins to be henceforth struck at the mints of the United States. Every other coin whether of gold or silver had been altered and altered again; the silver unit never. To that unit all the rest, both gold and silver, had from the first been conformed. The eagle of the original statute and of all subsequent statutes was not made to be ten dollars, but to be of the value of ten dollars. The half eagle was not made to be five dollars, but to be of the value of five dollars. The quarter eagle was of the value of two and a half dollars, and the double eagle was to be of the value of twenty dollars. Even the gold dollar of 1849, *mirabile dictu!* was not a dollar, but was made to be of the value of a dollar! The subsidiary coins were all fractions of the dollar, and the dollar was of silver only.

Not a single dictionary or encyclopedia in the English language before the year 1878 ever defined dollar in any terms other than of silver. In that year the administrators of the estate of Noah Webster, deceased, cut the plates of our standard lexicon and inserted a new definition that had become necessary in order to make the bond

intrigue, in Congress and out of it, consist!

True it is that by the statute of 1792 the dollar was made to exist in the gold coin also; but that dollar was a dollar only by its conformity in value to the silver coin which was the one standard unit of money and account. Our metal money existed in both kinds, and the system was bimetallic to this extent, that the debtor might pay in either; but the unit existed in silver only. To abolish that unit, to strike it down, to cancel it, and to substitute another therefor WAS a crime! It has been rightly so branded by the American people, and it will be so written in history. It makes no difference whether it was done secretly or openly; whether in the day or in the night; whether by a committee or by the House in full debate; whether Congress understood it or did not understand it. It was a crime all the same against the rights and interests of the American people; aye, against the American people themselves and against all the people of the world; for it was done against justice, against truth, against the law of both man and God.

Nevertheless it was done. Again the bondholding interests had played a great game with the American people, and had won as before. The next event of the programme was already rising above the horizon. That was the formal declaration of a date when the gold dollar, instead of the alternate bimetallic dollar of the American people, should begin to be paid in discharge of the debts of the nation. The act fixing that date was passed on the 14th of January, 1875; and the 1st of January, 1879, was named as the day when specie payments should be resumed at the treasury of the United States—and if there, then everywhere.

About the year 1877 the American people made a discovery—not a pleasing discovery. They found that they were ginned in a trap which had been set for them without their knowledge four years previously. The date for the resumption of specie payments was near at hand. The means for such resumption had to be provided. The national treasury could not resume on nothing, but must be supplied in advance with the coin necessary for such an enormous transaction and for keeping up the work when it should be once begun. The people had been supposing that both gold and silver would be gathered without discrimination for the discharge of the debts of the government. To their amazement, they found that they had been beaten by a game. Not a silver dollar was coining or could be legally coined at the mints to meet the coming emergency.

Only a few years before, the enormous treasures of the Rocky Mountains had been laid bare. It were hard to say whether there was greater cause of amazement or rage when the people found that the very resource to which Lincoln had pointed in his last public utterance as the means of paying the war debt had been purposely cut off! When the reason of this was inquired, Shylock pointed his benevolent finger to the act of 1873. It was unlawful to coin silver dollars! The debt must be paid in gold. When the inquiry was pressed as to whether the silver dollar had not always been the dollar of the constitution and the statute, whether it had not been in particular the dollar of primary money when the bonded debt was incurred. Shylock shuffled and lied and made an affidavit that he was an honest man!

Hereupon a clamor—first of many—arose in the country. The people broke into insurrection against the money power. There was a wrestle between them and their oppressors. For the time being their representatives in Congress, less swayed than afterwards by the tremendous

influences around them, stood fast for truth and right. A battle was fought in the second session of the Forty-fifth Congress, and on the 21st of February, 1878, the act was triumphantly passed for the restoration of the silver dollar and for the compulsory coinage of that unit at the minimum rate of two millions of dollars a month.

We need not here recount how the Act of Remonetization was sent to the president of the United States to meet at his hands the puny rebuff of a veto. Nor need we refer to the other fact that the veto itself was buried, without a word of debate, under a majority of 46 to 19 in the Senate, and of 196 to 73 in the House of Representatives. So perish all similar documents evermore!

It was by means of the Act of 1878 that the government of the United States was enabled to make good its declaration of specie payments at the appointed time. Within eleven months the ordeal came and was passed. The premium on gold was obliterated. Both money metals stood side by side in the accomplishment of this work. The first metallic money that reappeared in the channels of ordinary trade was the old silver dollar, restored, not indeed to its unlimited and equal rank, but to a measure of efficiency.

The Act of Remonetization was in force for twelve years and five months. In this period at the mints of the United States were coined more than three hundred million silver dollars. These were added to the volume of the currency, in spite of the grimaces and gripings of Shylock.

The law of 1878 was very far short of perfection. It left silver exposed to the intrigues of the enemy, and placed gold in such a situation that the price of it might be gradually advanced at the option of the holders. It made silver to be merchandise, coinable into dollars that were to be buoyed up by coinage from the bullion value which the Goldites might measure in terms of gold, and depress as much as they pleased. This actually occurred. Gold began steadily to appreciate. Its purchasing power, as measured by the average of all other commodities, rose higher and higher. The supposition that the average of all other commodities declined in value is absurd. They only declined in price—price as measured by gold. Gold as measured by silver advanced in price and purchasing power. The price of silver bullion declined, or was forced down, by the standard of gold; but the value of silver—raw silver—did not decline more rapidly than the average of the great products of America and Europe; that is, it did not decline at all.

The whole situation was so contrived as to produce a divergency, a disparity, in the bullion values of silver and gold; but gold was able to conceal its fallacy if it were the sole standard of values. So much gold, namely, 28.22 grains, was stamped as the standard dollar, and if the treacherous metal had risen until its purchasing power was five hundred per cent of what it had been previously, until one unit of it would purchase a thousand bushels of wheat or fifty acres of farm land, it would not have revealed the lie that was in it! It would still have been "the honest dollar!" As matter of fact, gold bullion rose higher and higher, and all things else, including silver bullion, were correspondingly depressed in price.

The advantages which this condition—carefully contrived by the money power with machinations and intrigues extending back to the close of the war—would give, and did give, to the owners of gold and those to whom gold had been promised in payment cannot well be described. It was incalculable. The spectral nightmare of debt built him a throne or the ruins of a million homes—just as Sherman had said he would—and plumed himself all summer. The Goldites became by the possession of augmented power the autocrats of the world. Strange indeed to see the prices of all the products and industries of men sinking, sinking, under the pressure of so small and diabolical an instrument as a gold dollar! The thing has seemed to be possessed of a veritable devil. Its action has been like that of a manikin three miles out at sea, submerged to his chin, but by some infernal self-pressure able to lift himself out of the water to the horizon of his waist. Looking around over the vast deep, he cries in glee, "Great heavens, how the ocean has sunk away!"

\* The fact that the interest on the five-twenty bonds was by specification payable in coin shows conclusively that the body of the bond was payable in the lawful money of the country. Else why the specification as to how the interest should be paid? If the body of the bond were payable in coin, it had been the sublimated absurdity of the century to specify that the coupons should be paid in coin also! What kind of bond would that have been, the principle of which was payable in coin and the coupons in legal tender?

As much as two years before the passage of the refunding act, the people had begun to show signs of distrust at the manœuvres of the bondholding classes. The popular suspicion was shown in the declarations of the political platforms of both parties in 1868, in the greater part of the country. The sentiment of the people, always true, even when overborne by their masters, was overwhelmingly in favor of paying them in the same currency with which they were purchased. That currency had already appreciated in its purchasing power about thirty per cent. In the central United States the