

THE POLITICAL SITUATION IN THE UNITED STATES.

TO THE EDITOR OF THE TIMES.

Sir,—In the letter, published in *The Times* of the 5th., I promised to explain the real situation of American farmers and the cause of the long-continued demand among them for more and cheaper money.

Broadly speaking, only three explanations are offered to British journals by their correspondents or by the journals of the American Atlantic coast, which alone are quoted here. The first is that the four or five million Americans who will certainly vote for Bryan are all dishonest debtors or friends of debtors who are glad of any chance to cheat their creditors. The second is that they are all under the hypnotic influence of a few owners of shares in silver mines. The third is that they are Anarchists or Communists who want to seize upon accumulated wealth and distribute it among themselves. There is a fourth theory, advanced by English bimetallists, but, as this is either a justification or palliation of the demand for free-silver coinage, it needs no further notice here than to say that an adequate explanation can be given entirely consistent with monometallism of the strictest type.

It is true that American farmers as a class are generally in debt. It is also true that very many of them have come to believe that the burden of their debt is constantly growing under the gold standard. But it is not true that a majority of those who will vote for Bryan are less honest than those who will vote for M'Kinley. The only foundation for this sweeping charge is the fact that, in accordance with world-wide experience, the shiftless, discontented, and doubtfully honest naturally drift into a party which holds out a hope of relief to the unfortunate, rather than into a party which allows its policy to be dictated entirely by the wealthy and contented classes.

The theory that millions of American farmers are blindly following the owners of silver mines is too absurd to need refutation. The silver miners were an insignificant political force when the free coinage of silver was voted for by Mr. M'Kinley, carried triumphantly through one branch of Congress, and only stopped by the certainty of a veto from President Hayes. The Republican managers, in their anxiety to manufacture tariff votes, crowded in a number of mining camps and cattle ranches as States, giving them the control of the Senate ; but, until that supreme act of folly was committed, silver mineowners had no appreciable influence.

The charges of anarchy and communism, in the Atlantic papers, are based upon the facts that the Bryan party propose to introduce in America the British system of taxation, including an income-tax and death duties ; that they object to the use of Court injunctions against

labour combinations ; and that they are opposed to the use of Federal troops in repressing riots in any State without the consent of the State authorities. The last point is one of constitutional law, upon which there is much honest difference of opinion. As to the other two propositions, no British lawyer or statesman would venture to condemn them ; since in both respects the Bryan party simply propose to follow British precedents. You have had such taxes for 50 years ; and no British Court has ever granted such injunctions as those which are criticized in the Bryan platform.

Nevertheless, the Bryan platform, as an entirety, is a bad one ; and the election of Mr. Bryan would be a national disaster. For his main object, as he constantly avows, is to open American mints to the free coinage of silver and to make such coins a legal tender for all debts, past and future, at a ratio which would at once make us monometallists, with silver as the only standard. Why does this proposal excite such enthusiastic, unreasoning and fanatical support, among a class of men who, in other respects, are only too conservative and slow ? A statement of the situation will give the best answer.

American farmers and planters are scattered thinly over an enormous territory. A vast majority not only have no dealings with banks of deposit and discount, but do not understand the nature of such transactions. In the south and west it is quite common to find numerous populated districts, each larger than Wales, and some nearly as large as England, in which there is not a single bank of deposit. In most of the agricultural regions back of the North Atlantic States

payment by cheque is practically unknown. All transactions are settled either by payment in paper money or by book accounts.

A moment's reflection will show that it is literally impossible that the enormous productions of these farmers can ever be paid for in either coin or paper money. There never was, and never can be, enough "money" in the country to pay for half a crop; while two-thirds of all the coin and paper money is and must be kept in bank vaults, the banks being compelled by law to keep on hand from 15 to 25 per cent. of all their liabilities in coin or "greenbacks." In the large towns, the gradual evolution of business has superseded actual money by the use of cheques, in which more than nine-tenths of all transactions are settled. But the farmers have no cheques and no bank accounts. Nearly all the "money" is absorbed by the towns. How shall their crops be sold and paid for?

In answer to this demand, trade evolves the "country store." At each crossing of the high roads is sure to be planted the "cross-roads store," of which the business traveller will hear in every direction. Here, a shrewd manager, with small capital, good bank facilities, and plenty of local knowledge, is ready to sell to each farmer on credit. Each farmer opens a book account with one of these stores. He is lucky, if he has a choice between three of them. But they all

charge the same prices, give the same credit, require the same security, and deal in the same way. When the farmer has raised his crop, he must either sell it to his storekeeper or must direct any other purchaser to settle at the store. Credit is given from one annual crop to the next. In consideration of this credit and the risks involved, the storekeeper has to charge prices which include interest and insurance, roughly calculated at not less than 25 per cent., in addition to the full usual retail profit of a town store. When he buys the farmer's crop, as he usually does, he pays the lowest country market price. He keeps the accounts and fixes the prices at both ends.

In this manner by far the largest share of the back-country farmers have to buy and sell. Of course, they always buy in the dearest market and sell in the cheapest. They do, in fact, a banking business at the cross-roads stores, in a clumsy and costly manner, paying these primitive bankers interest and commissions at the rate of 30 or 40 per cent. Those farmers who only pay 20 per cent. grow prosperous; those who pay 30 barely live; those who pay 40 are eventually ruined.

Millions of farmers live in this manner, know it, and are impatient under it. Hundreds of thousands grow fiercely discontented. But the only remedy of which they have the smallest conception is to increase the volume of money to such an extent that it shall flood the whole country and enable them to buy and sell for actual cash, paid across the counter. They believe that city trade is done in this manner; and they think that they are deprived of like privileges by some

mysterious financial conspiracy, through which New York and London bankers monopolize all the money and contract its volume, in order that they may monopolize it. No politician and no paper which they ever read contradicts this theory ; and nobody ever explains to them the real nature of banking or the possibility of their having or using deposit banks. Their only idea of a bank is a banknote factory, issuing paper to be kept afloat as long and redeemed as seldom as possible. And why that omnipotent being, " the Government," should not issue all this paper itself, sharing the " gigantic profits " among all the people, is something which they cannot understand, and which nobody, until very recently, has attempted to explain.

Is it at all surprising, under such circumstances, that these small farmers, hardly pressed for a living, should clamorously demand more money of every kind—gold, silver, paper, or rags ? The marvel is that there has been enough common sense among them, even without instruction, to feel instinctively that the only remedy of which they know anything is, after all, worse than the disease.

What is the true remedy ? Is it not, obviously, the extension to the farming classes of those banking facilities which have made the use of both coin and paper money obsolete in the business transactions of towns ? Why should not farmers obtain credit at a local bank, at fair rates of interest, instead of depending upon the cross-road stores, at exorbitant rates ? Why should they not sell their crops for cheques, deposit them in banks, and take up their discounted notes in this way ?

The solution of this mystery is something which Englishmen will find it hard to understand. Our bankers are more enterprising than British bankers, more ready to enter into the new fields and to give new credits. They are much more willing to accept small deposits, and never charge commission. But they are prohibited from furnishing this aid to farmers by two statutes enacted upon the urgent demand of the farmers themselves. No bank is permitted to establish agencies, and every bank is taxed two or three per cent. on its capital, which is the same as an income-tax of 7s. on the pound. Thus rural banks are killed before they are born. No farmers' bank could live under such taxes ; and no district which is too poor to maintain a bank of its own is allowed to have a bank agency.

Just across the northern boundary of the United States lies a country, inferior in climate and lacking many of our natural and social advantages, shut out from its natural commerce by absurd tariffs on each side, even more dependent upon agriculture than we are, and having no opportunities which we do not possess in at least equal measure. Why does not Canada have a currency question ? Why do not Canadian farmers clamour for silver coinage and fiat money ? They have suffered from the fall of prices and from every other alleged result of the single gold standard, to precisely the same extent as the farmers south of them. Yet there seems to be no bimetallic league in Canada, and the cry for cheaper money is not heard. Canada has not only enough money to supply all her own wants, but also lends such great amounts in the United States that jealous American bankers sometimes try to shut Canadian money out. But Canada puts no heavy taxes upon bank capital and allows her banks to establish branches at every village. Thus first-class banks of deposit and discount are made easily accessible to every farmer, mechanic, lumberman, and fisherman in the remotest parts of

Canada on substantially the same terms with the residents of the largest cities. The security of each little branch office is as perfect as that of the greatest bank in Montreal. Each branch has the best information on financial affairs, and each has at command a supply of loanable funds ten times greater than it actually needs. Because the head office always has millions lent on call in the United States, which it would be glad to use among the farmers of Canada. A similar state of things might easily exist in the United States; but it is made impossible by legislation, for which the farmers themselves are chiefly responsible, and which Mr. Bryan and Mr. M'Kinley agree in lauding as the perfection of human wisdom.

Thus the true remedy for the hardships of American farmers is to be found (as in so many other cases) not in more restriction, but in more liberty. Like so many other problems, which have puzzled wiser men than farmers, it proves to be a problem in just taxation, rather than in coinage or standards. The stubborn resistance of farmers to those reforms in taxation which were long ago adopted in Great Britain and Canada has brought them into conflict with the evolutionary laws of money as well as of taxation. As it seems to me, just as natural law developed the use of money in place of barter, the use of silver in place of copper, the use of gold in place of silver, and the use of bank notes in place of coin, so it is now supplanting coin and notes alike by bank cheques. More and more coin goes into bank vaults, to be kept as ballast in a ship—absolutely essential while out of sight, but a nuisance when brought to the surface. The idea that bimetallism, with or without international agreement, can reverse this process of evolution, appears to my uninstructed mind simply incredible. But, feeling properly humble, in view of the great array of college professors and eminent bankers who maintain that theory, I protest against

abuse of the poor farmers of the West, who reduce the college and banking theories to practice. And, foolish as I think their methods of taxation to be—taxing money and all other loanable capital $2\frac{1}{2}$ per cent., while demanding that interest should be reduced to 2 per cent., and thus driving away the very money for which they are so eager—is not the same folly advocated by much wiser men? Has there not been much said in England lately in favour of making personal property subject to local rates? That is precisely what American farmers actually do; and these rates amount to nearly half the income from such property, whenever fully collected. If England ever puts personal property on the rates equally with real property she will find banks shrivel up and capital hide itself, exactly as is now the case among the Western and Southern farmers of America.

Your obedient servant,

THOMAS G. SHEARMAN.

Royal Hotel, Blackfriars, Sept. 7.
