"Farm leaders think currency inflation will save the farmer; but it is more likely to ruin all of us completely"

Polishing up the Cross of Gold

Why not print more money? Everyone wants it and there seems not to be enough to go around. Start the presses! That demand is growing more insistent in this country. Here Mr. Flynn gets down to dollars and cents and shows you just what sort of a kick you would get from inflation

By John T. Flynn

OUT on the prairies they are polishing up the old "Cross of Gold." There is just nothing in the world that can get us as a people "all het up" like a good, old-fashioned ruckus about the money question. In every depression there comes a moment, after all the political jalap has been swallowed and all the pills and powders have been tried without effect, when some farmer looks up from behind the mess of mortgages on his farm and announces that "it's time to start printin' some money." Why not? Nobody has enough money. It must be because there's not enough going around.

Where does the money come from? From Uncle Sam. Where does Uncle Sam get it? He prints it in the Bureau of Printing and Engraving in Washington. Well, if there's not enough, why doesn't he print some more? It's as simple as A B C. Just turn out a few more bales of fives, tens and twenties and pass them around; put them in the banks; start things going.

No visitor with one eye and ear open can go to Washington without realizing that we have definitely arrived at that stage of this particular depression. Down there in committee-rooms, in congressmen's offices, in the corridors, you can hear the old phrases and shibboleths. At one committee meeting I heard inside of an hour all the famous old denunciations and expletives with which the villain Gold has been denounced for decades—"that Frankenstein monster," "Shylock," "pound of flesh," "the creditor East and the debtor West."

One had but to shut his eyes and listen to be swept back to the hectic days of 'Ninety-six, when the Boy Orator of the Platte worked strong men into tears as he pictured labor and the farmer crucified upon a cross of gold; and even farther back to the high-fevered days of the old Greenbackers, when John B. Weaver and General Ben Butler lifted their voices against the Golden Calf of Wall Street and demanded a fresh flood of fiat money.

A Farmer's Tale

Listen to Mr. Dan Fisher, dirt farmer and dirt-farm banker from New Parish, Indiana. Banker Fisher has been to Washington to tell the Banking and Currency Committee about the need for putting out some new money. You may not agree with what Mr. Fisher proposes but you will have to agree that he has a good case for action of some kind.

"Out our way," he said, "we have been listening for a long time to what a wonderful thing the American dollar is and what it will buy all over the world. But out in New Parish we've just about come to the conclusion that the American dollar has got to be too high-and-mighty and needs taking down a bit. In our country our farmers are loaded with debts—mortgages they contracted back in 1918 and 1919. I've been looking over the prices in those days. Wheat was $3.30 a bushel. Rye was $1.90 a bushel. The old dollar wasn't so strong then. The wheat that was $3.30 then is 47 cents now in our county. The rye that was $1.90 then is 30 cents now. Then oats brought $1.00 and now they bring 18 cents. Corn that was $1.60 we have to sell for 30 cents. We could get 23 cents a pound for our hogs then and we are lucky to get 4 cents now.

"What does all this mean? It means that 80 per cent of the farmer's income at its peak has been taken away from him. But the farmer's mortgage still remains. He pays, nominally, from 5 to 7 per cent on it. But, as a matter of fact, he must pay from 25 to 35 per cent; because all he has to pay with are his products and he has got to sell five times as much produce now to pay that interest as he did at the peak.

"Measure it in wheat. If he borrowed $5,000 back there in the peak days he borrowed the equivalent of 1,515 bushels of wheat. But on that same mortgage he now owes 10,640 bushels of wheat. He borrowed dollars that had very little purchasing power. He must pay in dollars that have very high purchasing power.

"What is the result? There is no chance for the farmer ever to pay his debts. In my district we are operating on a restricted basis. That is, we do not permit anybody to draw out one cent from his savings account. And as for checking accounts, we have closed down on them, too, and we allow a man to draw out one per cent a week. How long can we go on like that? How much can we farmers spend on that basis? How can we get out of it? We have got to have a rise in the price of our products. And the only way to do that is to issue more currency."

Now Mr. Dan Fisher is sound enough to a degree. That is, the farmer has suffered from a terrible deflation of the prices of his products. It's not as bad as Mr. Fisher points out, because all the money was not borrowed at the peak and no one can defend $3.30 wheat. But it's bad enough.

I have quoted this small-town Middle-Western banker to express a perfect reflection of the farmer's point of view which is driving the country into the demand for inflation, for issuance of greenbacks, for the remonetization of silver, for abandonment of the gold standard, for anything, in short, that seems to promise a rise in prices and some measure of relief.

Every man looks at his own wallet and sees that there is less money in it than there was three years ago. He hears the same tune from his neighbor. He therefore concludes that the amount of money in circulation in the country as a whole is smaller than it was back in the days of our so-called prosperity.

The truth is that we have not got less currency than we had back in the days when Coolidge was President. We have a good deal more. We have, in round numbers, approximately a billion dollars more.

We haven't got too little currency for our business. We have more than enough. We could do the business which the country is now doing on at least two billion dollars less money.

Plenty of Gold

Down in Washington we hear that the country ought to go off the gold standard because there is not enough gold in the country for our purposes. For the benefit of those who think this may be so, here are the facts:

We were prosperous from 1927 to 1929. Yet we have more gold now than we had then. We had more gold in our reserves in August, 1921, than we have ever had in our history—almost five billion dollars' worth. We have lost some but we have plenty left.

But, of course, we do not use gold as money. It is kept, save for some gold coin, locked in the vaults of our Assay Office and in the Federal Reserve banks. For currency we use paper money—gold certificates, Federal Reserve notes, National Bank notes, silver certificates, silver dollars and our own favorite small change. But we have more of all this now than we had at the height of our boom. Our circulating money reached its highest point in 1920-1921. That was in our last major depression. It has never been so high since, until now.

Perhaps it's difficult for the average man to believe this. If you are the average man your share of our currency—if it were all divided up—would be $45. If it had been divided up back in 1929 your share would have been only $38.60. Even after you make a good allowance for hoarding, there are still enough funds in actual use to assure you as much as back in 1929.

That doesn't seem like very much money for each of us. And since there is only that much, it is evident that we must do our business with something else. We must be using something else for money besides currency.

And that is precisely the point. We do use something else. We use bank deposits—bank credit. Back in 1929, for every dollar of currency there was $11.60 in bank deposits.

In New York City last year the average value of checks passing through the banks in a day was a little less than a billion dollars. But at the end of each day, when all the checks found their way to the clearing house, so that the balances of the banks could be struck, the average amount of cash required to settle those balances was about $125,000,000. In other words, about 87½ per cent of the business was done with bank money and about 12½ per cent with currency. All these figures are subject to some modifications. But they give roughly a picture of the manner in which we do business—not with metallic and paper money but with bank money.

We Need Bank Money

And it is precisely at this point that the trouble is to be found. We are short of money, but the money we are short of is the very money which we use so much—bank money—and not currency or gold. What we must find some way of doing is to expand our bank money, our bank credit.

The facts here are quite clear. At the height of our ill-fated boom in 1929 we had fifty-five billion dollars of deposits in our banks. Since that time we have lost twelve billion dollars of deposits. In other words, twelve billion dollars of bank money has simply vanished. This is an appalling sum. It is nearly three times as much as all the currency we used in 1929. What has become of it? Why did it vanish? And where has it gone? And how can we get it back?

First of all, what became of our bank money—our bank deposits? Suppose you put $5,000 in your bank and leave it there. The bank is now in a position to make a loan with part of that money. Along comes Mr. X and borrows $3,000 from your bank. He borrows $3,000 out of the fund you deposited. But he does not take it out of the bank. It is credited to his account. He now has $3,000 deposited to his account. There is now $8,000 in deposits—your $5,000 and his $3,000—all based on your $5,000 deposit of cash. By making the loan the bank actually created $3,000 of additional deposits — additional bank credit or bank money. Now by calling the loan the bank can wipe out that $3,000 of deposits. That is plain. And that is what has been happening. Banks have been calling loans by the thousands every month for these several years. By doing that they have been wiping out deposits. As a result of that our bank deposits are down twelve billions of dollars. Our currency, our gold, is not reduced. We have ample gold and currency for all our needs. What we have not got is enough bank money. What we need to do, therefore, is not to inflate the currency, but to inflate or, better, to expand our bank credits, our bank money.

Now how can we do that? It is perfectly clear that the only way is to induce men with good credit to borrow money and to induce banks to lend it to them. But how can we do that? This brings us to the fixed conviction in the minds of some men that the way to do that is to get the prices of commodities to rise. How will this do the trick? Congressman T. Alan Goldsborough, a leader in the movement, explains the idea:

Forcing Prices Up

"The Federal Reserve Board has the right to issue additional currency as needed. We direct the Federal Reserve Board to issue additional currency now. It announces to the public that it has $10,000,000 in fresh currency; that it intends to force this currency into trade by buying government securities and paying for them with the new currency. It announces further, under authorization from Congress, that it intends to keep on putting out additional currency until prices begin to rise and keep on rising until they reach the 1926 level. Now what will happen? Every retailer will start putting in his orders to get his goods before prices go up. Every wholesaler will begin buying from the factories to get in before prices go up. Business will start moving. Factories will start manufacturing. Men will go back to work."

Whatever you may think of this idea, remember that the Goldsborough bill passed the House of Representatives by an overwhelming non-partisan vote.

Whatever may happen to it at the next session of Congress, the principle behind it is the rallying point for all believers in currency inflation.

But you, Mr. Salesman, Mr. Clerk, Mr. Merchant, Mr. Employee, Mr. Farmer—what will this do to you?

Well, the farm leaders, at least, think it will save the farmers, though I think it will probably ruin them completely. When I was in Washington the farm leaders were there demanding some kind of currency inflation for the farmers. Edward O'Neal, Vice President of the American Farm Bureau Federation, said:

"The farmers of this country are supposed to owe twelve billion dollars. As a matter of fact, they did owe twelve billions when they took

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Illustrated by J. N. Darling

Young Girl Laughing

The harrowing story of Ferdy Fell, who hit the Trail of Fame in Hollywood

By Frank Condon

PEOPLE are wondering what has become of Ferdinand Fell, the artist, generally called Ferdy, as he is no longer to be seen strolling the boulevards of Hollywood. To be sure, no great army of people are wondering, for Ferdinand is hardly a world figure. He makes paintings with a brush and tubes of color and tries to sell them to an unappreciative public and he wears a steel shield, like a policeman's badge, where his necktie ought to be.

Ferdy is a young man and his face is boyish and thin, a trifle red when he argues. There is always an eager look in his eyes, as if he is about to behold something marvelous in life, something wonderful and beautiful and good and exalting. In the earlier days of the world, Ferdy would have been a monk. He used to walk up and down the boulevards, pausing before the five-and-ten-cent stores to gaze rapturously at bars of pink soap made into a castle. He spent only one night in jail. For some reason, they lugged him downtown to the large metropolitan jail and stuck him away in a cell with a palsied Negro, who moaned and had recurrent fits all night. It was thought the police would remove him to the Hollywood jail, but probably the Arab Theater is in the downtown district, and Ferdy was arrested in the Arab Theater, after scaring at least one woman into conniption fits.

When I say Ferdinand Fell is young, I do not mean sophomoric or in the pimpled stage of stringy adolescence. He is somewhere towards forty, but he looks juvenile. His eyes are younger than the rest of his face, and when the policemen captured him he fought like an enraged puma, and they had to squash him down on his stomach in the side aisle and sit on him, while the organ roared I'll Be Glad When You're Dead and people stood on the seats.

It was perhaps nine o'clock when the disturbance began and the first lady shrieked and collapsed. Even before eight o'clock, there was a crowd, estimated by the manager, Mr. John Perkins, at four thousand free souls, milling and howling in the street before the doors of the Arab Theater.

IT WAS opening night—one of those Hollywood openings—first showing of the loudly heralded new talking picture, The Little Model, directed by Alphonse Duval. Soldierly police pushed through the mob on spotless brown horses. Searchlights of enormous power straggled to and fro on the roof of the sky, and the peasants of California leaned over the ropes and gazed at their gods with the humble adoration that has made the picture business what it is today. Cheered and applauded by the populace, the haughty kings and queens of Celluloidia stepped from their palanquins and filed majestically into the foyer, pausing beneath a silken canopy to murmur a kindly word into the microphone.

At eight-thirty the lobby was packed from wall to wall and those who had come to witness the first showing of The Little Model moved slowly into the theater and took their seats, standing erect for a moment so that everyone might see them. In the exact center of the outer lobby there stood an oil painting. It was in a golden frame on a gilded easel, and it was surrounded and brightened by six electric bulbs. Staring forth was the likeness of a beautiful young woman, her face aglow with merriment, and in her hand a letter, a love letter apparently. The title of the painting was The Little Model, and the motion picture opening here was based upon this work of art.

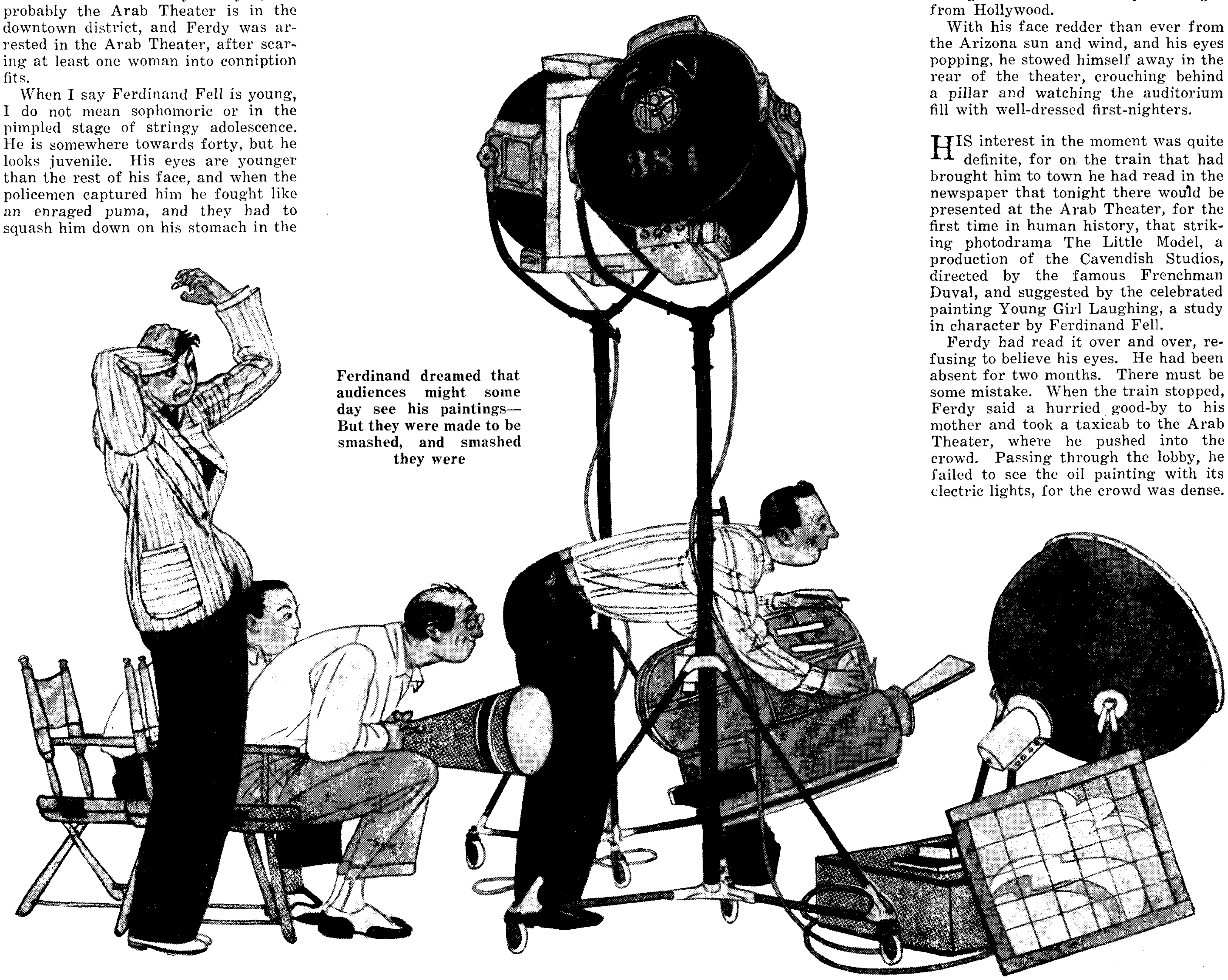
Into the midst of the slowly moving crowd there hurried a young man, not in evening clothes, and therefore conspicuous in the genteel throng. It was Ferdy Fell, idealist, dreamer and vegetarian. He had just arrived in town, fresh from a ranch in Arizona, where he had been recovering from a nervous breakdown and only an hour before had he learned that there was to be a grand opening at the Arab Theater.

He had come straight from the Arizona train, and nobody noticed him. Scarcely anybody knew him. He was not invited to step up and say a jolly word into the microphone. When he attempted to purchase a seat that he might see the talking picture, the ticket man merely smiled at his innocence, for the seats were five dollars each, and the house had been sold out for days to the mighty and the near-mighty. Ferdinand edged slowly over to a doorway and crept into the theater without a ticket, hiding himself behind a royal dowager from Hollywood.

With his face redder than ever from the Arizona sun and wind, and his eyes popping, he stowed himself away in the rear of the theater, crouching behind a pillar and watching the auditorium fill with well-dressed first-nighters.

HIS interest in the moment was quite definite, for on the train that had brought him to town he had read in the newspaper that tonight there would be presented at the Arab Theater, for the first time in human history, that striking photodrama The Little Model, a production of the Cavendish Studios, directed by the famous Frenchman Duval, and suggested by the celebrated painting Young Girl Laughing, a study in character by Ferdinand Fell.

Ferdy had read it over and over, refusing to believe his eyes. He had been absent for two months. There must be some mistake. When the train stopped, Ferdy said a hurried good-by to his mother and took a taxicab to the Arab Theater, where he pushed into the crowd. Passing through the lobby, he failed to see the oil painting with its electric lights, for the crowd was dense.



Ferdinand dreamed that audiences might some day see his paintings—But they were made to be smashed, and smashed they were