

FORD'S CRUSADE FOR BUNK MONEY

By GUSTAVUS MYERS

WHEN, during an examination in court several years ago in a libel suit brought by him against a Chicago newspaper, Henry Ford scornfully declared that "history is bunk", he more than characterized the processes of his own mentality. He also—although unconsciously—reflected those of a certain proportion of our people. Every age has its peculiar style of egotism. But no age has approached ours in accrediting to itself unrivaled superiority. The marvels of scientific achievement have impressed popular imagination as establishing a civilization compared to which all that preceded us was puny. Judging solely by material splendor many persons feel sure that our generation is brilliantly distinct from its predecessor; that being more cultivated and wiser we need not consult precedent.

To the reflective the great war proved anew that in essentials our civilization is no different from the humanity of the past; externals vary, but the same passions and feelings persist, forming a continuous link with primitive eras. But upon the unthinking this philosophic lesson was lost. Mistaking mechanical excellence for the integrals of civilization—the things proceeding from mind and heart—they cannot see this truth. They know only that our grandfathers and those before them had none of the wondrous inventions of our day, and inasmuch as that was so they were of an inferior order. Of what concern are their experiences to us? Are there any lessons to be learned from generations that knew neither sky scrapers nor automobiles, electrical locomotion, airships, wireless? From this atti-

tude—it may well be called a prevalent conceit—has arisen a disdain of the value of the teachings of history. Indeed, the fashion is now uncommon of boasting of ignorance of historical information as if its study and contemplation were a disgraceful proof of a backward mind.

It is not surprising that at such a time proposals that in former eras were repeatedly tried and discarded should be brought forward with assurance as profound, newly-discovered, original principles, and that they should impose both upon some shallow self-styled molders of public opinion, as well as upon an uninformed crowd. Nor is it incongruous that Mr. Ford should obtrude himself as the originator, expositor, and promoter of the latest of these schemes. An enterprising, capable manufacturer of cheap automobiles, Mr. Ford has not, however, been noted for the efficacy of his ventures outside the realm of business. Popular memory may be fleeting but there will be no general difficulty in recalling his fantastic attempt in 1915 to stop the war by sending to Europe a missionary “peace ship”, loaded with a motley assortment of pacifists who, if reports were to be believed, were in a jangle of discord on the way over. Unmindful of the obloquy attending that expedition, Mr. Ford later embarked upon a campaign of assailing what he termed “the international Jew.” This, also, proved a fiasco as might have been foreseen by any perspicacious mind. Without allowing even a discreet interval between one campaign and another, Mr. Ford has now publicly announced his abandonment of his denunciations of Jews to urge what he is pleased to regard as his plan for a readjustment of the money question.

In the case of his previous undertakings serious criticism was superfluous, for they were of a nature that could safely be left to effect their own speedy undoing. At different times organized attempts have been made in America to arouse religious animosities and incite one creed against another. After spasmodic careers each dismally failed. The instilling of religious hatred is the kind of performance

that long ago was outlawed by the American people as opposed to the spirit of its institutions. But the money question is on a different footing; in advocating fiat issues the agitator—although he may not know it—is touching upon something that has intermittently long been an underlying weakness of some sections of American sentiment. Again and again during a period of more than a hundred and eighty years there have been fiat movements. Hard experience dissipated one after another, and it was thought on every occasion, finally. But after a period of deceptive quiescence, the agitation would reappear, needing only a leader to arouse it.

The advocacy of any issue by a single person may not at first glance seem important enough to notice. It happens, however, that in this matter the individual is one to whose utterance widespread newspaper publicity is freely given and to whom an unusual amount of public deference is accorded. The average American tendency to admire self-made exemplars of material success is in full evidence in Mr. Ford's case. His failures in sundry agitations are overlooked or forgotten while the fact that in seventeen years he has made a prodigious success in business stands out conspicuously in the popular mind as the sure proof of his capacity. In the common understanding there is no recognition that an ability may be specialized to one thing and one only; it is accepted as denoting ability in all things and as investing its possessor with the attributes of an oracle. Moreover, the sight of a man, having as he himself says, a bank balance of from one hundred and forty-five to one hundred and seventy-five million dollars, denouncing the "money power", gives him an air of a disinterested apostle of public good and assures a ready reception for his views, particularly in quarters ever willing to seize upon the old alluring idea of cheap fiat money.

Briefly stated, Mr. Ford's argument, put forth in the form of newspaper interviews, is this: Seeking to buy the Muscle Shoals plant in Alabama from the government,

he pointed out what seemed to him a feasible way of the government's completing the dam without issuing interest-bearing notes. The forty million dollars necessary could be issued in greenbacks based upon the potential earnings of the plant. Then Mr. Ford launched upon a disquisition on the evils of gold, and insisted that currency could and should be based upon natural resources.

The cause of all wars, he declared, was gold, and the profit derived from war. History tells an entirely different story—of ferocious wars waged by savage tribes that did not know gold at all; of protracted wars of barbarism against civilization; of bitter racial and flaming religious wars; of wars of conflicting cultures and dynasties; of revolutionary and counter-revolutionary wars; and of other wars impelled by a variety of causes. But what are historic facts to Mr. Ford? Concentrating his attention upon gold he sees in it the great curse which has enslaved humanity. He generously says that he would not destroy gold; he would retain it for use in the arts and “for other useful purposes”, but he would displace it as a substitute for currency and put in its place “the world's imperishable natural resources”. The best security behind money, he holds, “is energy in a productive form”. He is positive that contractors would unhesitatingly adopt this kind of money “because there is behind it the good faith and credit of the American people”.

All of this and more to the same effect has been proclaimed with a solemnity and certainty as though some momentous new principle had been suddenly revealed. But all of it is old and stale; the experiment that Mr. Ford would have the American people try has been attempted on a number of occasions only to result disastrously.

Fiat money was a favorite popular delusion in colonial times. “Why is not paper money as good as coin?” was the argument then current. “Have we not vast resources to support it and give it full value?” Long before the American Revolution, South Carolina issued fiat paper

money, but it progressively depreciated until by common consent it was abandoned.

Regardless of that experience fiat paper money was tried on a far more elaborate scale during the Revolution. In 1775 the plea was plausibly put forth that a country having such manifold rich natural resources did not need to resort to metal as a foundation for currency. The agitation for this kind of paper money made such headway that even many delegates to the Continental Congress favored it. When Mr. Ford declaims against interest-bearing bonds—which are based upon taxation—he is merely repeating what these delegates then asserted. “Do you think, gentlemen”, said one of them during a debate, “that I will consent to load my constituents with taxes, when we can send to our printer, and get a wagon load of money, one quire of which will pay for the whole?” Benjamin Franklin and some other practical thinkers opposed the scheme, but they were aspersed as instruments of the “moneyed men”. Fiat money advocates were numerous and loud and had their way; issue after issue of irredeemable paper money was manufactured and distributed.

The first effect was to give an appearance of prosperity with money circulating so plentifully. But this condition was artificial and brief. By 1777 prices had greatly risen; commodities could in general be bought only with specie; the Mennonites and Quakers in Pennsylvania refused to sell anything except for hard cash; and John Adams, writing from Massachusetts to a member of the Board of Treasury, described the general aversion to accepting paper money. The situation was worse the next year. In 1779 paper money had become almost valueless, and would hardly buy anything. Washington wrote that “a wagon load of money will hardly purchase a wagon load of provisions”. Gold and silver were privately hoarded and disappeared from circulation. Barter became the prevailing mode of commerce. Convinced of the folly of its irredeemable paper issues, the Continental Congress in 1780

put an end to Continental money, the act of that year declaring forty paper dollars equivalent to one in specie. But the actual difference in rate of exchange was far more: in the south one hundred and twenty paper dollars were demanded for one coin dollar.

New issues of paper money by Congress were based upon credit of the states. By 1781 the value of these paper dollars had so shrunk that it took two hundred and fifty to three hundred of them to procure one hard dollar. It was found impossible to transact business in paper money and its use ceased. Gold and silver were thereby forced from hiding, and specie became the money medium.

The value of the revolutionary paper money was predicated upon the Revolution succeeding and upon the abundance of natural wealth. Doubt of success may have had some share in the depreciation of paper money. But after the revolutionary cause was won, the results of fiat paper money were the same. In 1786 when military and other creditors importuned the states for payment, agitators pointed out that an easy way to discharge debts to them was to issue paper money. Under the influence of this new frenzy, nearly all of the states poured forth fiat money. The consequences were like those during the Revolution. This time, however, the people learned the salutary lesson. So wide were the ruination and misery caused by this issue of paper money and so intense the feeling, that when the Federal Constitution was under consideration care was taken to prevent a repetition. The original draft gave a qualified permission to the states to issue money. The final draft took away from them all power to coin money, emit bills of credit, or make anything but gold and silver coin a tender in payment of debts.

Skipping over the interval between then and 1861, it is only necessary to outline as a further illustration events during and following the Civil War. During that conflict the United States government issued four hundred and fifty million dollars of greenbacks or legal tender. Orig-

inally they were convertible at the option of the holder into bonds bearing coin interest, but this provision was repealed in 1863. They then became irredeemable paper. The effects were instantaneous. To protect themselves against loss by fluctuations in the value of the currency, contractors and dealers advanced prices and kept advancing them. But the wages of labor were not advanced proportionately. The successive advances in prices were so many virtual curtailments of pay of workers and soldiers; it was upon the classes least able to afford the expense that the financial burdens of the war fell with the greatest weight. Greenbacks in the year 1864 were worth only thirty-five cents per gold dollar. In California business men declined to receive them except at their value in gold, and an act was passed by the California legislature—which was upheld by the highest courts—allowing contracts to be enforceable in any kind of money stipulated by the parties.

The Confederate financial system—or lack of system—was based upon the very fallacies that Mr. Ford now revives. The Confederacy avoided any real method of paying the cost of the war by taxation; it issued large quantities of irredeemable paper, and paid interest on loans in this paper. The south was deluged with paper money issued not only by the Confederate government but by the states, cities, banks, and even factories, turnpike, and insurance companies. It all became nearly worthless before the close of the war; and it has long been the opinion of competent students that had military force not succeeded in overthrowing it, the Confederacy would have collapsed financially.

Despite these experiences a greenback delirium came in the decade after the Civil War. That war left a huge debt which had to be paid in taxation. The very evils for which the irredeemable greenback issues were responsible were now singularly enough made the basis of a demand for more greenbacks. Originating at the time of the panic of 1873, the Greenback Party asked why bondholders should be paid interest in gold, while soldiers and sailors had been

paid in depreciated greenbacks. It declared that all bonds which did not distinctly call for payment in coin should be redeemed in greenbacks. But the real aim of its agitation was "cheap money" to provide creditors with a facile means of discharging their debts. This movement persisted for nearly ten years. In its secondary stage, as the Greenback-Labor Party, it polled more than a million votes and then rapidly dwindled into nothingness. Succeeding it came the free silver movement which for a time made a great noise and then, also, passed away.

This is no place for a complete exposition of the subject. Only a few cogent facts have been related here, but they are enough to show that Mr. Ford had many progenitors in theory, each of whom was as confident that the system and solution he advocated were unerringly right. There are critics who accuse Mr. Ford of having an obsession in seeing conspiracies of "international Jew" and "international banker", but in justice to Mr. Ford it should be explained that he is unwittingly following in the footsteps of a line of predecessors. Orthodox socialist spokesmen have been addicted to the dictum that wars were hatched by "capitalistic conspiracies". Going farther back we note Greenback Party leaders ascribing social and industrial ills to "conspiracies of associated monopolies". Traveling still farther back to the time of the American Revolution we find evidence of this passion for detecting conspiracies. "The poorer sort look cunning, and give hints that the rich are aiming at a depreciation", wrote John Adams. It is a persisting delusion, that of conspiracies, and with but the thinnest change of guise, it is now again being offered for public consumption.

FIRST AID TO AMERICANIZATION

By RALPH H. BEVAN

THE world war and Bolshevism have sufficiently stressed the very great importance of Americanization calculated to transform unassimilated or ignorant elements into cordially co-operating and intelligent classes of a united nation. Americanization is in miniature the delicate problem which the European nations must solve to live together in sympathetic co-operation. It calls for a wisdom and tact exceeding any hitherto displayed anywhere in the world. It cannot be solved without application of those enlightened principles needed to bring team work and health to the distracted world.

Too often Americanization has been identified with the dispersion of foreign colonies. Yet the settling of foreigners in congenial groups is useful as well as natural except where such groups are impervious to American influences. And even where foreign colonies are of a size or kind to involve dangerous isolation, efforts at distribution must be based on the most thorough consideration of probable consequences from many standpoints. Otherwise existing perils are likely to be followed by worse ones.

The confusion of Americanization with the teaching of English, according to Professor Miller of Oberlin College, has brought lasting evils more serious than ignorance of English. Very many, if not most, of our immigrants have sought refuge here from attempts to suppress national individuality—especially language. They have an almost religious devotion to their native tongues. For their languages their peoples have often struggled even unto death. Immigrants are unreasonably suspicious and antagonistic