

The Discussion Must Be Had

While it is impossible to separate issues of economics from the political environment created by law and regulation, every commentator should strive to do so. I can say with a great deal of pride readers have written to me over the years and said, "I cannot tell what your politics are."

With this in mind, much of the political history of the United States in the 19th century centered on issues of monetary policy. Many of you might recall the battles involving the First and Second Banks of the United States, the latter involving Andrew Jackson at his cantankerous finest, the National Banking Act, various attempts to pass a national income tax before the constitutionality of the matter was settled by the Sixteenth Amendment ratified in 1913 and the whole bimetallism debate of the deflationary recessions characterizing the post-Civil War period. Monetary policy was politics and vice-versa.

As an aside, find some of the Lincoln-Douglas debates from 1858. These two men spoke to audiences of farmers, craftsmen and the like in some Illinois towns such as Alton and Quincy that you might call backwaters today. And they did it in a high tone that would be unrecognizable in our lamentable soundbite culture. Apparently today's college-educated masses have a shorter attention span than yesterday's farmers.

Cross Of Gold

The most famous inclusion of monetary policy in a national debate came in 1896 with William Jennings Bryan's "Cross Of Gold" speech to the Democratic National Convention. I am going to reprint two passages below; please smile when you see issues you recognize today:

"They say we passed an unconstitutional law. I deny it. The income tax was not unconstitutional when it was passed. It was not unconstitutional when it went before the Supreme Court for the first time. It did not become unconstitutional until one judge changed his mind; and we cannot be expected to know when a judge will change his mind.

The income tax is a just law. It simply intends to put the burdens of government justly upon the backs of the people. I am in favor of an income tax. When I find a man who is not willing to pay his share of the burden of the government which protects him, I find a man who is unworthy to enjoy the blessings of a government like ours."

The second one:

There are two ideas of government. There are those who believe that if you just legislate to make the well-to-do prosperous, that their prosperity will leak through on those below. The Democratic idea has been that if you legislate to make the masses prosperous their prosperity will find its way up and through every class that rests upon it...

...If they dare to come out in the open field and defend the gold standard as a good thing, we shall fight them to the uttermost, having behind us the producing masses of the nation and the world. Having behind us the commercial interests and the laboring interests and all the toiling masses, we shall answer their demands for a gold standard by saying to them, you shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon a cross of gold.

How are "fair share of taxes," "trickle-down economics" and the whole meaning of gold as money issue for starters?

The real difference between 1896 and today is populists (with a small 'p') back then desperately wanted inflation in the form of free coinage of silver in a 16:1 ratio to gold. Populists today, as embodied in the Tea Party movement, desperately want the Federal Reserve to stop printing money and destroying the value of the dollar in the process.

The issue of what money is and how it should be managed is and must be a legitimate political issue in 2012. I would go so far and without fear of hyperbole as to say we are at the point where the fate of our society depends on it. As Lenin said, "The way to crush the bourgeoisie is to grind them between the millstones of taxation and inflation."

I am, for my sins, bourgeois. I do not want to be crushed, period, and being ground between two stones holds little appeal, either. While the debate on monetary policy should be conducted without the people involved sounding menacing, the discussion must be had. Nothing in public life is more important at the moment.