

## The Money Issues: Greenbacks, Silver, & Gold

As one method of paying for the cost of the (1) \_\_\_\_\_ War, in 1862 the government began printing legal tender notes. This paper currency was not backed by specie ((2) \_\_\_\_\_ or (3) \_\_\_\_\_) and caused inflation in the Northern economy. By war's end about \$450 million was in circulation.



The value of these greenbacks (printed with green ink on one side) fluctuated with the war's progress. In early 1864, when Union prospects were uncertain, the greenback dollar held a value of less than 40 cents; by the end of the war in 1865, it was around 67 cents. The original intent was for the greenbacks to hold the same value as regular gold-backed notes, but that never occurred.

Pressure from (4) \_\_\_\_\_ and (5) \_\_\_\_\_ in the postwar period led to an effort to retire the greenbacks. These forces did not want to receive payments in cheap money (money they had lent would be repaid, though worth less) and opposed any government policies that would lead to (6) \_\_\_\_\_.

By 1867, the wartime economic boom was over. Farmers and debtors, feeling an economic pinch, began agitation to keep the notes in circulation. It was in their interest to foster (7) \_\_\_\_\_, which would make it easier for them to pay off their debts. A compromise was reached in which \$356 million worth of greenbacks would remain in circulation. Neither side was fully pleased with this result. Furthermore, the high (8) \_\_\_\_\_ enacted during the Civil War had cost farmers much of their overseas markets, compounding the feeling that industrial American cared little for the farmers.

In early 1873, Congress de-monetized (9) \_\_\_\_\_, thus tying the nation's monetary system firmly to the (10) \_\_\_\_\_ standard. This measure was labeled the (11) "\_\_\_\_\_ " by western (12) \_\_\_\_\_ interests and debtors who wanted silver in circulation.



The Panic of (13) \_\_\_\_\_ struck in the fall and was followed by the worst depression in American history (up to that time). The monetary issue was revived and was argued heatedly by both sides. President (14) \_\_\_\_\_ was originally sympathetic to the farmers' plight, but he eventually caved in to the wishes of his wealthy friends and vetoed a measure that would have expanded the currency.

The conservatives (businesses/creditors) scored an important victory in the passage of the (15) \_\_\_\_\_ Act of 1875 – a triumph of (16) "\_\_\_\_\_ " money over (17) "\_\_\_\_\_ " money advocates. This measure provided that on January 1, 1879, all greenbacks would be redeemable at full face value. Debtor groups (especially farmers) immediately began working for the law's repeal, a movement that developed into the (18) \_\_\_\_\_ Party.

The general population, as well as the Congress, was nearly equally divided on monetary issues. Therefore, in 1878 a compromise was worked out which provided that:

1. The Specie Resumption Act would **not** be repealed (as many farmers had wanted)
2. The currency supply would be slightly increased through the issuance of additional specie-backed currency
3. A limited coinage of silver dollars would be allowed through the (19) \_\_\_\_\_ Act (1878), a small inflationary gesture to the debtor interests. Republican President (20) \_\_\_\_\_, influenced by industrial and banking interests, vetoed the measure. Congress promptly overrode the veto, but the presidential administration only purchased minimal amounts of silver each month. This was seen as a "limping form of (21) \_\_\_\_\_ " in which (22) \_\_\_\_\_ remained far more important than (23) \_\_\_\_\_ in the monetary structure

As prosperity returned in the early 1880s, passions over monetary policies subsided. The public had gained full confidence in the currency. The greenback issue was dead, but attention turned toward another economic panacea - the free and unlimited coinage of (24) \_\_\_\_\_ in the 1890s.

By 1890, farmers were straining under growing (25) \_\_\_\_\_ and sharply falling prices. Western mining interests were anxious for a ready market for their silver and exerted pressure on Congress, and the Republicans sought their approval as a means of enlarging their political base. Western voices, in fact, had become much stronger with the recent addition of (26) \_\_\_\_\_, (27) \_\_\_\_\_, (28) \_\_\_\_\_, (29) \_\_\_\_\_, (30) \_\_\_\_\_, and (31) \_\_\_\_\_ to the Union. The (32) \_\_\_\_\_ Act was part of a broader compromise. The Democrats gave their support to the highly protective McKinley Tariff in return for Republican votes for silver. This new 1890 law provided that the U.S. Treasury would purchase large amounts of silver each month and the Treasury would issue notes redeemable in either (33) \_\_\_\_\_ or (34) \_\_\_\_\_.



The planned government purchases amounted to almost the total monthly output from the mines. However, the increased supply of silver (35) \_\_\_\_\_ the price. Many mine operators in the West tried to reduce expenses by cutting the miners' wages. Labor unrest and sporadic violence followed.

As the price of silver continued to decline, holders of the government notes understandably redeemed them for gold rather than silver. The result of the growing disparity between the two metals was the depletion of the U.S. gold reserves, an event that played prominently during the Panic of (36) \_\_\_\_\_.



In this new economic crisis, (37) \_\_\_\_\_ leaders pointed to the (38) \_\_\_\_\_ as the root of the nation's ills, but the farmers blamed the (39) \_\_\_\_\_ economic interests. The country was now split over the silver issue. The (40) \_\_\_\_\_ Party, was largely in the hands of the (41) \_\_\_\_\_ forces, while the (42) \_\_\_\_\_ Party called for the strict adherence to gold alone.

President (43) \_\_\_\_\_ repealed the Sherman Silver Purchase Act and subsequently borrowed \$65 million in gold from (44) \_\_\_\_\_. This, along with the president's uses of injunctions to crush the (45) \_\_\_\_\_ strike, convinced many Americans as well that the government was a tool of the eastern bankers.

Public opinion, especially in the rural areas, was heavily impacted by the publication of a paperback book entitled *Coin's Financial School* (1894), which advanced the silver issue in everyday terms. Even the allegorical *Wizard of Oz* demonstrated the division over gold-silver issue and called for a balance between the two. Silver played a prominent, if ill-fated role in the presidential elections in 1892, 1896 and 1900.

By 1900, the (46) \_\_\_\_\_ Party was firmly in control and advanced the passage of the (47) \_\_\_\_\_ Act, which established gold as the sole standard for all U.S. currency.

### Terms to Use

1873	Democratic	Morgan, J.P.
1893	eastern	North Dakota
bimetallism	gold (use 4 times)	Pullman
Bland-Allison (Act)	Gold Standard (Act)	Republican (use 2 times)
business interests	Grant	Sherman Silver Purchase (use 2 times)
Civil	Greenback Labor	silver (use 6 times)
Cleveland	hard	soft
conservative	Hayes	South Dakota
creditors	Idaho	Specie Resumption (Act)
Crime of '73	inflation (use 2 times)	tariffs
debt	mining	Washington
decreased	Montana	Wyoming