Welcome back to the Old News Journal, where we dive into old newspapers to see what was being said around important events that tie in to today’s markets and politics.

This week I did not find compelling inspiration, so I pulled a random date and received May 21, 1934. Time to see what we can find.

Of course 1934 was in the middle of the Great Depression so it is quite interesting to read the papers during that time. A lot was going on politically and financially. Of note was an ugly strike by truck drivers in Minneapolis which you can read about here.

Also of note was something I had never learned about specifically but will cover later on in this week’s Journal: a proposed silver monetization of sorts.

I knew about the confiscation of gold in 1933 but not about the Silver Purchase Act of 1934 or Executive Order 6814 which you can read in full here. It required delivery of all silver to the US for coinage. Quite interesting to say the least. But again, way more on this (on the next page).
First let’s take a look at the Silver Purchase Act of 1934 via the encyclopedia of money blog.

Under the Silver Purchase Act of 1934 the federal government purchased large quantities of silver and issued silver certificates, significantly adding to the United States’ monetary base. The act marked a renewed emphasis on silver as monetary metal, reversing a trend to demonetize silver, which had been evident since the late nineteenth century.

The deflation of the 1930s created fertile conditions for another silver movement, an echo of the nineteenth-century free silver movement. The monetization of silver appeared as a means of increasing the money stock and re inflating prices while remaining committed to precious metal money rather than fiat paper money. After the depression-driven tumble in prices of all commodities, precious metal monetary standards of any stripe held little charm for governments. The silver-producing interests, however, still had sufficient political clout to advance silver as a partial answer to the woes of economic depression.

The Agricultural Adjustment Act of 1932 (AAA) had an amendment attached, the Thomas amendment, authorizing the president to return the country to a bimetallic standard that would define the dollar in both a gold equivalent and a silver equivalent, and provide for the unlimited coinage of gold and silver. The United States had been on a bimetallic standard from 1792 until 1873, and then populist political leaders had taken up the banner of the free silver movement, advancing the idea of reenfranchising silver as a monetary metal. By the turn of the century gold seemed to have won a clear victory over silver as a competing monetary standard, but the Great Depression of the 1930s intervened to dethrone the much-vaulted gold standard.

After the adoption of the Thomas amendment, the United States abandoned the gold standard, and President Roosevelt showed no indication that he planned to exercise his authority under the Thomas amendment. Silverites in Congress, those favoring a return to a bimetallic standard based on gold and silver, pressed ahead with new legislative proposals and Roosevelt finally compromised, sending a message to Congress that led to enactment of the Silver Purchase Act of 1934.

The act authorized the government to purchase silver until either the monetary value of the United States' silver stock equaled one-third of the value of its monetary gold, or the market price of silver climbed to the monetary value of $1.29 per ounce. Under the act the government purchased silver at market prices and made payment in silver coins and silver certificates, a form of paper money similar to Federal Reserve Notes. Soon after the passage of the act, the government nationalized domestic silver stocks at $0.50 per ounce. By 1938 the government had acquired 40,000 tons of silver, an amount that raised the issue of storage. The grounds of the West Point military academy became the home of a depository that held the silver until industry found a need for it in the 1960s.

The Silver Repurchase Agreement raised the world price of silver, and silver production increased in the United States. Rising silver prices put a hardship on the handful of countries still on a silver standard because it made the exports of these countries more expensive to the rest of the world, forcing these countries to undergo domestic deflation to remain competitive worldwide. China abandoned the silver standard in November 1935 and Mexico began exchanging its silver coins for paper. In 1936 and 1937 the United States government let the price of silver fall, but the trend toward demonetization of silver in silver standard countries had already established momentum. Because of its depression-inducing effects on silver-standard countries, the Act of 1934 actually reduced the monetary demand for silver abroad, canceling long-term benefits to the American silver industry. In the United States the monetization of silver had no inflationary effects because the government retired Federal Reserve Notes to compensate for the infusion of silver certificates.

In the 1960s the industrial demand for silver accelerated, lifting silver prices above the official price of $1.29 per ounce. The government began selling off its silver stocks. In 1963 Congress repealed the Silver Purchase Act of 1934 and authorized the issuance of Federal Reserve Notes in denominations of $1 and $2, enabling the government to retire silver certificates. The Coinage Act of 1965 allowed the government to substantially cut the silver content of its silver coinage, and thus further curtail its silver purchases. The final chapter on the demonetization of silver in the United States closed on 24 June 1968 when the right to redeem silver certificates expired.
Now let’s look at what ran in the Chicago Tribune a couple days after the Minneapolis Star headline we saw. This ran on May 23, 1934. I pieced together snippets and it’s tough to read, but paints a picture.

[Text from the Chicago Tribune article]

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With the exception of Lord Beaverbrook’s Daily Express, tomorrow’s newspapers carry the same story. In this view, The Express, however, loudly praises Mr. Roosevelt’s action, declaring that any movement to expand the silver pool

“...has been too much restriction of the currency," the Express editorialized, "and the world’s economic system is being crippled largely by the world’s four-year slump. The extent to which currency was built up was too great for its foundation. The addition of silver will buttress the monetary system. The country should be thankful for the initiative taken in its working over here, and follow the same path.”

The Daily Telegraph finds Mr. Roosevelt’s statement at many points and wonders "with how much vigor or slowness the President will proceed to exercise the authority conferred on him in this view. The Express, however, loudly praises Mr. Roosevelt’s action, declaring that any movement to expand the silver pool..."
The Minneapolis Star had an “Everybody’s Ideas” section and this gentlemen certainly had an interesting idea. Would be nice to see Joe Sixpack send in his ideas about the Fed to the paper now eh?

He sort of hints at a Greenbacker idea when he mentions demanding Congress issue currency which reminded me of a great recent podcast by Tom Woods about the Greenbackers.

The article Tom is referencing in the podcast (just a transcript of the podcast essentially).

Check out the podcast here.
The random state generator decided to keep us in the upper Midwest with Wisconsin this week which worked out nicely, especially with our “some things never change” section. Notice the NRA (National Recovery Administration) symbol on the newspaper’s header. I guess this paper supported “fair competition” and helped to reduce “destructive competition.” The NRA would go on to be unanimously declared unconstitutional by the Supreme Court. Not too much is unanimous in the Supreme Court. Good call on their part though. You can read about the NRA here.

Let’s see what Green Bay has in store from us in 1934...
Some Things Never Change

In case you ever wondered...Congress did not read the bills in 1934 either.

Congress, Suspicious of the Young Intellectuals, Scans Legislation More Closely

BY MARK SULLIVAN
WASHINGTON, D. C. — The present phase of what may be called the atmosphere of Washington consists of an apparently strong swing toward the normal functioning of congress, of normal constitutional government generally. On the surface, the contrast between the present and a year ago is vivid. A year ago congress was passing bills in the verbatim form sent to them by the president and without reading them. A year ago congress was accepting presidential leadership to such a degree that the leadership was frequently called “presidential dictatorship.”

The word “dictatorship” was not justified because the distinguishing mark of dictatorship is usurpation, and there was no usurpation. The legislative branch of the government doing what the executive asks, congress surrendering its judgment to the president, may be undesirable, but it is not dictatorship. Dictatorship in the European and generally accepted sense does not exist until the executive does what the legislative is unwilling should be done, or until the executive has in one way or another got rid of the legislative.

Though there has never been dictatorship in this accurate sense, not anything approaching it, there was, a year ago, a situation in which congress strictly in name, democratic
I just found this interesting due to the fact that we still debate Glass-Steagall on a regular basis. With that, it is quite interesting to read about the law and others like it during the period they were enacted.
I shared this particular article because I have always found the US intervention in the Philippines to be the event that really changed the entire foreign policy trajectory of the country. The character of the country changed when the US took over the Philippines and it has been a character of empire ever since.

Despite the best efforts of the Anti-Imperialist League, the US would go on to be an imperialist nation from that point forward.

This was a well written piece in the Green Bay Press-Gazette.
Ad of the Week

Little did you know your baldness could be cured with some Japanese Oil! I googled this to see if it’s still a thing and I couldn’t find any Japanese Oil for curing baldness.

Bonus: Vladimir Putin was clearly running the US in 1934 too...that or French operas.
That is all for the third edition of the Old News Journal. I hope you enjoyed this journey into 1934 and into Green Bay Wisconsin this week. Who knows where next week will take us.

For more check out pineconemacro.com and check me out on twitter @pineconemacro

This art was in The St. Louis Star and Times. Looks like our friend is making off with some evil profits. (St. Louis, Missouri) · Mon, May 21, 1934