

The primary demand of the farmers was *currency inflation* -- namely, *Free Coinage of Silver*.

- a. **Deflation caused great Political-Economic strain.** Debtors, especially farmers, demanded that steps be taken to inflate the money supply mainly through the coining of silver.
- b. In the 1840s and 1850s Gold was plentiful and Silver relatively scarce.
- c. **The "Crime of 73"** -- Silver was demonetized by an act of Congress *just as the Western mines came on line*
- d. **Bland-Allison Act of 1878** -- Passed with the support of a coalition of farmers and mining interests. Obligated the Treasury to purchase \$2m to \$4m of silver bullion per month and coin it into dollars. Treasury always purchased the minimum amount and the price of silver kept falling.
- e. **Sherman Silver Purchase Act of 1890** -- Passed as the result of a deal to get the McKinley Tarrif Bill passed. Obligated the Treasury to purchase 4.5m ounces of silver per month (*essentially the entire output of the silver mines*). The silver bullion was paid for with U.S. Notes. The Notes were redeemable in either gold or silver coin. Because the price of silver was falling relative to gold, **the arbitrage opportunity was too good to pass up**: Sell silver to get the notes; cash the notes for gold; use gold to buy silver; etc.
- f. **Sherman Silver Purchase Act repealed in 1893.** The Depression and the outflow of gold came very close to bankrupting the U.S. Government.
- g. Beginning in 1896 the development of the **cyanide leaching process** and discoveries of gold in the Yukon, South Africa, and Australia produced a sharp increase in the world-wide supply of gold.