THE SUB-TREASURY: A FORGOTTEN PLAN FOR THE RELIEF OF AGRICULTURE

By John D. Hicks

Students of current American politics may find it interesting to contrast the measures now proposed for the relief of agriculture with the "Sub-Treasury," a scheme to which, in the early nineties, thousands of farmers pinned their hopes. Unlike the McNary-Haugen bill, for example, the Sub-Treasury idea did not depend upon its authors or its Congressional sponsors for a name; indeed, its authorship was for a time in dispute, and the men who introduced it into Congress were by no means eager to accept responsibility for its provisions. It will be noted, too, that the leaders of thought among the farmers have made real progress since the nineties. The economic fallacies of the Sub-Treasury were fairly obvious, and fairly easy to combat; the economic fallacies—if they are fallacies at all—of the current measures are not particularly easy to find, and, at least before farmer audiences of the Middle West, they are particularly difficult to combat.

In the early nineties, as today, the conviction was widespread in farmer circles that the cards were stacked against agriculture. Prices were unprecedentedly low; times were inordinately hard. The blame was fixed mainly upon the disappearance of free lands, the high cost of transportation, the unfortunate conditions of marketing, and the control of money and credit in the interest of the few. If the remedies proposed, then and now, seem markedly different, the diagnoses are somewhat alike. And the response which the Sub-Treasury idea got from the farmers of the nineties was fully as great as can be awakened by the more plausible schemes of our own agricultural economists. The Sub-Treasury plan was endorsed in principle by most of the farmer organizations of the time and by the Populist party; it was enthusiastically supported by a large number of the leading farm journals; and it was pressed insistently in Congress by a small, but turbulent, minority.
In December, 1889, representatives of the two great farm orders of the time, known colloquially as the "Northern" and the "Southern" Farmers' Alliances, met in St. Louis, Missouri, with the avowed purpose of effecting a union of forces, not only as between themselves but also perhaps with such other orders as the Farmers' Mutual Benefit Association and the Knights of Labor. So far as organic union was the goal of the St. Louis Conference it was a failure; but the Southern Alliance, the strongest body represented, drew up a platform of political demands which the Knights of Labor accepted in full, and which so well reflected the views of the principal farm orders that with it as a basis for action the fullest coöperation seemed assured. The land hunger of the pioneer farmer was to be appeased in part, at least, by forbidding the alien ownership of lands, and by recovering from the railroads and other beneficiaries of land bounties such of their holdings as were not "actually used and needed by them." The malpractices of the railroads were to be corrected by the drastic remedy of governmental ownership and operation. The machinery for marketing was to be improved by "such laws as will effectually prevent the dealing in futures of all agricultural and mechanical productions." The evils of the credit and currency situation were to be met by the abolition of national banks, by new issues of paper direct to the people, and by the free coinage of silver. Congressmen who belonged to the coöperating orders were to be pledged by virtue of their membership to vote for the measures demanded regardless of the requirements of political regularity, especially as expressed in the action of party caucuses.¹

On the last day of the session, however, and after these demands had been approved, a "Committee on the Monetary System" reported to the delegates of the Southern Alliance. This committee consisted of the leading members of the order: C. W. Macune, past-president of the Southern Alliance and editor of its official journal, The National Economist; Col. L. L. Polk of Raleigh, North Carolina, newly elected president, and editor of the prosperous Progressive Farmer; L. F. Livingston, president of the Georgia State Alliance, and a power in Georgia politics;

¹The St. Louis demands are printed in full in the St. Louis Republic, Dec. 7, 1889; more conveniently, in Frank Drew, "The Present Farmers' Movement," Political Science Quarterly, VI, 291-93.
W. S. Morgan, author of *A History of the Wheel and Alliance*, which the convention had just branded as "official"; and H. S. P. Ashby, also well known in Alliance circles.

The personnel of this committee was bound to attract attention to its report, and undoubtedly that was a part of the plan. Just why the report was so long delayed is not fully apparent. Perhaps it is true, as was repeatedly charged, that the men back of the scheme sought to avoid all risk of defeat by waiting until many of the delegates had gone home and the convention was too disorderly to know exactly what was happening.2 Perhaps the leaders of the Knights and of the Northern Alliance had been consulted previously, had refused to approve the plan, and had thus kept it out of the regular "demands." Perhaps Macune, who was the proponent of the idea, had had a hard time convincing the other members of the committee of its wisdom. Some explanation of the tardiness with which the report was made is certainly due, for it could hardly have been the work of only a few hours' conference and must have been given some consideration in advance of the session.

In presenting the report Macune argued that heretofore the Alliance had "scattered too much and tried to cover too much ground" and that it should now "concentrate upon the one most essential thing and force it through as an entering wedge to secure our rights."3 The Sub-Treasury was the thing. Apparently, as an unsympathetic observer declared, the southern leaders hoped to shelve all other reforms and to produce "a simultaneous demand of the farmers all along the line, from Dakota to Texas and from the Atlantic to the Pacific, for this warehouse or sub-treasury scheme."4

The Macune report, after making an effort to conciliate the free silverites by urging again "the free and unlimited coinage of silver or the issue of silver certificates against an unlimited deposit of bullion," got down to business as follows:

That the system of using certain banks as United States depositories be abolished, and in place of said system, establish in every county in each of the States that offers for sale during the one year five hundred thousand dollars worth of farm

---

4 *Farmers' Alliance* (Lincoln, Neb.), Jan. 19, 1890, quoting the *Iowa Homestead*. 
products; including wheat, corn, oats, barley, rye, rice, tobacco, cotton, wool and sugar, all together; a sub-treasury office, which shall have in connection with it such warehouses or elevators as are necessary for carefully storing and preserving such agricultural products as are offered it for storage, and it should be the duty of such sub-treasury department to receive such agricultural products as are offered for storage and make a careful examination of such products and class same as to quality and give a certificate of the deposit showing the amount and quality, and that United States legal-tender paper money equal to eighty per cent of the local current value of the products deposited has been advanced on same on interest at the rate of one per cent per annum, on condition that the owner or such other person as he may authorize will redeem the agricultural product within twelve months from date of the certificate or the trustee will sell same at public auction to the highest bidder for the purpose of satisfying the debt. Besides the one per cent interest the sub-treasurer should be allowed to charge a trifle for handling and storage, and a reasonable amount for insurance, but the premises necessary for conducting the business should be secured by the various counties donating to the general government the land and the government building the very best modern buildings, fireproof and substantial. With this method in vogue the farmer, when his produce was harvested, would place it in storage where it would be perfectly safe and he would secure four-fifths of its value to supply his pressing necessity for money at one per cent per annum. He would negotiate and sell his warehouse or elevator certificates whenever the current price suited him, receiving from the person to whom he sold, only the difference between the price agreed upon and the amount already paid by the sub-treasurer. When, however, these storage certificates reached the hand of the miller or factory, or other consumer, he to get the product would have to return to the sub-treasurer the sum of money advanced, together with the interest on same and the storage and insurance charges on the product.  

The authorship of this astounding scheme was quite naturally, and quite properly, attributed to the man who had presented it to the convention. Macune was known to be fertile in ideas and unafraid of innovations. It was he who by a daring venture had

---

saved the Texas Alliance from dissolution; it was he who had initiated the policy of expansion which had brought the Southern Alliance into being; it was he who had introduced the system of business agencies that was even then spreading like wildfire over the entire south. Until recently he had opposed the use of the Alliance for political ends, speaking of it as "primarily a business organization"; but by the time of the St. Louis gathering he had come to the conclusion that the government must help the farmer, and that the farmer must see to it that the government did whatever was needed. The germ of the Sub-Treasury idea, Macune possibly found in an article in Frank Leslie’s Newspaper for November 30, 1889, by a North Carolinian named Harry Skinner. Skinner’s plan was designed as a balance for the protective tariff which the people had authorized by their votes in the election of 1888, and which, it was assumed, Congress would soon enact. In lieu of the tariff protection to be accorded the manufacturer, the farmer, or at least the southern farmer, should receive assistance from the government in the shape of warehouses wherein to deposit his produce, and loans of paper money with these deposits as security. But Skinner ruled grain out of the scheme as "perishable," and made the southern farmer, whose cotton was "non-perishable" the chief beneficiary. What Macune did was to broaden the scope of Skinner’s scheme. After all, what should be regarded as "perishable" was merely a matter of definition, and Macune chose to revise Skinner’s definition to include all those products, western and southern, that could be stored successfully.

According to the official Alliance historian, the introduction of the Sub-Treasury plan in St. Louis aroused an "animated discussion," after which it "was adopted by a large majority." Following the convention the men responsible for the measure set about to popularize it. Macune in the National Economist devoted columns and pages to expounding it and proclaiming its

---

6 National Economist, I, 8; II, 198; William L. Garvin and S. O. Daws, History of the National Farmers’ Alliance and Co-operative Union of America (Jacksboro, Texas, 1887), 68; W. Scott Morgan, History of the Wheel and Alliance and the Impending Revolution (St. Louis, 1891), 298-300.

7 After the St. Louis meeting Macune reprinted Skinner’s article in the National Economist, II, 228, to show "the writer's idea of the sub-treasury system." See also, Southern Mercury (Dallas, Texas), Dec. 1, 1892.

8 Morgan, op. cit., 175.
virtues. Polk in the *Progressive Farmer* was not far behind him; nor were the editors of most of the Southern Alliance papers. Lecturers also devoted themselves to the subject; and numerous state Alliance meetings were induced to endorse the plan in terms of glowing commendation. The idea attracted the attention of editorial writers the country over, and while outside Alliance circles the criticism was caustic, the advertising the plan received thereby was enormous. When the next meeting of the Supreme Council of the Southern Alliance occurred in Ocala, Fla., in December, 1890, the Sub-Treasury was again approved, and it persisted long enough as a popular plan of farm relief to find a place in the early platforms of the People’s party.

Defenders of the Sub-Treasury were quick to point out that their scheme was merely an adaptation of the system under which the national banks operated. The banks had the privilege of depositing with the United States Treasurer government bonds, upon which as security they were privileged to issue paper money in quantities up to ninety per cent of the value of the bonds deposited. The farmers asked for themselves only the same privilege that had already been accorded to the bankers. They would deposit not bonds, but agricultural produce, and they would ask of the government paper only up to a maximum of eighty per cent of the value of the deposits. "On the face of the national bank note these words are printed: 'This note is secured by bonds of the United States deposited with the U. S. Treasurer at Washington.' What better is that indorsement than this — 'This note is secured by wheat deposited in the Government warehouse at Washington.' " The national-bank system was clearly intended to expand the currency beyond the amount of gold, silver, and greenbacks in circulation. The Sub-Treasury would "merely push the system of supplementing the national stock of currency a little further to insure expansion and contraction as needed." Macune’s committee claimed that theirs was "no new or untried scheme; it is safe and conservative, it

---


10 *National Economist*, III, 1; IV, 284; VI, 161; VII, 257-58.


13 Bryan, op. cit., 92.
harmonizes and carries out the system in vogue on a really safer plan, because the products of the country that must be consumed every year are really the best security in the world, and with more justice to society at large."

It was claimed, too, that there was a certain analogy between what the government was already doing for the distillers and what the farmers were asking it to do for the agricultural classes. The idea was current that the government built warehouses in which distillers of whiskey were privileged to store their liquor rent free and without insurance charges, pending payment of the ninety cents per gallon then collected on their product; that the liquor so stored was guarded by government officials to whom large salaries were paid; that upon it certificates of deposit were issued which were "good collateral security at any bank." If the government could do this for the distillers, why not also for the farmers? A little investigation brought out the fact that the warehouses were built at the expense of the distillers, not the government; that the government custodians were there only to see that the tax was not evaded; and that the distillers who borrowed upon their bonded liquor borrowed from private sources and not from the United States Treasury. Still, there was enough in the analogy to keep it alive, and the defenders of the Sub-Treasury used it persistently. When cornered by the facts they were apt to retort irrelevantly that at least the government built post offices and custom-houses, and that even if it had not lent money to the distillers it had once lent freely to the Pacific railroads.

Proponents of the Sub-Treasury never tired of reiterating that their scheme, if adopted, would "emancipate productive labor from the power of money to oppress." According to Macune it was a "waste of energy for all the farmers in this great land to combine and coöperate to raise the prices of a given pro-

14 Ibid., 94-95.
17 National Economist, II, 355; Bryan, op. cit., 98.
duct . . . twenty-five per cent, while at the same time . . . another class of citizens . . . would depress prices fifty percent." 18 The second class of citizens referred to was, of course, the national bankers, who could at will contract the currency, and, according to the quantity theory of money to which the farmer economists pinned their faith, could beat down in this fashion the price of farm products. The Sub-Treasury, it was estimated, would put into circulation about $550,000,000 (some said more), which the banks would have no power to withdraw. It would, moreover, make provision for an elastic currency, expanding in volume when the rush of business demanded, and contracting when business was slack. "It is not an average adequate amount that is needed," said Macune, "because under it the greatest abuses may prevail, but a certain adequate amount that adjusts itself to the wants of the country at all seasons." 19 Especially at the time when the crops had to be moved and the farmer had to sell in order to meet his obligations the Sub-Treasury would help. Instead of a dearth of currency with extremely low prices that would rebound as soon as the rush of marketing was over, the Sub-Treasury would make an abundance of funds available, and prices would be stabilized. Afterwards, when the marketing season was over and the produce stored in the Sub-Treasury was taken out for use, the money issued upon it would automatically be withdrawn from circulation. A safe and sound, but flexible, currency, beneficial not only to the farmer, but also to society as a whole, would thus be achieved. 20

An added attraction of the Sub-Treasury was the scheme of short-time rural credits that it provided. If the system ever went into effect, the farmer could borrow money to the extent of eighty per cent of the value of his crop at an interest rate of one per cent. This loan might not last for more than one year, but in that time he could watch for a favorable time to market, and could get for himself the profits that had hitherto gone to the speculators, whose practice it was to buy at low prices during the annual orgy of selling, and to dispose of their purchases a little later when prices had gone up. Western farmers could pay

18 National Economist, II, 197.
19 Ibid., II, 227; Bryan, op. cit., 92, 102.
the interest on their debts, and eventually the debts themselves. Southern farmers could hope for gradual emancipation from the toils of the country merchant.  

There seemed, indeed, no end to the good things that might be hoped from the Sub-Treasury. Economy in large storage (and it might have been added, in storage largely at government expense) would reduce the profits of the middleman and save money for the farmer. The Sub-Treasury "would effectually put an end to all gambling in futures and wipe out the illegitimate methods of the various boards of trade that now curse the country. It would also transfer a continuous market for cotton, wheat, etc., from the large business centers to the smaller ones of the country, and thereby give to them the profits which the larger markets now receive." Southern cotton factories "would spring up in every village of the South," and the ideal of Henry Clay, a home market and a home demand, would be achieved at last. With Macune, and with the multitudes who followed his leadership, the Sub-Treasury became an obsession. "Without it," Macune declared after the election of 1892, "both political parties would have given the Alliance all it asked long ago. But without it there was no relief for the people."  

Promptly on the adjournment of the St. Louis conventions, bills embodying the Sub-Treasury idea were drawn by Alliance leaders, and at their request were presented to Congress, in the House of Representatives by John A. Pickler, Republican, of South Dakota, and in the Senate by Zebulon Vance, Democrat, of North Carolina. In the House the bill was referred to the Ways and Means Committee, as was to be expected; but in the Senate it was referred to the Committee on Agriculture and Forestry, from which Alliance leaders hoped for better treatment than would have been accorded the measure by the Committee on Finance. Petitions and memorials, literally by the hundreds, then began to descend upon Congress, praying for the enactment

21 Farmers' Alliance, July 19, 1890.  
23 Ibid., V, 233.  
25 Southern Mercury, Dec. 1, 1892.  
of the bill into law. From the state of North Carolina alone, there came during this session fifty-seven. Congressmen who had proclaimed their friendship for the farmers were asked now to take a stand, and many of them were visibly embarrassed. "The sudden advent of the sub-treasury upon Congress," wrote one observer, "had about the effect of the unexpected descent of a hawk in the barn yard — great commotion and no little flutter."

Probably no one was more distressed than Senator Vance, who, after having introduced the bill, decided that he could not support it. The committees to which the bill was referred were careful, however, to give the Alliance leaders an opportunity to present their case; Macune himself, among others, appeared before both committees and spoke eloquently for the measure. But neither committee could be induced to report out a Sub-Treasury bill of any kind, either favorably or unfavorably.

Even the severe defeat administered to the majority party in the election of 1890—a defeat accomplished in no small part by Alliance votes—failed to arouse Congress to action. In the short session of 1890-91 the Sub-Treasury reappeared, but nothing was done about it, except that the Senate Committee on Agriculture and Forestry washed its hands of the whole matter by reporting back the proposition with the recommendation that it be referred to the Senate Committee on Finance; this was done. In the first session of the next Congress, the Sub-Treasury measures were similarly buried until Thomas E. Watson, newly elected representative from Georgia, took it upon himself to force the House Ways and Means Committee to report back its findings. One morning in May, 1892, he asked unanimous consent for the passage of a resolution directing the Committee to bring in a report. Objection was of course raised, but thereafter Watson objected to every request for unanimous consent to anything else until his own request was granted. A few days later his resolution was agreed to, and the Committee was ordered to report; but the report was delayed until the last day of

27 Ibid., Index, 667; National Economist, IV, 133.
28 Ibid., III, 245.
29 Ibid., III, 259, 278.
30 Ibid., III, 97, 145, 153, 184, 190; Progressive Farmer, May 13, 1890.
31 Cong. Record, 51 Cong., 1 Sess., Dec. 9, 1890, p. 237.
32 Ibid., 52 Cong., 1 Sess., May 19, 1892, p. 4432.
the session, when it was too late to debate it and to secure a record vote.  

Meantime the critics of the Sub-Treasury in and out of Congress had not been idle. Papers, that before the plan was proposed had scarcely recognized the existence of the Farmers' Alliance, now discovered the organization and set out to discredit, principally through ridicule, its favorite reform. The Sub-Treasury was branded by the New York Times as "one of the wildest and most fantastic projects ever seriously proposed by sober man," and in one form or another the leading metropolitan dailies echoed these sentiments. Criticism came even from those who were regarded as the friends of the farmer. The Sub-Treasury, according to R. F. Pettigrew, was "impracticable in all its features, and the most absurd piece of legislation I have ever seen presented." Colonel Cockrell advised "that instead of crying for a sub-treasury we should go to sub-soiling." Humorists did their bit. One self-styled poet, declaring the price of poetry to be low and the market crowded, wanted a literary bureau in the warehouse so that he might realize eighty per cent on unsold poetry, and then "set down an' wait for poetry to go up." A farmer who had great luck plowing up snakes thought it was a pity that there was no Sub-Treasury warehouse in which he could deposit them and draw eighty per cent of their value in currency. But the persistent way in which the opposition harped on the subject seems to indicate that, after all, the Sub-Treasury was not regarded as a joking matter. Under the ridicule was a note of desperate earnestness and dread lest the supporters of the measure might conceivably have their way.

33 National Economist, VII, 168; Cong. Record, 52 Cong., 1 Sess., May 20, 1892, p. 4480; May 21, 1892, p. 4515; May 23, 1892, p. 4563; House Reports, 52 Cong., 1 Sess., No. 2143.  
34 New York Times, Dec. 12, 1890; National Economist, III, 1; V, 193.  
36 National Economist, III, 203.  
37 Southern Mercury, June 30, 1892.  
38 Greensboro Daily Record, Sept. 16, 1891.  
39 Ibid., Oct. 2, 1891.  
40 National Economist, V, 353.
When opponents of the Sub-Treasury were willing to argue the question seriously they found it fairly easy to pick flaws in the plan. They called attention to the possibility of money inflation on an alarming scale—if it took seven billions of dollars to move the crops, why might not eighty per cent of that sum be demanded in paper? Or even if the sum were less, would it still not be enough to derange utterly the nation's finances?41 Furthermore, could the existing inelasticity of the currency be worse than the rapid expansion and contraction that would be possible, indeed inevitable, should the Sub-Treasury go into operation? Supposing that, under the Sub-Treasury proposal, a billion dollars worth of farm products were stored, and on them eight hundred million dollars worth of paper was issued. If only half the stored products were removed within six months, the currency would be contracted by four hundred million dollars. Such fluctuations in the money supply would stimulate rather than hamper speculation, and would be "the most fruitful source of panics conceivable."42 Some argued that the system might give the farmers an unreasonable power to demand high prices and thus seriously to injure the consumer; others wondered if the Sub-Treasury might not operate in such a way as to be an actual detriment to the farmers. It might, for example, encourage Americans to hold their grain too long at home, allowing the foreign demand to be supplied by India and Russia instead of the United States, and stimulating wheat-growing in those countries to such an extent that within "a few years the foreign wheat market will be lost to America, and the condition of the American wheat grower worse than ever."43

The charges of "paternalism" and "class legislation" were persistently hurled at the Sub-Treasury. Said the House Committee: "No good could come from making every citizen feel that from the time he plants his crop till it is harvested that to the Government he is to look for a banker and broker, and for safe storage and custody.... It will be an unfortunate day, when in a simple republic, Government takes charge of all the farm products, stores them in granaries, and becomes the main agent for

41 Bryan, op. cit., 102.
42 House Reports, 52 Cong., 1 Sess., No. 2143, p. 3; National Economist, IV, 3.
43 Farmers' Alliance, July 19, 1890.
the transaction of the business of the citizen.” “Is it to be supposed,” inquired the New York Times; “that the Government will collect money from the great body of the people for the purpose of lending it to a favored class among them at a specially low rate of interest?” Such favors, the supporters of the Sub-Treasury contended, had been conferred freely upon other classes, particularly the national bankers, the tariff-protected manufacturers, and the subsidized railroads; but these arguments were lost on their opponents. The Sub-Treasury, they declared, not only discriminated in favor of the farmers as a class; it discriminated in favor of certain classes of farmers. The men who formulated the plan purposely selected a few main staples, such as could be safely stored and were always in demand. But what good would the Sub-Treasury do the livestock farmer or the fruit grower? And what use would the government warehouse be even to the farmer whose products were receivable in case he should live at a distance of twenty-five to fifty miles from the nearest warehouse? And this condition must inevitably occur, for even the most favorable estimates presumed that not more than one out of four counties would have a warehouse. Obviously, too, these counties would be the more wealthy and more populous counties—the ones least in need of help. Perhaps the cotton farmers, whose crop had less bulk in comparison to its value than the crops of the northwestern grain growers, could make the long hauls profitably; but the grain growers could not.

And, granting even that the Sub-Treasury was all that its advocates said, was it not clearly unconstitutional? Most of its critics were convinced that this was the case. The House Ways and Means Committee in its adverse report on the bill so held, and members of Congress who feared to express their doubts as to the wisdom of the measure, frequently dodged the issue by

44 House Reports, 52 Cong., 1 Sess., No. 2143, pp. 2-3; cf. National Economist, III, 1, 111.
45 Dec. 10, 1890.
46 T. C. Jory, What is Populism? An Exposition of the Principles of the Omaha Platform (Salem, Oregon, 1895), 9; National Economist, II, 328.
47 Ibid., III, 72-73; IV, 380.
48 See, for example, National Economist, III, 135; Southern Mercury, March 10, 1892.
49 House Reports, 52 Cong., 1 Sess., No. 2143, p. 5.
asserting that there was no point to passing a law that would promptly be set aside by the Supreme Court. The Court, in fact, had held that it was unconstitutional to lend money to citizens from the Treasury for the carrying on of private business,\(^50\) and the Sub-Treasury plan proposed something closely akin to that. But the advocates of the Sub-Treasury probably were justified in their assumption that any bill which proposed farm relief and money inflation would have been met with numerous legal and constitutional objections. There was occasion for the comment that “A man who says he recognizes the justice of the demands of the farmers, yet can conceive no means by which they are to be granted, is not a capable representative at a time when relief must be had or liberty perish.”\(^51\) Moreover, it was held with some show of reason that the Sherman Silver-Purchase Act, which Congress did not scruple to pass, really “warehoused silver and issued notes against it” just as the Alliance proposed to do for farm products. The analogy was not complete, for the government actually bought the silver, but it was close enough to make an effective argument.\(^52\)

Finally, however, the persistent opposition to the Sub-Treasury began to tell, even upon the farmers. Indeed, there was a disposition from the very first on the part of the Northern Alliance to agree with the critics of the Sub-Treasury plan.\(^53\) Its adaptability to the needs of the southern cotton grower might be conceded, but in the North its provisions hardly seemed to apply. One northern farmer declared it “a measure more infamous than the national banks,”\(^54\) and a prominent Alliance editor said of it: “We heard this scheme presented, on a celebrated occasion, under an injunction of secrecy. We had fondly hoped that the secrecy was to be eternal; but we were doomed to disappointment.”\(^55\) At Ocala an attempt was made to satisfy the northern critics by stating that the government should also lend money upon real estate, “with proper limitations upon the

\(^50\) Ibid., 5-7.

\(^51\) National Economist, III, 266, 278.

\(^52\) Ibid., II, 401; III, 195, 211, 292.

\(^53\) See, for example, the attack on the Sub-Treasury in N. B. Ashby, The Riddle of the Sphinx (Des Moines, 1890), 309-16. Ashby was a lecturer in the Northern Alliance, and his book was a compound of Alliance views and history.

\(^54\) Drew, loc. cit., 297.

\(^55\) Farmers’ Alliance, Jan. 4, 1890.
quantity of land and amount of money,"' 56 and this modification Senator Peffer, in a book published the following year, attempted to elaborate and popularize. The Sub-Treasury, as he saw it, should furnish the short-time loans; but the long-time loans, which the western farmer must have if he were to succeed in holding his land, would come from a loan bureau to be created in the Treasury Department in Washington. This bureau would lend money to the people at one per cent on real estate security. 57 Even so, the northern farmers continued generally skeptical. When they agreed to support the Sub-Treasury in the early Populist platforms, as they did, it was more or less as part of a bargain by which the South reluctantly conceded the principle of government ownership of the railways in return for equally reluctant northern support of the Sub-Treasury; and thereafter many northern Populists took comfort in the fact that their platforms always expressed a willingness to accept any "better plan" than the Sub-Treasury that could be devised. 58

In the Southern Alliance, where the attitude of the national officers was usually sufficient to sway the ordinary farmers one way or another, the Sub-Treasury was generally supported, and in the election of 1890 there was a tendency to measure all candidates for office by the "yard-stick" of the St. Louis platform, Sub-Treasury and all. 59 Formidable opposition, however, did exist. Democratic leaders who viewed with some misgivings the entrance of the Alliance into politics were quick to seize upon the Sub-Treasury as a means of discrediting the whole farmers' movement. 60 One editor insisted that the scheme had been foisted upon the masses by a few men at the top, and he warned the country and subordinate lodges to discuss fully, before taking action, all matters that were sent down to them. 61

56 Proceedings of the Annual Session of the Supreme Council of the National Farmers' Alliance and Industrial Union, at Ocala, Florida, December 2-8, 1890 (Washington, 1891), 32. Senator Leland Stanford, of California, had proposed such a measure in Congress the preceding spring. The text of Senator Stanford's bill is printed in part in Ashby, op. cit., 322-24.
57 Peffer, op. cit., 247-56.
60 National Economist, III, 135; VI, 130; Southern Mercury, March 10, 1892.
61 Greensboro Daily Record, Aug. 10, 1891.
ton of South Carolina branded the measure as "so palpably wrong on its face as to make it absurd to all who have the prosperity and welfare of the country at heart. This feature of the Alliance has never been fully accepted in the South, and I have too much confidence in our people to think that it ever will be." Naturally, such wholesale criticism of the Sub-Treasury bore fruit. An editorial writer on the Progressive Farmer, who resigned because he found the dominant sentiment in the Alliance on the Sub-Treasury question "in irreconcilable conflict" with his views, was by no means alone in his opinion.63

In fact, the dissention in the Southern Alliance over the Sub-Treasury went almost the length of an open split. President Hall of the Missouri State Alliance was violently against the proposal; the official organ of the Alliance in Missouri refused to present the subject for discussion; and an Alliance state convention held by the Missourians in 1891 escaped complete disruption only by agreeing to leave the Sub-Treasury plan out of the resolutions altogether.64 In Texas the opposition went so far as to establish an anti-Alliance paper and convene a convention to oppose the demands of the order.65 In Mississippi, Tennessee, and Louisiana, also, "retrograde" movements were reluctantly conceded to exist.66 When the Supreme Council of the Southern Alliance, meeting in Indianapolis in November, 1891, continued the endorsement of the Sub-Treasury that had been given a year before in Ocala and two years before in St. Louis, the anti-Sub-Treasury leaders issued a call for the formation of a new Alliance which would be free from the heresy.67 This proposed rival order never got on its feet, but the dissension in Alliance circles that its would-be founders were able to create had a most depressing effect. "Everybody has left the Alliance except the few that believe in the sub-treasury heresy," declared one of the come-outers, a Mississippian. "Not only in Mississippi, but throughout the South, lodge after lodge of the order has dis-

62 Ibid., Sept. 21, 1891.
63 Ibid., June 26, 1891.
64 New York Times, Dec. 9, 1890; National Economist, V, 233; VI, 21, 39.
65 Ibid., V, 296, 377; VI, 130.
66 Ibid., V, 72, 87, 233; VI, 2.
banded, until in some sections there is not a corporal's guard left." 68 This was a gross exaggeration, but the Sub-Treasury did put the Alliance leaders definitely on the defensive, and the membership of the Alliance did decline.69

Realizing, apparently, that their arguments were not wholly convincing, the advocates of the Sub-Treasury more and more frequently expressed themselves as being willing to accept any alternative plan that would "stop the present discrimination against the farmer."70 Opponents of the measure were challenged to propose some better way of securing a flexible currency that would "keep up a true ratio between the volume of money and the demand for its use."71 A prominent Alliance leader, appearing before the Senate Committee on Agriculture and Forestry, confessed that while the Sub-Treasury was the "very best thing we farmers can make,.... you can do better.... You have all the advantages, and what we ask is not that you give us the sub-treasury bill as we have framed it, but give us that or a better bill."72 The Populist platform of 1892 called only for "loans to producers under the sub-treasury or some better system." But satisfactory alternative propositions were not forthcoming—at least, not from the opposition. Watson of Georgia suggested modifications that were fairly sensible. He proposed that the amount of money advanced should be limited to one hundred million dollars, and that only wheat and cotton be accepted for storage. Moreover, instead of government warehouses, suitable private elevators were to serve as depositories. But Watson's proposition came too late.73 By January, 1893, when he advocated this change, the Sub-Treasury idea had lost its appeal; and a few months later it could be said that "the cry of the sub-treasury cannot now be heard even in the silence of the night."74

What had happened to it? Part of the answer is to be found in the dissension, already described, which the Sub-Treasury

68 Greensboro Daily Record, Dec. 10, 1891.
69 Ibid., July 24, 1891; People's Party Paper, Dec. 3, 1891.
70 National Economist, III, 184.
71 Ibid., VII, 184.
74 C. S. Gleed, "'The True Significance of the Western Unrest,'" Forum, XVI, 256; F. B. Tracy, "Rise and Doom of the Populist Party," ibid., XVI, 248.
wrought in reform ranks. There was little to be gained by insisting on a measure which threatened to destroy utterly all hope of farmer solidarity. And, due to the injection of the third-party issue during the campaign of 1892, that hope was already dim in the South, where the Populist party, as the political legatee of the Alliance, had hardly half the strength of its predecessor. It was good politics to forget the Sub-Treasury. Moreover, Macune, admitted author and chief advocate of the Sub-Treasury idea, utterly lost his reputation with reformers by his conduct during the campaign of 1892. While as editor of the National Economist he seemed to support the Populists, he was actually in close touch with the Democratic campaign managers, whom he aided in the printing and distribution of documents designed to induce Alliancemen to vote the Democratic ticket—a type of activity which seemingly paid him well. For this offense Macune was forced to resign from the Alliance, and the official character of his paper was denied. Naturally the fall of the man whose name was so closely identified with the Sub-Treasury must have affected the confidence which people placed in that measure. But doubtless quite as important as all these things together was the growing favor with which the Free-Silver issue was viewed. To many this appeared to be the "better plan" for which they had sought.

"The dollar of our daddies,  
Of silver coinage free,  
Will make us rich and happy  
Will bring prosperity."  

Possibly the reformers would have done well to pursue the Sub-Treasury idea further. It was not all bad. The plan for extending the farmer enough credit on his products to make it possible for him to withhold them from market for a time after harvest, had certain obvious merits. Indeed, the Warehouse Act of 1916 goes far towards accomplishing this very thing. Under it the United States Department of Agriculture may license

76 A full disclosure was printed in the St. Louis Globe-Democrat, Nov. 4, 1892.
76 Southern Mercury, Dec. 1, 1892; People's Party Paper, April 28, 1893; Blood, op. cit., 43.
77 From an undated manuscript in the Weller Papers of the State Historical Society of Wisconsin. The authorship is credited to M. H. Daley.
warehousemen and authorize them to receive, weigh, and grade farm products, for which they issue warehouse receipts. And with these receipts as collateral the owner may borrow money; not, however, from the government of the United States. That the men who brought forward the Sub-Treasury as a plan for obtaining short-term rural credits also loaded it with an unworkable plan for obtaining a flexible currency was unfortunate; but here again the farm leaders were attempting to prescribe for an illness in the monetary system that did exist, and that was not remedied until years later when the Federal Reserve Banking Act was passed. It seems clear enough that in demanding the Sub-Treasury or a better plan the farmers of the nineties were not unreasonable. They were merely ahead of their time.