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R E P O K T S

OF THE

SILYEE COMMISSION

OF

18 7 6

[Being a reprint of Senate Report No. 70;}, 44th Congress, Second Session.]

WASIIIXGTOK:

GOVERNMENT riilNTINCf OFFICE.

I S S 7 .

[Public Eesolution — Ko. 27.]

Joint resolatiou providing for the printing and distribution of documents of the mon-

etary conferences of eighteen hundred and seventy-eight and eighteen hundred and

eighty-one, and the report of tlie monetary commission created under the joint reso-

lution of August fifteenth, eighteen hundred and seventy-six.

Resolved by the Senate and House of Representatives of the United States

of America in Congress assembled, That there be printed and bound in

cloth five thousand copies each of the Eeports of the International

Monetary Conferences of eighteen hundred and seventy-eight and eight-

een hundred and eighty -one ; also the report of the monetary com-

mission created under the joint resolution of August fifteenth, eighteen

hundred and seventy-six, being Senate report Number seven hundred

and three, Second Session Forty-fourth Congress, with such indices to

the three reports as may be supplied by the Secretary of State; three

thousand copies of each for the use of the House of Representatives,

and fifteen hundred copies of each for the use of the Senate ; and that

the Public Printer hold the remaining five hundred copies of each for

sale, at ten per centum advance on cost-price, to any person ajiplyiug

for the same.

Approved, August 4, 1886,

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44th CoNaREss, \ SEKATE. i EepoeT

2d Session. j ) No. 703.

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i

m THE SENATE OF THE UNITED STATES.

March 2, 1877. — Ordered to be printed.

Mr. Jokes, of Nevada, from the Monetary Commission created under

the joint resolution of August 15, 187G, submitted the following

RE POET:

The commission created undet' the joint resolution of August 15, 187C, sub-

mit the folloicing report:

The resolution creating the commission and defining its duties was as

^S follows :

^ Besolred hy the Senate and Honse of Ecpresentativcs, That a couiraission is hereby au-

\\^ thorized and coustituted, to consist of three Senators, to be appointed by the Senate;

three uiembers of the Honse of Keprescutatives, to be appointed by the Speaker ; and

experts, not exceeding three in nnn)ber, to be selected by and associated with them :

with anthorify to determine the time and place of meeting, and to take evidence, and

whose dnty it shall be to iuqnire —

First. Into the change which has taken place in the relative value of gold and

silver ; the causes thereof, whether permanent or otherwise ; the ctfects thereof upon

trade, commerce, finance, and the pro<luctivo interests of the country, and upon the

standard (of) value in this and foreign countries;

\i Second. Into the policy of the restoration of the double standard in this country;

^ and, if restored, what the legal relation between the two coins, silver and gold, should

i be;

^ Third. Into the policy of continuing legal-tender notes concurrently with the metal-

^ lie standards, and the effects thereof upon the lal)or, industries, and wealth of the

country ; and

Fourth. Into the best means for providing for facilitating the resumption of specie

payments.

The commission as organized consisted of Messrs. John P. Jones,

Lewis V. Bogy, and George S. Boutwell, of the Senate; Messrs. Eandall

L. (iibson, George Willard, and Kichard P. Bland, of the House of Rep-

resentatives; Hon, William S. Groesbeck, of Ohio, and Prof. Fiancis

Bowen, of Massachusetts. George M. Weston, of JNlaine, was appointed

8e(;retary.

The sessions of the commission were held in the city of New York until

the re assembling of Congress in December last. They have since been

held in the city of Washington.

Immediately after the creation of thecommission, circulars were issued

to bai^licrs, i)ubli(;ists, and commercial men in this country, ami to

eminent fiiian( ial authorities in iMirope, and (tlirough the; State Depart-

ment) to tlic representatives of the United States in ibreign countries.

These circulars (;f»ntaiu('d intcrrogatorir^s which wcri^ intended \o elicit

the widest ]»os,sible inlui iiialiun upon :il! tlie t<>i>ics covered 1»,\ the, icso-

lution of August 15, l.S7(J. 'Jiu' (jhambers of commerce in the leading

cities in this country wei-e invited to turnish, aiid «lid furnish, lists of

the persons most likely to be able to give information.

ail

2 STATEMENT OF PAPERS APPENDED TO EEPORT.

A large number of persons appeared before the commission, who were

orally examined. In addition, numerous written papers from various

sections of this country were received in answer to the circulars of the

commission. These papers, as well as the oral testimony taken down

by steno.crrai)hers, are reported herewith.

Our ministers abroad have exhibited a patriotic and intelligent zeal

in collecting official and other information in the countries to which

they are accredited. The documents which they have furnished are

very valuable, and some of them not attainable except through official

applications. Some of our ministers have added able and interesting

original papers. All these documents and contributious are herewith

submitted.

The commission are much indebted to the Secretary of State for his

prompt and courteous co-operation in facilitating their communication

through his Department with our ministers abroad.

They are also indebted to the Bureau of Statistics, which promptly

and courteously furnished all the information asked for.

Several gentlemen in Europe, eminent as financial authorities, have

addressed communications to the commission, which are among the

submitted papers. One of these gentlemen, M. Cernuschi, appeared

personally before the commission, and furnished important and valu-

able information, which will be found in the reported testimony. The

thanks of the country are due to him and to the other distinguished

citizens of foreign nations who have made these disinterested efforts

in the elucidation of a question important to the welfare of mankind.

There are also submitted herewith special rejjorts of the secretary of

the commission upon European and American legislation in respect to

subsidiary coinage and upon other subjects.

In respect to the jireparation of the minute on the production of silver

in the United States, it may be stated that in 1873 a new body of paying

ore was discovered in one of the mines of the Comstock lode in Nevada.

Similar bodies of nearly equal extent had been previously discovered and

exhausted in the Spanish-American silver-lodes and in the Comstock

lode, without attracting universal attention or arousing universal fear

that the commerce of the world was about to be deluged by a flood

of silver, but in the present instance, through persistent and infectious

exaggerations in respect to the extent and richness of the new ore-

body, the most visionary expectations and unwarranted fears became

universally epidemic. The estimates of the value of the ore in sight

ranged from $300,000,000 to five times that amount, all of which was

generally believed to be in silver. The probable out-turn of this new

bonanza is a leading topic in the report of the British silver com-

mission (1876), which contains, among other evidence on the subject, a

quotation from a German newspaper, the Reichsanseiger, of March 14,

1876, which gives, as foremost of the " three principal causes for the

depreciation of silver:"

Ist. The discovery ofthe great aud celebrated silver-miues in Nevada, which in reality

produce fabulous quantities of silver, the pi'oduction for the current year being valued

at five hundred million francs.

Deeming it ofthe first importance that these estimates and statements

should be subjected to a practical and careful scrutiny, this commis-

sion employed Mr. Alexander Del Mar, a gentleman technically qualified

for such an investigation, to visit the mines in j)erson, and ascertain from

original sources their past aud prospective i)roduction, and also generally

to inquire into the silver production ofthe United States, and its sources.

The result of this mission will be found in the Minute on the Silver

SILVER-PRODUCTION OF NEVADA MINES. 6

Production of the United States, referred to above. ^linutes prepared

by Mr. Del Mar on the coinage of the United States since 1792, annual

production of silver throughout the world, annual production of gold

throughout the world, and on other subjects are also reported herewith.

The yield of every mine in Nevada, annually, for sixteen years, has

been ascertained with precision, and of the larger mines the yield by

months. The statistics have as yet been collated only for the calendar

years 1871 to 187G, inclusive ; the previous years, being of lessimportance

in the present connection, have been left for future attention.

In addition to this work, the testimony of the persons in San Francisco

who have compiled the generally-accepted statistics of the production

of the precious metals in this country, was taken with the view of ascer-

taining their methods of computation and the reliability thereof.

Briefly, the investigation shows that the product of the Big Bonanza

thus far has not exceeded $52,500,000 during the four years that it has

been worked, making an annual average of about $13,000,000, of which

45 per cent, was gold, leaving for the average annual product of silver

from this ore-body a fraction over $7,000,000.

Taking all the iQiines of the Comstock lode together, during sixteen

years of unprecedented activity in mining, assisted by the moet perfect

and powerful mechanical appliances, there have been found some twelve

or thirteen ore-bodieS; which have yielded, altogether, about $240,000,000,

or an annual average of $15,000,000, of which about forty-seven and

one-half per cent., or $7,125,000, was gold, leaving $7,875,000 as the av-

erage annual production of silver.

The silver product of the State of Nevada has been collated only for

the six years ended December 31, 187G. During this period the aver-

age annual product was $19,000,000, and for the vear 1870 by itself only

$28,000,000, instead of $100,000,000, so confidently stated by the lieichs-

anzeiger.

The silver product of the United States during the same period was

$155,000,000, making an annual average of $20,000,000; the product

for 187G by itself was $38,200,000. When these returns are contrasted

with the computations -which have hitherto obtained currency, it will

be seen that the latter have uniformly and greatly exaggerated the pro-

duction of silver in this country.

America, since its discovery, has been the chief source of the world's

s^upply of the precious metals ; and, as the proportion of silver in that

supply was much greater ])rior to the California gold discoveries than

it was in the Old World, either before or after the discovery of America,

the opening of the American mines was followed by, if it did not cause,

a considerable, although slow, widening of the relation between the

two metals. Humboldt (Fluctuations m Supply of Gold, published in

1838) says :

The relative value of gold and silver fluctuated during the first hundred years sub-

scfjucnt to the discovery of (he new continent between 1 to lO-j^ and 1 to 12; in the

last two centuries, between 1 to 14 and 1 to 16.

Their relative value settled, however, about the middle of the seven-

teenth century, at between 15 and IG to 1. In England it was fixed

by Sir Isaac Newton, in 1717, at about 15J- to 1. At the commence-

ment of tliis century (1803) France conformed to the mean of the relations

existing at tiiat tiine by fixing it at 15.^ to 1. The Ihictuations in tlie

relative market value of gold and silver were unimportant during the

])resent century until 1873, when the (Icrinaii and American laws tode-

monetize silver were e'liacted. The determination of (J<'nnany to enact

such a law had been previously announced by the decree of December

4 SILVER STEADY BEFORE THE DEMONETIZATIONS.

4, 1871, and tho American movemeuts to the saiue end, which seem to

have been better understood in Europe than in this country, were com-

menced as early as 18C8.

The general money system of Europe had been that of the double stan-

dard until 1873. The conspicuous exceptions were Holland, which had

been during" much the larger part of its history a single silver standard

country, and England, which had adopted the single gold standard in

1816 by law, and in 1821 in fact. In consequence of the apprehensions

of a fall iu the value of money, or, what amounts to the same thing, a

rise in wages and in the price of property, excited by the California

and Australian yield of gold, Belgium adopted a single silver standard

in 1850, and the German states in 1857. Belgium, however, returned

to the double standard in 1861.

Germany and the United States demonetized silver in 1873. At that

time it was neither depreciated nor unsteady" in value, nor had any

change occurred in the relative production, cousumption, or distribution

of the precious metals to indicate its depreciation in the future, nor

was any actual or probable depreciation assigned as a reason for its

demonetization. The average flow of silver to India was undisturbed,

and the Big Bonanza in the Com stock lode was undiscovered. Mani-

festly, the real reason for the demonetization of silver was the appre-

hension of the creditor classes that the combined production of the

two metals would raise prices and cheapen money unless oue of them

was shorn of the money function. In Europe this reason was dis-

tinctly avowed.

It cannot be successfully controverted that the sole causes of therecent

disturbance in the relative valueof gold and silver were the demonetiza-

tion of silver by Germany, this country, and the Scandinavian states,

and the closure of the mints of Spain, Holland, and the Latin Union

against it. Twelvemonths agotwo other causes were insisted uj)on, name-

ly, the falling oil" of the India demand for silver and an enormous actual

and anticipated yield of silver by the Comstock lode. TheAsiaticde-

maudislully restored, and the actual silver production in Nevada is now

not only more correctly understood, but discussion has established the

general conviction, which has always been that of the soundest authori-

ties, that no increase in the production of the precious metals which is

at all probable would have any immediate appreciable effect upon either

their combined or relative value.

Humboldt (Fluctuations, &c., 1838) says:

In the modern world, the universality and rapidity of communication, which restore

the equilibrium as well as theamount of the accumulated masses of gold and silver alreadi/

existing, tend to render still more stable the relative value of the metals « \* »

The enormous masses of precious metal already accumulated in Europe render any consider-

ahle or continued variation iu the relative value of gold and silver impossible. Expe-

rience has shown this. In England, for instance, in the ten years from 1817 to 1827,

more than 1,294,000 marks of gold [$180,959,000] were converted into money, and yet

this monopoly of gold only raised the proportion of it to silver from 1 to 14.97 to 1 to

15.60. \* \* \* Any increase in the production which our imagination could call into

existence would appear infinitely triiiing compared with the accumulations of thou-

sands of years now in circulation.

Changes in the relative value of the two metals are entirely different

from changes in their absolute value, or, in other words, their value as

compared with all other things. Thus one metal may have fallen

greatly as compared with the other, and at the same time not only may

not have lost, but may even have increased in purchasing power. In

describing a divergence in the relative value of the metals, without ref-

erence to the purchasing power of either, it is as correct to say that one

has risen iu value as to say that the other has fallen. In fact, looking only

DIVISIONS OF THE QUESTION. 5

to the relation of the metals, both things have occurred. One has fallen

and one has risen, each relatively to the other, to the full extent of the

divergence. In order to ascertain whether silver has fallen or gold

risen since 1873, not relatively to each other, but relatively to all other

things, a comparison must be made between general prices in gold and

silver, res])ectively, then and now. Such a comparison would show that

the purchasing power of gold has increased since then in all countries,

and that the purchasing i)ower of silver has decreased in none.

The discussion of the use of silver as money involves several ques-

tions, which, if not divisible, are distinguishable ; or, in other words, if

so intimately connected as not to be susceptible of a separate decision,

they are yet so distinct that it will subserve the purpose of both clear-

ness and convenience to consider them separately.

The first is, whether the universal employment of silver as money co-

extensively and concurrently with gold in times past has been, upon

the whole, justified by adequate considerations.

The second is, whether, if so justified heretofore, new conditions have

arisen to make this employment of the two metals inexpedient at the

present time.

The third is, whether the discarding of either of the two metals as

money would not cause such a fall in the prices of commodities and prop-

erty, and consequently impose such unjust and ruinous burdens on

debtors, individual and national, as to be justifiable on no plea of con-

venience, and defensible only on the plea of absolute necessity.

The fourth is, whether the employment of silver as money by the

United States is a practicable policy in view of its actual demonetization

in several countries and of its threatened demonetization in others.

The fifth is, whether, if the policy be practicable, it is demanded, or

otherwise, By the commercial, industrial, and financial interests of the

United states.

I.

OBSERVATIONS UPON THE GENERAL QUESTION OP EMPLOYING THE

TWO PRECIOUS METALS AS MONEY.

The question of the desirability and utility of using both gold and

silver as money metals has been decided in the affirmative by the gen-

eral judgment and practice in all historical times. This statement may

possibly require some explanation in respect of India and China, which

contain the two greatest masses of human population, and, upon com-

mon estimates, rather more than one-half of the total population of the

globe. Gold cannot take the place of silver as the money of those re-

gions, because gold is too valuable to measure the small earnings and

expenditures of their inhabitants. In India, under the British adminis-

tration, silver is the only legal tender. What the legal tender may be

in China is obscure, but in respect to the inhabitants of both China and

India, and more esi)ecially in respect to the ruder poi)ulations in other

parts of Asia and in Africa, the legal-tender (]uality of money is of far

less inii)ortance to them than it is to the highly civilized i)opida(ions of

Europe and America. The ramified system (►f credits, frequently on long

time, and sometimes ])erpetual, which seems inseparai)le from a iiigh (;iv-

ilizatioii, is unknown to tlieiitajority oilhehuman race, to whom llie prin-

cipiil use of money is to make jMiicliases, and not to pay ilebts. The

amount ofgold is small as compared with the amount of silver in 1 lie East.

Gold is not the money of the East, not are the prices there intluonced

6 GENERAL REASONS FOR DOUBLE STANDARD.

by its scarcity or abuiitlaijce, as lliey are by the scarcity or abuDclaiiceoF

silver. But it is readily accepted as a precious commodity, at about its

silver value in Loudon.

In the presence of this general judgment of mankind in favor of

using both the precious metals as money, it will be sufticieut to state

summarily some of the consideTations which justify this judgment.

The fluctuations in the aggregate current su])ply of tlie two metals

are less frequent and less violent than are the lluctuations in the sup-

ply of either metal, and consequently the fluctuations in the value of

the two, used together as money under the double standard, are fewer

in number and less in degree than would be the fluctuations in the

value of either one of them, and the chances of avoiding the evils of an

iusuflicient supply of money are much greater. No considerable simul-

taneous increase of both has occurred since the Christian era, with the

single exception of the period when the mines of the New World were

opened. Whenever one of the metals has been produced in unusual

quantities, the production of the other has generally remained station-

ary or has declined, so that variations in the aggregate production have

been restrained within endurable limits. Thus, there was no increase

of the silver yield when gold was produced in unusual quantities from

the Brazilian mines and during the first half of this century from the

Eussian mines. The production of silver remained steady during the

first fifteen years of the working of the gold fields of Australia and

California, and did not increase until their productions declined.

Gold and silver are. both fit for money, by all the necessary qualities

of indestructibility, resistance to chemical changes, divisibility, general

steadiness of combined production, and amount of combined stock,

which is small enough to make them precious, and at the same time

large enough to render them convenient in ordinary handling. They

are the only metals which combine these qualities. With augmenting

capital, increasing population, the continued spread of civilization and

stable government, increased efficiency of machinery, and improved

processes of mining, it may be that the production of gold and silver

will be increased ; but under the conditions named an increased pro-

duction would be necessary for the preservation of the equilibrium

between money and all other things.

The considerable diflerence in the value of the same weight of the

two metals recommends the use of both as money. Gold, in any condi-

tion of purity heretofore adopted in coinage, cannot be used for ordinary

retail transactions. A gold coin of the value of an average day's labor

in Europe, or even in America, would be too small for handling; and

in Asia a gold coin measuring a month's wages would be inconveniently

small. It is very doubtful if any contrivance of coinage could make gold

answer the purposes which silver has always answered in the smaller

exchanges. The expedient of a gold coin of which the principal weight

and bulk should be alloy may be suggested, but the genuineness and

real value of such a coin would elude ordinary means of verification ;

and it is doubtful if it could ever be made to command that ready and

universal confidence essential to money. It would be an experiment

full of hazard. Silver is especially adapted for coins of small value,

which are the only ones used by the masses of mankind, and may be

used without inconvenience in the largest transactions, as modern appli-

ances have made it feasible to handle even the largest sums of silver

without inconvenience. The two metals together fill but scantily the

measure of the money needs of the world, and they can only fill it upon

GENERAL REASONS FOR DOUBLE STANDARD. 7

the coiiditiou that botb are mouey in the fullest seuse; and nothing is

such mouey if it be restricted in its legal-tender function.

The combined stock of gold and silver is so large in comparison with

the amount of their current production that variations in their current

supply aflect stocks only in a minute degree. A certain percentage of

the current sui>ply is constantly needed to keep the stock of the precious

metals good against loss by accident, abrasion, and their absorption in

the arts. But this is not all that is required. The rapid increase of the

world in population and commerce demands a corresponding increase of

the stock of the precious metals, in order that the relation between

mouey and all other thiugs may not be disturbed, and that the ruin of

productive interests by falling prices may be avoided. The greatest

gold yield ever known was during the live years ending with 185G.

The annual average production during that period was $150,000,000,

while tUe silver production during the same period averaged annually

only $40,000,000. This was an enormous increase of the annual gold sup-

ply and consequently in the aggregate supply ; but the excess of supply

in any one year was only an imperceptible addition to existing stocks,

and so raj»id was its absorption by the increased demands of business

that its effect on prices was not visible for several years, and the maxi-

mum increase of prices finally produced, and which was soon lost, did

not exceed 20 per cent. Tooke says (History of Prices, vol. 6, pages

158-194) that notwithstanding the increase of metallic supplies from

1848 to 1856, there was in 185G no '•'' corresponding increase of general

prices ; ?ior, in the case of large groups of commodities^ any increase of

prices whenever, but, on the contrary, prices rather sunk to a loicer than

rose to a higher level.''''

•The stocks of gold and silver being much greater now than in 1848, they

would be less affected by any new discoveries even of the same impor-

tance as those of California and Australia. So, also, new supplies of the

precious metals absolutely as great as those of the years following

1848 would be of far less consequence in their relation to the vastly

increased amount of commodities, exchanges, and population of the

present time.

It is one of the common estimates that in 1848, thedate of the California

discoveries, the bullion value of the world's stock of plate, coin, and bars

was $2,800,000,000 in gold and $4,000,000,000 in silver, but of coin and

bars alone $1,200,000,000 in gold and $2,200,000,000 in silver. The total

produ<;tion of gold and silver in the five years ending with 185G was

$950,000,000, being an addition of only 14 per cent, to the total stock,

inclusive of plate, or of 28 per cent, to the stock in coin and bars. The

total production of gold alone in the same years was $750,000,000, which

was an a<ldition of 25 per cent, to the entire stock of gold, including

plate, and the still greater addition of C2i per cent, to the stuck of gohl

in coin and bars. In the twenty-eight years ending with 1875 the ag-

gregate jtroduction of gold and silver was $4,582,000,000, which was an

addition of 07 percent, to the stock in 1848 of coin, bars, aiul plate,

and of 335 per cent, to the stock of coin and bars. But in the same

twenty-eight years the jjroduction of gold alone was $.'},215,000,(M)0.

This was an addition to the gold stock in 1848 in coin, bars, and plate

of 1L5 per cent., and to the stock in coin and liars of 208 per cent. Es-

timates of the amount of the worhl's stock of the precious metals in 1848,

or in any year vaiy (jonsidcntbly, bnt on any cstiinalc tlu^ t wo iacts are

illustiate(lthatannnal.sn})j)lii\sall'c'ctstocksof tiiei)iccioiis metals slowly,

and that tlie stock of either one of the metals is more exposed to eccentric

enlargement than is the aggregate stock of the two.

8 GENERAL REASONS FOR DOUBLE STANDARD.

The magnitude of tbe stocks of silver and gold in the world is an ele-

ment of stendiness in their value which is frequently overlooked. "She

familiar maxim that value is regulated by supply and demand, is applied

to money in a very loose and inaccurate way. That supply, which is

one of the princi])al factors in controlling the value of both commodities

and money, is not the annual supi)ly, but the entire stock in existence,

including past accumulations as well as current production. lu the case

of wheat, cotton, and similar things, the amount of each harvest is so

great in comparison with the amount left over from the previous harvest

that supply and annual supply are frequently used as meaning the same

thing; but the difference between the two is very considerable, even in

respect to commodities of that description. The difference between the

supply left over and the annual supply of the precious metals is enor-

mous, and to describe their value as being controlled, or even much influ-

enced, by their annual sup])ly, is absurd. That supply, which is one of

the coutrolling elements of their value, is their entire stock, old and new,

just as it really is with wheat, the only distinction being that the an-

nual supply is the principal part of the stock of wheat, while it is hardly

an appreciable part of the stock of the precious metals. The value of

the i)recious metals will be affected not by the entire current production,

but by the surj)lus which enters the circulation after consumption in

the arts and all losses by abrasion and accident have been made good,

and after supplying that new demand for money which results from the

growth of population and from the enlarged uses always following an

increase of money. No current supply was ever yet sufficiently great to

affect the value of the precious metals except slowly and almost imper-

ceptibly. The signs for the future are that the annual j)roduction will

be deficient rather than excessive.

Tooke (History of Prices, vol. 6, page 232) says of the influx of the

metals alter the discovery of America in 1492:

No rise of prices can be discovered until 1570, fifty years after the entry of the

Spaniards into Mexico, and almost thirty years after the discovery of the Potosi sil-

ver mine. The ultimate range of prices was not reached until 1640.

This will appear the more remarkable when it is considered that the

world's stock of gold and silver was exceedingly small when America

was discovered. Chevalier estimates the stock in Europe at that time

at only $193,000,000, it was greater in Asia, where some authorities

conjecture that it may have been $1,500,000,000. But manifestly the

whole stock was only a small fraction of what now exists, and conse-

quently had far less power than the present stock to resist the dis-

turbing influences of extraordinary additions. This steadiness of value,

resulting from magnitude of stocks, will of course become still greater

as stocks are hereafter enlarged.

The processes by whirh supply affects the value of money and com-

modities are essentially different. An oversupply of a commodity man-

ifests itself in a surplus for which there is no effective demand, and

which must be carried as a dead weight, with the losses of interest,

storage, and insurance, and, in the case of most commodities, of waste

and deterioration. The depressing effect on the market of an over-

supply of commodities is out of proportion to the actual percentage of

the oversupply. But in the case of the metals used as money, what-

ever the suj^ply may be, there is no part of it which is a surplus or dead

weight. It is all wanted and all wanted alike. There is an instant and

ready use for the whole of it, because it can be si)eedily coined and put

into the circulation on an equal footing with the money already in cir-

culation. Undoubtedly, if the demand remains the same, au increased

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supply of the metals will fiually affect their value, not immediately,

however, because uot visibly manitesred by a surplus, aud at last only

in the same proportion as the entire stock has been increased by the in-

creased supply. But the demand never does aud never can remain the

same when the production of the metals used as money is so increased

as to raise the price of commodities. Commerce and all productive

interests are instantly and decisively stimulated by rising prices. This

fact has been signally illustrated during this generation. The extraor-

dinary gold-production in California and Australia was quickly followed

by a new demand for money, which arose from that business activity

aud prosperity which always attend an increase of money. This de-

mand soon overtook the new supply and already threatens to outrun it.

Money and commodities differ as much in the nature of the demand

for them as they do in the effect of su])ply upon their value. The de-

mand for money is universal, constant, and insatiable. Nobody ever

had so much as to feel a loijsoreven a diminution of the desire for more.

In business transactions it is never voluntarily parted with except with

the hope of its return and with a profit. The eflective demand for it,

or, in other words, that demand which is accompanied by an ability to

offer equivalents, is only limited by the extent of all the possessions of

mankind, fixed aud movable, and their total capacity to render services.

And by thus understanding exactly what supply and demand mean

as applied to the metals used as money, the reasons for the steadiness of

their value become apparent. Their supi)ly is the accumulated stock

of centuries, and the demand for them is measured by all the wealth and

all the productive forces of man.

"What is known as the double standard of value is a standard based

upon the two metals, gold and silver, by laws which establish a unit of

value and account in each metal and declare the weight of pure gold

an<i silver, respectively, which the unit shall contain, aud which also

establish unrestricted coinage for both metals, and declare coins of both

metals, respectively, which represent the unit and multiples thereof a

legal tender in the payment of all debts, public aud private, at the

option of the debtor. The legal relation of value between the metals

will be in inverse proportion to the weights of pure metal in the coined

units of the two metals respectively. Thus, the weight of pure silver,

371.25 grains, in the demonetized silver dollar or unit, was 15.0888

greater than that of the pure gold, 23.22 grains, in the gold dollar or

unit, which was a legal valuation of a given weight of pure gold 15.9888

times greater than of the same weight of ])ure silver.

There can never be practically two money standards whose units of

account differ in value in any country at the same time. It is all-imjior-

tant that the value of the standard should be un<'li:ingiiig. It is not

important that the material whi(;h represents the value should be un-

changing. It is of little consequence of what the material consists if it

be portable, divisible, and indestructible, or, if destructible, that it ean

be replaced with facility. There should never be any hesitation in

changing the material of money for the purpose of maintaining its viilue

undisturbed.

Whenever, under the double standard, there is a Viiriamrc between

the legal and market relations of the metals the slinidard would l>e

practicfilly based on one metal, and it the cheai)er and more available

one. Whenever the legal and mail^et relations of the metals eoiiieidti

there would be duality in the material of the standiird, but unity in

its value, which would make it in its all iuiportant feature a single

titaudard.

10 GENERAL REASONS FOR DOUBLE STANDARD.

The philosophy of the double standard is that a rise in the value of

money and a iall in general prices are the greatest evils which can

befall the world, and its object is to prevent, as far as possible, the

occurrence of these evils. It takes no precautions against a fall in the

value of money, because in the whole history of the human race not a

single instance can be pointed out of a fall in the value of either or of

both of the metals which has not proved a benefaction to mankind;

while, on the other hand, during every period and whenever a rise in

the value of metallic money has occurred it has been attended by

financial, industrial, political, and social disaster. An increasing value

of money and falling prices have been and are more fruitful of human

misery than war, i^estilence, or famine. They have wrought more

injustice than all the bad laws which were ever enacted. Under the

double standard these evils could never occur, except by a rise in the

value of both metals, while under the single standard they might be

caused by a rise in the value of one of them.

The statement sometimes made that the two metals never in fact

circulate iudifierently and concurrently is not true. Notwithstanding

the legal relation of value between the two precious metals estab-

lished in 1792 in this country did not coincide exactly with the market

relation, yet they circulated concurrently, with perhaps a preponder-

ance of silver in the circulation until 1821, when the resumjition of

specie payments in gold by the Bank of England caused an advance

in the value of gold and a consequent widening of the relation of

value between the two metals. (See papers on the currency ap-

pended to the report made in 1830 by Mr. Ingham, Secretary of the

Treasury.) Also, after the change made in 1834 in the legal relation of

value between the two metals, they circulated concurrently until about

1850, although, on account of the undervaluation of silver by the law of

1834, there was a constant tendency to an exportation of silver in the set-

tlement of foreign balances. The draining of a country of its silver coins

is necessarily slow, as they are less in value than gold coins, and are

consequently diffused among a vastly greater number of holders. It is

lor this reason that silver has less fluidity of circulation than gold, and

presents greater obstacles to its concentration in large masses. The

dangers of a financial panic occasioned by sudden and violent out-

flows of the money of a country are therefore less where the circulation

is largely of silver than where it consists wholly or principally of gold.

The legal relation between gold and silver was fixed in France by the

law of 1803 at 15i to 1. This was substantially the market relation

throughout the world at that time. After the passage of that law the

two metals circulated concurrently in France with the preponderance

in the circulation sometimes of gold and sometimes of silver, until re-

cently, when the coinage of silver was interdicted in the mints of Eu-

rope and the United States. The coincidence of the market with the

legal relation of the two metals during nearly three-quarters of this

century cannot be supposed to have been due to steadiness in their rela-

tive supply, nor to steadiness in the relative cost of their production,

for during this period there had occurred the widest fluctuations in both

the cost of production and in the amount produced. It must have

been largely due to the French double-standard law of 1803, which was

a ligature so strong, and which bound the metals so firmly together,

at the relation of 15 J to 1, that neither the extraordinarily varying

relative supplies of the two metals from the mines of the world nor

the fitful demands of single-standard countries for their particular

money metal could force them nearer together or wrench them further

GENERAL REASONS FOR DOUBLE STANDARD. 11

apart, erxcept locally, temporarily, and in a trifling and unimportant

degree.

If the United States sbonld resume specie payments under the double

standard, with the same legal relation of value between the metals as

exists in France, there could not be a reasonable doubt that these two

great commercial countries would be strong enough to preserve a coin-

cidence between the legal and market relations of the metals, and

thereby i^reserve their concurrent use as money. The United States is

now relatively' a greater commercial and financial power thau was

France in 1803, and with greater opportunities for growth aud devel-

opment, and could alone exert a steadying influence on the relation of

the metals more powerful than France was able to exert.

Under the double standard the debtor may, at his option, avail him-

self of money coined out of either metal in the payment of his obliga-

tions. This option is of no practical importance, except when a variance

between the h^gal and market relations of the metals becomes sensible.

Neither does it work any injustice, nor is it, in fact, confined to one side

of any transaction. The creditor is swift to avail himself of it when he

lends money, and he never lends in the metal which for the time being

happens to be the dearer one. He cannot claim, therefore, that it is

his equity to be paid in the dearer metal, and he never is so paid unless,

between the dates of lending aud of being i)aid, the double standard is

abrogated, so that he is enabled to exact what he did not lend. The

debtor may justly complain if he is iorced to pay in the dearer metal

or money, which he never receives wiien he borrows. The enormous

aggregate of debts in this country', x>«blic and private, were contracted

b}' borrowing national paper currency or in the purchase of property at

paper-currency jn-ices. It is urged that the debtors ought not to com-

plain if they are forced to pay these debts in specie, and that they ought

to have foreseen that the resumption of specie payments in the near

future was probable, and that the right of i^aying in paper currency

might be taken away from them. But it cannot be said that they ought

also to have foreseen that the option of paying in silver, which had al-

ways been theirs, would be taken away, and that they would be con-

demned to pay in gold alone, ajid not only that, but in gold enormously

appreciated in value, if other importantdoublestaiulardcountriesshould

follow our exami)le and make it their sole standard of vahies.

If it were ordinarily, or even frequently, the case that changes in the

relative market value of the metals were caused by a fall in the value

of one of them, as compared with all other things, rather than by a rise

in the value of the other, it would to some extent tend to strengthen

the theory of the advocates of a single standaid that the woikings of

the double standard are inequitable. But if, on the other hand, it can

be shown that the ('hanges which have heretofore occurred in the rela-

tive market value of the metals have been invariably occasioned by a

rise in the value of one of them, and not by a fall in the value of the

other, and if it be ])robable, if not certain, that so long as the natural

operation of the double standard is not interfered with this will be the

case hereafter, then the justice of making i»aymentN in the most avail-

able metal could not be disputed, and the double standard, instead of

impairing, would i)reservc the eiiuity of contracts.

All the changes that ]iav(! occnired in tli(^ ri'l;itiv(^ value of the metals

during tln^ present century, ex<;ept those wliicli took i)lae(5 alter the de-

monetization of silver by Oerinan.v and the United Statesand the general

closure of the mints against it, are clearly traceal)h; to a rise iu ihe- value

of one of them by reason of an extraordinary demand of single-standard

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countries for their particular mone^' metal. lu no instance can any fall

be shown to have taken place in the value of the other, as compared

with all other things. In 1821, when the Bank of England resumed

specie payments in gold, a change occurred in the relative value of the

metals in the London market. Silver fell relatively to gold, but there

was at that time no decrease in the demand of the world for silver, which

was still accepted as money everywhere except in England. No cliange

had then recently taken place in the relative production of the metals,

nor had England any silver with which to frighten or affect the market.

The supply of and the demand for silver was unchanged at that period.

It is clear, therefore, that in that instance the change in the relative

value of the metals in the London market was not due to a fall in silver,

but arose wholly from the new demand for gold and from a rise in its

value.

When in 1859 such a change occurred in the relative value of the

metals in the London market as to carry up the London quotation of

standard silver to 62^^01. per ounce in gold, no recent change had then

taken place in the relative production of the two metals to cause a

change in their relative market value. Gold had been produced in un-

usual quantities since 1848, but the effect until 1859 had been merely to

produce a gradual and not very great fall in the value of the two metals

combined as compared with other things, but not in their relative value.

The demand for gold was as strong and steady as it had previously

been. The commerce of gold-using countries was as active as ever, and

the gold prices of commodities underwent no marked change during

that year. But, on the other hand, there was an uqprecedented demand

for silver in England for export to Asia. In that single year the silver

export from Great Britain to the East was £14,828,521, or over $70,000,000,

which was double the amount of the then annual silver product of the

entire world. The unprecedented price of silver in London in 1859 was

therefore manifestly due to the extraordinary demand for it in that

market, and not to a fall in the value of gold as compared with the value

of all other things which it is the function of money to measure.

In respect to the disturbance in the relative market value of the metals

which followed the German demonetization of silver, it could be shown

from a comparison of j^rices in silver in 1873 and 1877 that that metal

has more than maintained its purchasing power over everything except

gold. In 1873, GO d. in gold would purchase an ounce of standard silver

in Loudon. In 1877 it only requires 54 d. to buy the same amount. It is

within the knowledge of all that 54 d. will now buy, in England, or in

any other country, more real estate, more labor, and more of the general

commodities which the world deals in, except silver, than 60 d. would

in 1873. The exchangeable value of an ounce of standard silver is there-

fore greater than it was four years ago. While the general purchasing

power of silver has thus been maintained, it would be an inexcusable

blunder to deprive it of its debt-paying jiower, and of its power, as

money, to check the fall in prices which is now striking as with a palsy

the limbs of commerce and industry.

It is of the highest importance that the relations of value between

money and all other things should be preserved with as little disturb-

ance as possible. All experience shows that this important end can

be more nearly attained under a money system based on both metals,

and through the use of the cheaper metal whenever a change occurs in

their relative value. The industrial and economical world find their

l^rincipal occupation in the production and distribuiion of those things

which are necessary for huumn wants, and which minister to human

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comfort and hai)piiiess. They areuoteugaged in ju<ijiliu};- with diflerout

kinds of money or in exchanging coins for the small premium which it

may be possible to obtain occasionally for the one over the other. Un-

der normal conditions, these premiums are but insignificant, and if it

be true that the changes in the relative market value of the metals,

which make any premium possible, are local and temporary, and are

caused by a rise in the value of one of them, and not by a fiill in

the value of the other, then they are changes which do not affect inju-

riously double-standard countries. It is the single-standard countries

which suffer the evils of falling prices caused by an enhanced value of

their money, while it is the double-standard countries which enjoy the

benefits of the use of a money which is the better because the steadier

in value. It is the siugle-stai^dard countries whose money metal is tem-

porarily the dearer which pay these premiums, and it is the double-

standard countries which receive them. Thus, after 1821 this country

sold gold to England at a i)remium of from 5 to 8 per cent. In more

recent times France sold silver to India at a large profit, and at the pres-

ent time the Germans are paying a heavy premium on gold, which is

inaccurately described as the sale of silver at a discount. This premium

on gold is for them a loss without any compensation, and so far as they

have proceeded in the policy of establishing a gold stamiard, it has

l^roved an unmitigated injury to the commercial and industrial interests

of the world and especially of Germany.

The small aberrations which may occur in the relative value of the

two metals are of no importance in comi^arison with the overwhelming

ruin which would attend such a fall in prices as would be caused by

discarding one of the metals. The trifling disturbance in commercial

transactions which may result from an occasional petty brokerage in

the exchange of the metals justifies no such violent measure as the

demonetization of either of them. Such a remedy would be absurdly

disproportionate to the evil, and would be much worse than the dis-

ease. The great interest which the world has in the general steadiness

of the value of money, as compared with inoperty and services, shonld

not be sacrificed in order to escape a theoretical and fancyful incon-

venience.

But even if, through the monetary legislation of imi)ortant countries,

or from any other cause, the value of one of the metals should fall, not

only relatively to the other, but in its relation to other things, such fall

could only manifest itself in a rise of general prices. It will be reassur-

ing to remember that no fall in the viilue of metallic money nor a result-

ing rise in jmces have ever xnoved other than a blessing to the world.

The first instance of the establishment of a single gohl standard wjs

that in England, in 181G, under the administration of the second Lord

Liverpool. This i»olicy, as maybe assumed, .was adopted in further-

ance of the views ])ut forth in the celebrated letter on the coinage (18()r»)

of the first Lord Liverpool to the King. In that letter no better nor

more plausible argument was presented in favor of the adoption of an

exclusive gold standard than this one, that alternate changes from silver

to gold and from gold to silver, in tlic actual circulalion, n>snlting fioin

fluctuations in tLe relative value of those inehils, werci a '■'• (jrcat detri-

ment to the public.''^ Lord Liverpool did not point out the luiture of the

'■'■ detriment''^ caused l)y such changes, nor lias it ever been pointed out

by any of the advocates of a single standard. Ii)ven if it be admitted

that such fluctuations in the relative value of the metals may occasion-

ally occur in the future, as they have in the past, and that lirst one and

then the other will, at intervals, jucponderate in the channels of circu-

14 THE REASONS GIVEN FOR DEMONETIZING SILVER.

latiou, as it has not been shown that they have caused any substantial

injury or even inconvenience in the past, it is not probaljle that they

will cause any in the future. The general public would be subjected to

neither inconvenience nor loss in such changes. The smaller coins used

in retail transactions will always necessarily be silvercoins. In the larger

transactions representative paper, based on both of the metals, would,

on account of its greater convenience, be universally used in specie-

paying countries. The inconvenience arising from a gradual displace-

ment, in the reserves of banks and of public treasuries, of one metal by

the otherj would scarcely be noticed by the managers of those reposi-

tories, and would not be felt at all elsewhere.

IL .

THE E]VrPLOYMENT OF BOTH GOLD AND SILVER, AS MONEY HAVING

BEEN HERETOFORE REGARDED AS DESIRABLE, HAVE NEW CIR-

CUMSTANCES ARISEN TO MAKE IT OTHERWISE AT THE PRESENT

TIME ?

Under this head it will be sufficient to discuss the more limited ques-

tion, whether new circumstances have arisen to make it expedient to

discard silver, as the discarding of the other metal is not proposed.

Some reasons for and against discarding either apply equally to both.

But others apply only to silver j and still others apply to that particular

metal with peculiar force.

It might be expedient, or even necessary, to abandon ttie double

standard if, Jirst, the combined production of both' had increased and was

increasing to such a degree, in comparison with augmenting needs for

money, as to threaten their serious depreciation, and such an increase

of the prices of commodities as would derange commerce and subvert

the justice of contracts ; or if, second, it could be demonstrated that

liuctuations in the relative supply of gold and silver produced immedi-

ate efi'ects upon their relative value, and that silver was being produced

in such abnormal excess, and gold in such abnormal deficiency, consid-

ering the demands for both metals respectively, as to threaten such a

continuing and indefinite widening of the relation of value between them

as would render necessary frequent changes in their legal relation ; or

if, third, there were such changes in the habits of mankind, or in the

amounts of money used, as to render silver, by reason of its weight and

bulk, less fit to be employed as money than formerly.

INCREASED YIELD OF GOLD AND SILVER SINCE 1848.

The first supposed case, of a depreciation in the value of gold and

silver by reason of their excessive production, involves a wide range of

discussion. It is proposed specially to consider the increase of the pro-

duction and stock of the precious metals since the California discoveries,

the efl'ect of that increase on i)iices and productive industry, and the

necessity of a continuing increase to meet the demands of the increasing

population and commerce of the world.

The gold yield of Australia and California was at its maximum in the

five years ending with 1856. The aggregate production of both metals

was also at its maximum during the same period. Since then the com-

bined annual production of the two metals, instead of augmenting, has

diminished. The annual production of silver has increased, but that

increase has been more than counterbalanced by the annual decrease in

REAL OBJECT OF DEMONETIZATIONS. 15

the yield of gold. ISince 1848 the great bulk of new gold lias been yielded

by our Pacific States and by Australia, and nearly all of it from alluvial

wasliings, which are yielding- less year by year. It is not controverted

that all the probabilities are that the auriferous i)roductiou of both re-

gions will continue to fall ofl', although perhaps slowly. It is true that

new sources of supply may be discovered, but it is iuji)robable that new

sources equally prolific w.ill ever be discovered, and it is only barely pos-

sible that thev will be discovered and made available within any near

period. It has been said that, " unlike agriculture, there is but one crop

in a mine ;" and it may also be said that the greater the number of mines

and gold-fields worked out, the less chances there areof finding new ones.

Discoveries are hoped for in Africa, on the Amazon, and in the Guiauas;

but in all those regions the development of new mines, if, hapi)ily, they

should be discovered, would be retarded by tropical heats and diseases,

by the barbarous character of the populations, and by the lack of stable

governments and consequently of efficient protection of life and i)rop-

erty. In California and Australia there were discovered almost simul-

taneously the richest and most extensive gold-fields of which there is any

record. Their develoi)ment was directed by the genius and prosecuted

with the energy of the foremost races of the world, who were favored

by all the advantages of free and stable governments, well administered

laws, unlimited access to capital, healthy and invigorating climates,

together with facilities for attracting great sujiplies of labor. Such a

combination of circumstances, never before known, may never occur

again ; and, as it is now certain that the California and Australian pro-

duction of gold has distinctly passed the culminating point, all sound

reasoning admonishes mankind to prepare for a steadily-decreasing yield

of that metal. And it is never to be forgotten that in view of the rapid

increase of the population, commerce, and money-wants of the world, a

stationary supply of the money metals would have all the paralyzing

effects which a diminishing supply would have, if poiJulatiou, commerce,

and money- wants remained stationary. The steadiness of general prices

can only be maintained when money and population increase in equal

relative i)roportions. General prosperity and a general fall in prices

never did and never can co-exist.

ORIGIN OF THE SCHEME OF DEMONETIZATION.

The scheme of demonetizing one of the metals throughout the west-

ern world originated soon after the discovery of gold in California and

Australia, at a time when the yield was at what has since proved to

have been its maximum, but which was then expected by many to con-

tinue on an ascending scale for an indefinite period. An eminent Eng-

lish writer (De Quincey) published at that time an elaborate collation

of current accounts, from which he arrived at the conclusion that the

annual out-turn of gold would soon reach seventy millions sterling, or

.l!350,0(JO,000. On the basis of such expectations, the governments of

Europe were invoked by Chevalier and others to prevent t he aiit i(ii)ated

depreciation in the value of money, or, in other words, the anticipated

rise in general prices, by the demon(;tization, not of silver, but of gold.

Chevalier (Fall of Gold, I85G-';>7) said :

Tb<; quantity of ^folfl unrnially tlirowii on the g<MH'ral iiiarkot ;i|)i)roiicli(H, in round

nnniljor.s, a millianl of francs (^2()(.),()()(),()()0).

Those two conntiics (CaliCoinia and Anslralia) must, for yol a \<n\jx si rics of. years,

))rodiice gold in siieh qnantitii;s and on sinjii conditions ustorctKh'ra niarlii'd declino

in its value inevitable.

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It is absolutely certain tliat so vast a production should be aeoouipanied with a

great reduction iu value.

Ill no direction can a new outlet be seen sufiticiently large to absorb the extraordi-

nary production of gold which we are now witnessing, so as to prevent a fall in its

value.

Unless, then, we possess a very robust faith in the immobility of human affairs, we

must regard the fall in the value of gold as an event for which we should prepare

without loss of time.

Under tliese appeals of Chevalier and others, several nations in Europe,

notably Germany and Austria in 1857, demonetized g^old. It is prob-

able that the movement in that direction would have become universal

in Europe but for the resistance of France. .It was changed, at least

as early as 1865, into a movement for the demonetization of silver. In

the convention of 1865, in which the Latin Union was formed, Belgium,

Italy, and Switzerland insisted strenuously upon the adoption of the

gold standard, but were overruled by France. But this change, from

demonetizing gold to demonetizing silver, was more of form than of

substance. The object aimed at by both was, through a disuse of one of

the money metals, to protect the creditor classes and those having fixed

incomes against a fall in the value of money and a rise in general prices.

This is the pith and marrow of the monetary discussions of the last

twenty-five years.

In the official resumS of the doings of the French monetary commis-

sion of 1869, the arguments upon both sides were summed up.

In behalf of the gold standard it was said :

S)"^

The rise in price which has taken place within twenty years in a great number of

articles of mt-rchaudise is evidently due to many causes, such as war, bad harvests,

and increase iu consumption; but it is very probable that the depreciation of the

precious metals has contributed to' it, since there has been a striking coincidence

iietween the rise of prices and the production of the new mines of gold and silver.

The annual production of the two metals, which was only $80,000,000 in 1847, exceeds

now l|200,000,000. It has nearly tripled, and it is easy to see that the real value of the

metals has diminished. It isdiffi<jultto estimate exactly what the diminution is; but,

whatever it may be, it demands the attention of governments, because it affects

unfavorably all that portion of the i)opulation whose income, remaining nominally the

same, undergoes a yearly diminution of purchasing-power. As governments coutrol

the weight and standard of money, they ought, so far as possible, to assure its value.

And as it is admitted that the tendency of the metals is to depreciate, this tendency

should be arrested by demonetizing one of them.

In behalf of the double standard it was replied as follows :

Many economists argue that the precious metals, having become very abundant,

have lost 10 or 15 per cent, of their value, and that the situation must be redressed by

making money scarcer by demonetizing silver. To this it may be answered that the

great discoveries of gold of the last twenty years have injured nobody. The new mass

of gold, spreading over the whole world, has found employment iu stimulating all

forms of business, and, as a consequence, the A'alue of gold has fallen very little.

According to Mr. Newmarch, the mass of gold and silver has augmented 3 per cent, per

annum, while the mass of exchanges has augmented more than 3 per cent, per annum,

so that the equilibrium has been maintained. And the present is an especially inoppor-

tune time to demonetize silver, because the annual production of gold has been falling

off for several years. It was $200,000,000 in 1853, and it is now not more than

$140,000,000. What will hai)pen to the civilized world if silver is demonetized and if

gold shall then fail ?

The Dutch monetary commission of 1873, adopting the views of the

advocates of a gold standard, maintaiued that the value of money had

been depreciated by an excessive gold production since 1848, and that,

as a great gold production still continued, a rise iu the value of gold

would not occur, even if a greater share of the monetary function was

devolved ujion it, by demonetizing silver. Their language was :

In consequence of the very great production of gold, it is not probable, even if gold

is more employed as money than heretofore, that we shall see the fall in the value of

the precious metals, which we have witnessed for twenty-five ywars, followed as to

gold by any permanent rise.

REAL OBJECT OF DEMONETIZATIONS. 17

In all the European discussions, alter 1848 and prior to the Genua ii

demonetization of silver and its consequences, the point made was not

that either metal had depreciated relatively to the other, but that by

reason of extraordinary supplies of gold from California and Australia,

supplemented about 1865 by new sui)plies of silver from Nevada, both

metals had depreciated relatively to labor and commodities, and that

those having tixed incomes were being injured by a rise in prices. So

long as the double standard existed, a new supj)ly of either metal was

only an addition to and only aft'ected the value of the general mass of

money and not the relative value of the metals.

The "fall in gold," which Chevalier lamented in 1857, was its fall in

relation to property. He pointed out how the double standard had i)re

vented any change from occurring in its relation to silver, and how it

would continue to do so until the silver of double-standard countries was

exhausted. In order, therefore, to protect the interests of the income

classes, it was claimed to be necessary to demonetize one of the metals,

and gold being the metal which then promised the most abundant yield

■was selected for the purpose.

It was the depreciation in the value of the precious metals and of

money, supposed to have already resulted from thenewsu])plies of gold,

which made him the conspicuous advocate of the demand that one of

the metals should be demonetized in order to '■^redress the sitnation.^''

In the conference of 1865, which resulted in the formation of the

Latin Union, Belgium, Italy, and Switzerland, in insisting upon the

demonetization of silver, were not influenced by either its actual or an-

ticipated depreciation relatively to gold. The annual silver i)roduction

of the United States was then only eleven million dollars. In 1871, when

Germany decreed the demonetization of silver, the relative value of gold

and silver was steady and unchanged, and no change was apprehende(i.

As Germany then had the single standard of silver, changes in the rel-

ative value of gold and silver in the London market, unless very large,

could have been of but little importance to that empire. It was not a

fall in the value of gold relatively to silver which caused Germany to

demonetize gold in 1857, neither was it a fall in the value of silver

relatively to cold which induced that emjjire to demonetize silver in

1871. In both cases Germany was governed by one and the same ap-

prehension, that the mass of money, or of the precious metals couibined,

was undergoing a depreciation, and that the adoption of a single stand-

ard was needed to " redress the situation.''^ And it is ai)parent that it was

quite indifferent to Germany which metal was selected lor the standard.

The change of movement from demonetizing gold to demonetizing

silver resulted from two causes. The first and principal one was the

discovery that the immobility and tenacity of the English character

made a European union upon a single metal other than goM imi)ossible.

The second was the discovery of the Nevada silver mines.

In J8G1 the Washoe region, orComstock lode, began to attiact atten-

tion. In 3803 three thousand silvej-mining (!omi)anies had been organ-

ized in San Erancisco, with a nominal capital of $l,()(H),()00,()(l() and

with thirty thousand stockholders. European interest was so mueli

excited that the Erench Emperor sent a sjjccial commission (o «'.\ainine

these mines. The ideas largely prevalent in 18()8 may be found in a re-,

port of Iloss Browne, an ollicial agent of liiis Governmenl, wiiicli was

extensively circulated, under tlie title of " liesources of the Tacilic

Slope." Mr. Browne said in that rei)ort:

They [the precious mctalH] am now incrcasiiifj more rapidly tliaii is the (Ifniaiid for

them, and, ;it the? pTCHciit rale oC iiifreaKc, Wwy would hood Ii.nc (o I'l'll iiciccptihly j

b. Kep. 703 2

18 SILVER YIELD EXAGGERATED.

Ijut the production will l)ect>MiP luncli greater than it is. ' \* '" If all tbe argeutif-

erous lodes of Mexico, Peru, and Bolivia, known to be rich, were worked with the ma-

chinery used at Washoe, their yield would really Hood the world. \* \* ♦ New de-

posits of silver will be found, and iunuruerable rich lodes on the Pacific slope .of the

tlnited States, not yet opened, will be worked with protit.

Tliese sanguine expectations in respect to the yield of silver, like the

previous expectations in respect to the yield of gold, have been baffled

by the event; but they were sincerely entertained, and were largely in-

strumental in alarming the moneyed capitalists of the world and induc-

ing them to exert their power and influence with various governments

in the direction of demonetizing silver. Their fear now was, not that

the increased yield of silver would depreciate that metal relatively to

gold, but that it would produce a fall in the value of money, consisting

of both metals, as the yield of gold had previously done, and cause a

rise of general i^rices, to the prejudice of the income and creditor classes.

EXAGGERATIONS OF THE SILVER YIELD.

What we are now witnessing, and have witnessed since 1856, is a

decrease in the annual yield of gold, exceeding in amount the annual

increase in the yield of silver. All the probabilities point to a con-

tinuance of this reduction in the yield of gold in the future. If there

is danger of an undue increase of the production of the two metals

combined, or if there is any good foundation for the hope that the com-

bined production can be kept up to the point of correspondence with the

increasing net^d of money, it is to be found in a still further increase in

the yield of silver, and, for the present, in such increase in this country.

From the conditions surrounding its production, it is not reasonable

to sux)pose that the supply of silver from Mexico, Central America, or

South America will vary much in the future, certainly not in the im-

mediate future, from what it has long been in the past. Their produc-

tion of silver is now decreasing rather than increasing. The condition

of things in all those countries is too stationary in respect of popula-

tion, capital, skill, and ijolitical situation to justify the expectation

of any great increase in their silver product. The United States

is the only highly progressive nation which i)Ossesses silver mines ot

importance. There are none in Europe or in the British colonies

which are known and worked. It is the mines of the United States

which have furnished the entire increase of silver which has occurred

since 1860, and it is from these mines only, according to all appearances,

that this increase can be maintained or carried to still higher figures.

Tabulated statements of the production of silver were submitted to

the British parliamentary silver commission of 1876, by Sir Hector Hay,

a bullion broker of London, who was referred to by that commission as

a very high authority. These tables cover a period of twenty-four

years, from 1852 to 1875,both inclusive. They give the annual production

of silver outside of America, without any variation from year to year, at

£2,000,000, or $10,000,000. This estimate must include the silver ex-

tractecl from Spanish lead and other argentiferous imported ores in the

refineries of England. During the first two-thirds of these twenty-four

years the annual production of Mexico and the countries south of it is

put down, without yearly variation, at £6,000,000. But in the last third

of these twenty -four years there are some yearly variations, although

not great, and the average annual yield is estimated at £5,125,000. In

each of the two last reported years, 1874 and 1875, it was £5,000,000.

Upon the whole, the production of the world, outside of America, may

be taken as small, unimportant, and stationary. In Mexico and the

PRODUCTIOX OF SILVER. 19

countries south of thnt re])ublic it is large iind impoitaiil, hut in (lie

immediate present decreasing- rather than increasing. Undoubtedly

capacities for and possibilities of increasing the yield of silver exist

there, but where a business like that of silver-mining has been ])rosecuted

steadily and continuously for nearly four centuries, great and sudden

changes either in the methods or results of mining- may not be expected

except under some such remote contingency as the occupation of Mexico

by the people of the United States.

In 1800, according to Humboldt, the annual silver-production of Mex-

ico and the countries south of it was £7,071,831. During the ])eriod

from 1809 to 1829, in consequence of the revolutions against the Sj)an-

ish Government, it fell, according to Jacob, to an annual average of

£3,109,000. As has been seen, it subsequently advanced to an annual

average of £6,000,000, and stands now at about £5,000,0(K).

The average annual yield of silver in the United States during the five

years ending with 1875 was $23,800,000. As no silver was produced in

this country during the tive years ending with 1850, it results that the

world's average annual yield of silver in the live years ending with 1875,

as compared with the live years ending with 1850, increased $23,800,000

in the United States, diminished $4,353,130 in Mexico and the countries

south of it, and was stationary elsewhere. Comparing those two peri-

ods, the net increase of the world's annual silver- vield was therefore

$19,446,870.

More than one-half of the silver-product of the United States is from

the Comstock lode. A sudden cessation of the yield of that lode is not

to be expected. An average depth of 1,800 feet having been attained,

it may be safely presumed that the culminating point of its production

has been reached, and that a decrease is probable in the near future.

(See minutes on sdver-production.) That such is the judgment of the

community where these mining ])roperties are located, and where >!iey

are principally held and best known, is shown by the declining market-

price of the stocks representing them. The utmost that can be hoped for

IS that the total supply may be kept up by increased vigor in the work-

ing of the lower-grade argentiferous veins which are found so abun-

dantly in the Kocky Mountains and westward to the Sierra Nevada. lUit,

from the slowness which characterizes the development of ordinary

silver-mines, it is not probable that their yield will increase as rapidly

as tlie yield of the Comstock lode will diminish.

All that can be safely said on the possible discovery of new and great

bonanzas is that the chances are against such discoveries within any

near ])eriod. More than three centuries elapsed between Potosi and the

('omstock lode, and it is a fact of observation, both in respect to silver

bonanzas and great goldlields, tiiat they are separated I)y great si)aces

of g('ograi)hical distance. It certainly cannot be proposed to ])re(licato

legislation upon the jjossible discovery of new goldlields like those of

Cabfornia and Austzalia or of new silvei' lodes liUe those of Potosi an<l

the Comstock.

So far as the future of silver-mining in the United States de])ends

upon the inci-eas<\*d working of ordinary silver-mines, it is safe to assume

a steady ad\aiice. as (tapital and laI)or beconu; moi'e abundant and as

the means of access to the regions in which those mines aie found are

mnltipUed and impiftved. I>nt experien<!(^ has shown that rapidity in

such advance is not to be expected, it takes lime to inspire capital

with confidence in such iuvestnuMits, and the more so because the needed

»!a))ital must be drawn, to a large ext<Mit, from j)oiiits icniote tiom the

localities of the mines. No increase; in tlie yield of silver- in the im-

20 DECREASED AGGREGATE YIELD OF GOLD AND SILVER.

mediate future seems, upon the whole, to be probable, and it is still less

probable that there can be such an increase as will compensate for the

continuing decrease in the yield of gold. And even if this should be

the case, there would be no increase in the aggregate supply of the two

metals, which is now scarcely sufficient to meet the money needs of the

world's advancing population and to keep the existing stocks good

against loss by accident and abrasion and consumption in the arts.

According to the estimates of Tooke and Newmarch, the gold-yield of

the world during the first five years of the California and Anstralian

developments, ending with and including 1856, averaged annually

£29,176,000, and during the five years ending with and including 1875,

£20,308,200, showing an average annual reduction in the latter period

of £8,867,000.

According to the estimates of Sir Hector Hay, the gold -yield of the

world in the five years ending with 1856 averaged annually £29,935,000,

and in the five years ending 1875, £19,640,000, showing the larger re-

duction of £10,295,000.

The smaller of these two estimates of reduction in the yield of gold

is considerably larger than the increase in the yield of silver during

the five years ending with 1875, but the silver-yield of the United States

is now greater than $23,800,000, which was its annual average during

the five years ending with 1875. By so much as it is greater, so much

more nearly does the silver-increase offset the gold- decrease. But on no

estimate is the offset a complete one.

It thus appears that the aggregate production of the two metals has

declined since 1856, and that the probabilities are at least as stroug

of a future decline as of a future increase. But it has been urged that

the yield of the two metals in 1856 was much too great, and that the

yield for the last twenty years, on a scale somewhat but not much declin-

ing, has been in excess of the legitimate wants of commerce and increas-

ing populations, and that the continuance of the production on an equal

scale would tend to depreciate the value of money and to increase the

prices of commodities to an injurious and dangerous extent. If this is

true, it would tend to indicate and excuse the demonetization of one of

the metals as a measure necessary to protect the interests of creditors.

Undoubtedly the largely -increased out-turn of the two metals for the

five years ending with 1856 produced a general increase of prices

throughout the commercial world. But no evils resulted from this in-

crease, which, on the contrary, so stimulated productive industry as to

be of immense benefit to all classes, including creditors. But whatever

resulted, the fact is an accomplished one. The world has accommodated

itself to the new range of prices, and to demonetize either metal in order

to restore the old range would bring on evils vastly greater than those

sought to be remedied. There is no rule of equity or expediency which

requires the world to go back to the prices of 1848, which would not re-

quire it to go back to the prices before the discovery of America. The

vital questions to be decided are, whether the yield of the precious metals

has been more than sufficient to maintain the range of prices attained

from 1856 to 1865, and whether the present and prospective yield promises

to do more than this for the future, and whether it is not more probable

that the utmost yield of the two metals combined, which can reasona-

bly be expected, may prove too small for the world's ra))idly-growing

wants, and cause a fall rather than a rise in general prices.

It is not proposed to enter upon the question still in dispute as to the

most accurate mode of calculating an average of prices, but to state the

conclusions upon which there is a substantial agreement. These con-

clusions are —

SUSPENSIONS OF SPECIE-PAYMENTS. 21

1. That from the beginniug of the revolutionary troubles iu South

America in 1809 to the opening of the California mines in 1849 there

was a continuous rise in the value of money and a corresponding fall in

the price of commodities. According to Jevons, money increased in

purchasing-power during this period 145 per cent.

2. That after 1849 there, occurred a fall in the value of money and a

rise in the price of commodities, which reached their maximum about

18G5. During this period, according to the same authority, the purchas-

ing-power of money decreased 15 per cent.

3. That this decrease in the purchasing-power of money has since then

been quite overcome, and that its command over property is at least as

great as it was in 1849, and very much greater than it was iu 1809.

These conclusions relative to values and prices refer solely to the re-

lation between money and property, and not to the relation between

money and labor.

It is i^lausibly maintained by many economists that an increasing

volume of monej'has a greater and more immediate ellect in increasing

the wages of labor than it has in increasing the i)rices of commodities.

One reason given for this is that an increasing volume of money, while

it stimulates industrial enterprises, at the same time furnishes the

means to so organize and classify labor as to make it more efiective,

so that, although there may be a nominal and, so far as the workman

is concerned, an actual advance in wages, the real cost of labor to

the employer is not increased. It is probable that the main and gov-

erning cause for the increased efficiency of labor is to be found in the

moral eftect which increased wages and steady employment have on the

workman. They inspire him with a confident hope of bettering his con-

dition. This hope imparts vigor to his arm and willingness to his mind.

It stimulates his mental and especially his inventive faculties. Every

period of increasing money has been marked as the most fruitful in the

inventions of labor-saving machinery. These inventions, while they

cheapen the cost of commodities, increase the demand for them to an

extent fully as great, and do not diminish either wages or the demand

for labor.

There is a diversity of opinion as to the exact dates at which prices

may liave risen or fallen and as to the exact extent of such rise or fall ;

but it is universally conceded that the great increase of the world in

commerce, in wealth, and in the poi)ulatiou of its civilized portions, fol-

lowing and caused by the California and Australian discov'eries, has

more than kept pace with the yield of the precious metals since 1805,

and that iu or about that year the rise in general piices caused by tliese

discoveries was distinctly checked and that they have since shown a

large decline. This decline has been undoubtedly aggravated by the

demonetization of silver in several commercial countries.

The suspensionsof specie payments in Itussia (in 1857), iu the United

States (in 1802), and in Italy (in 1800), all witliin twenty years, not only

liberated a very large amount of si)ecie, which was exported to specie-

|)aying countries, but cut off the demand of the susi)cnding countries

for the supplies of gold and silver which would have been recpiired to

keep uj) their stock of irioney if it had remained melallic. Were it not

for this extraordinary supply and decreased demand, it is more than

probable that the si)ecie pri(;es of commodities would now range lower

than they did in 1819. Jt is certain that a resumption of sitccici pay-

ments in all or either of the f ln<\*e countries named would mak(i such a

demand for 8i)ecie as would gnMtly appreciate its value, and forco

prices to a mwAi lower level.

22

INCREASING COMMERCE OF THE WORLD.

The stillcontinuiri^ suspensious which occurretl in the Argentine Con-

federation (ill 1857), in Peru and Anstria (in 1868), and in France (in

1870) also diminished the demand for specie and increased its supply to

the specie-paying' countries, but in much less measure than the susi)en-

sions in Eussia, Italy, and the United States.

The increase of the world in population, wealth, and commerce is still

continuing. The stock of metallic money will consequently become in-

adequate if it remains stationary, and still more suddenly and greatly

inadequate if it should b.e reduced by the demonetization of either of

the precious metals. The progress of mankind in the i)articulars men-

tioned has a most important bearing- on the question of demonetizing-

silver. It will require the highest possible production of both metals

if that progress is to continue in the future as great and rapid as it has

been in the past. In general, we know that this progress has been very

great during recent years, but the statement of certain particulars may

give a more exact and just idea of it.

The following is a statement of the aggregate exports and imports of

the three leading commercial nations, Great Biitain, France, and the

United States, during five successive decades, the whole covering the

half century ending with and including 1874 :

Periods of tea years ending with and including —

Aggregate of im-

ports and exports.

1834 .-..

$9, 333, 656, 168

11,501,879,982

17,495,140,919

32,751,773,510

1844

1854

1864

1874

51,915,727,730

In the ten years ending with 1854, although the new supplies of gold

affected onlj- the latter part of that period, the increase was more than

50 per cent.

A comparison of the ten years ending with 1874 with the ten years

ending with 1854 shows that commerce nearly trebled in those twenty

years.

These comparisons show how new uses absorbed the new supplies of

gold, so as to i^revent an increase of prices. Another mode of stating

it may be that the new supplies of gold rendered possible the enlarged

operations of commerce. And, doubtless, both modes of statement are

necessary to cover all the aspects of the fact.

In the following tables the advance of each of the three leading

commercial nations is separately stated :

GREAT BRITAIN.

Decade ending —

Aggregate of im-

ports and exports.

1834

$4, 646, 225, 000

1844

6, 343, 900, 000

1854 -

9, 893, 215, 000

1864

18, 019, 165, 000

1874

28, 500, 555, 000

INCREASING COMMEECE OF THE WORLD.

23

FRANCE.

Decade endinj'-

18:m

1844

1854

1864

1874

Aggregate of imports

aud exports.

$1,91:^,000,000

2,741,400,000

4, 08«, 000, 000

H, 3'J7, 200, 000

12, 728, 400, 000

UNITED STATES.

Decade ending —

1834

1844

1854

1864

1874

Aggregate of i m porta

aud exports.

$1,774,431,168

2, 416, 579, 98-i

3,543,925,919

6, 405, 408, 519

10, 686, 772, 639

In Italy the public revenue increased from $250,000,000, in 1861, to

$550,000,000, in 1873; aud the agg^regate of imports aud exports from

$330,000,000, in 1869, to $454,000,000, iu 1872.

Without niultii)]^ ing illustrations, it may be said that con)merce has

everywhere wouderfully increased under the stimulus of the great sup-

plies of gold from California and Australia. The London Economist of

May 11, 1865, said:

"We find here [in Great Britain] our external trade doubled in the last twelve years,

and this external trade is, we believe, but a faint representation of the lucre asi^ of

transactions throughout the whole of our domestic industry, liut not only lias this

multiplying process been carried on in those islands ; it has prevailed almost as largely

in France, aud has spread all over Germany. It has filled Italy, aroused .Spain from

its long lethargy, and penetrated even to the remote itrovinees of Russia. No corner

of Europe has remained insensible to the new stir of industry and cntorpiise. All

these facts are indications of the ♦Mionnous addition vvliich has been made during I he

last fifteen years to the extent and <lej)th of the chauneis of circulatiou re<[uired to be

tilled with metallic money in some form or otber. Thetriitli is tli:it with the present

and extended connuerce of the world la r more mischief aud iueoiixcnieuee will aiise

from the efiect of what seems to be a continuous gradual decline in the new supplies

of gold than from any ellects which have fiowed or nuiy fiow from the (".iliforuia aud

Australian discoveries.

Of railroads, which are at once a proof and an instrumentality of

commerce, about seven-eighths of all existiug- liueshave been coustructed

since the discovery of gohl iu (.'aliforuia.

According to Poor's li ad road ]\Ianua] for 1876-'77, there have bei'U

completed in the world to the i)r('sent time 182,600 miles of railroad.

Of this vast mileage only 24,102 miles were completed in isr»i>.

The increase of the world's wealth since l.Sl<.> ;i<lniits of no accurate

computation. In this country, according- to the following estimates

from the census-rejjorts, it more than (|ua(lniple<l in twenty years,

Ti no vnhin <>r |iiii|i«'rly

ill Illlllrit SlIltt'H,

1850 i5i7, 1:15.(100.(100

1860 l(i, l.7.»,(l()(t,()(lU

1870 :t(», ()(W, 000, 000

24 INCREASING COMMERCE OF THE WORLD.

In the British Australian colonies the rate of increase Avas greater.

In Europe it was less, although still great. In the workl as a whole it

must certainly have kept pace with the increase of the stocks of the

precious metals.

In Great Britain and Ireland the value of property assessed to iu-

come-tax was :

1872 £435,000,000

1848 256,000,000

Increase 179,000,000

It is a striking feature of modern and especially of recent times that

the area of civilization, with all its attendant conditions, has been im-

mensely extended over substantially unoccupied portions of the earth.

The foremost European races have spread rapidly and resistlessly in

every direction. Wherever they have planted their feet they have estab-

lished order, encouraged industry, built up commerce, created wealth,

and infused with the commercial idea the sluggish populations by which

they were surrounded. It is thus that Europe gw.ws quite as much

abroad as at home, and it will be its glory in coming times to be over-

shadowed by its colonies, which are diffusing its blood, genius, arts, and

languages over every continent and over the isles of all the seas. While

the former seats of civilization exi)and in population and power, new

and great civilized nations appear upon the scene. The figures which

mark the extent of these new creations enlarge so rapidly and so soon

become obsolete and useless that it seems a waste of time to charge the

memory with Ihem. The annual imports of Australia are now stat(;d

at $250,000,000, implying an aggregate foreign commerce of twice that

amount, which surpasses that of Gieat Britain forty years ago, that of

France twenty- five years ago, and that of the United States twenty years

ago. Canada, the Cape of Good Hope, and other British dependencies

attest also the colonizing energy of Great Biitain, and, if less strikingly,

it is only because of the contrast with the prodigious advancement of

Australia. In South America the colonization of other European races,

not accompanied as in the British case by extensions of European sov-

ereignty, but equally involving the extension of European civilization,

is proceeding upon a great scale. During the year 1875 the European

emigration to Buenos Ayres actually exceeded that to New York.

If the business of the world is to be based on metallic money the pro-

duction of either of the metals would be entirely insufficient. Both

gold and silver must still be used as money, and the production of both

must continually increase if the advance of the world iu wealth, com-

merce, and population is to continue in an equal ratio as in the recent

past. If metallic money becomes insufficient, by reason of the demone-

tization of either of the precious metals, or from any cause, one of two

things must happen —

The commercial, industrial, and numerical progress of mankind

must be arrested, and if the decrease of money shall be a continuing

one and cover a long period of time it must end in an absolute check to

progress and possibly in the destruction of existing social and political

institutions.

Or, what is most probable, relief would be sought in an extension

and perpetuation of existing systems of inconvertible money, which

owe their origin to the pressure of expanding population and com-

merce against the restrictive bounds of a stationary and perhaps declin-

ing aggregate supply of the two metals.

RELATIVE VALUE OF GOLD AND SILVER. 25

Daring certain periods in tlie past, when prices have been fallin.ij by

reason of a shrinkage in the volanie of money, a slow and toilsome

advance has been made in the accumulation of wealth. Under such

conditions its just distribution is imi)ossible. A shrinking volume of

money and falling prices always have had and always must have a tend-

ency to concentrate wealth, to enrich the few, and to imjioverish and

degrade the many. This tendency is subtde, active, and portentous

throughout the world to-day.

Fluctuations in the relative production of the metals do

NOT affect their RELATIVE VALUE UNDER THE PRESENT CON-

DITIONS OF THE world's BUSINESS, SO LONG AS THE LAW OF ONE OR

MORE IMPORTANT COUNTRIES PERMITS THE UNRESTRICTED COINAGE

OF BOTH METALS. AND INVESTS BOTH EQUALLY WITH THE MONET

FUNCTION.

It is said that changes in the relative value of the two metals are

caused by changes in the cost and amount of their relative current pro-

duction, and that from the very chance nature of mining changes in the

cost and amount of production must constantly occur, and that, conse-

quently, such frequent changes must be made in the legal relation of

gold and silver as to render the maintenance of the double standard ex-

tremely inconvenient.

It has always been a theoretical objection to the double or optional

standard that the market relation of value of gold and silver might so

diverge from the legal relation as to render a readjustment of the latter

occasionally necessary. We have had but one readjustment since 1791i

in our own coinage, namely, in 1834. The change of 1837 in the legal

relation was too minute and trifling to be called a re adjustment. The

re-adjustment of 183-4 was not made necessary by any change which had

taken place in the market-relation of gold and silver, but because the

legal relation originally established in 170U did not accord with the

market-relation at that time. If the projier relation had been estab-

lished in 1792, it is doubtful if a re-adjustment would have been required

down to the present time. In the debates in the French Chambers upon

the law ot 1803, fixing io^ to I as the legal relation between gold and

silver, it was conceded that changes in that relation might be required

at probable intervals of half a century; but none has, in fact, been

made in France since then, nor until recently have any even seemed to

be necessary.

The relative value of the two metals, which had fluctuated consider-

ably during the Middle Ages, settled and became steady about the mid-

dle of the seventeenth century. Whether because the great oi)p()siiig

forces of the American supi)ly of, and the Asiatic ilemaud for, silver

had then reached the flnal atijustment of their etiects, or whatever may

have been the cause, the fact is (M-rtarn tlmt from that time on, and for

more than two centuries, and down to li^71-'75, when tiic Geiinan de-

monetization of silver began to <!onie in\*o practical operation, the fluc-

tuations wer(5 slight and uninqtorlant, exctept (luring a siioit pcricxl,

when England disturbed the markets by ndopting a gohl slauihird.

In the appendix to this report will l)e found M'nmlcon the Market h'dlio

Between Gold and /Silver in London, J'Jn<il<t)id, /torn lUii) to t/ir Present

Time. The ratios between gold ;ind silver Ix'twi-cn is;;;; iind 1S7."» are

taken from the tables furnished by I'ixley «S:. Abcll, bullion InoUers, of

26 RELATIVE PRODUCTION OF GOLD AND SILVER.

London, to tbe British Silver Commission of 1876. The ratio each year

from 1833 to 1875 is based .on the average price in gohl in each mouth

of the year of one ounce of standard silver. When the Loudon quota-

tion is fifty-nine pence per standard ounce, the relative value of silver

and gold in that market is 15.98 to 1. This is the legal relation that

was established in this country in 183J-'37, and which remained un-

changed until it was abrogated by the demonetization of silver in 1874.

When the London quotation is G0.87 pence per ounce, the relative value

of silver and gold in that market is 15i to 1, which exactly corresponds

with the legal relation between the metals in the Latin Union,

A comparison of the fluctuations in the relative value of the two

metals with the fluctuations during the same periods in their relative

production, will show how small an influence the latter have had upon

the former.

The period from 1833 to 1875 covers twenty-seven years after the Cal-

ifornia discoveries and twenty- four years after the Australian discov-

eries. There was an enormous increase after 1848 in the relative annual

production of gold, and this increase had in 1873 continued loug enough

to atiect very greatly the relative magnitude of the stocks of the two

metals.

From the date of the discovery of America until 1848, Chevalier esti-

mates the production of gold and silver respectively as follows :

Silver. Gold.

FromAmerica $5,261,000,000 .$1,998,000,000

From elsewhere 444,000,000 628,000,000

Total 5,705,000,000 2,626,000,000

The gold supply was 31 per cent, of the whole.

Also see appendix, Minute on the Production of Gold and Stiver in the

Western World from the Discovery of America to the Present Time.

The annual production at the beginning of this century was, accord-

ing to Humboldt —

Silver. Gold.

From America £7,071,831 £2,382,315

From elsewhere 661,145 • 251,822

Total 7,732,976 2,634,137

The gold supply was then 25 x^er cent, of the whole.

During the twenty years from 1809 to 1839, when the American sup-

ply was seriously reduced by revolutionary troubles in the Spanish colo-

nies, the annual average production of the world was, according to

Jacob, in gold, £1,598,000, and in silver, £3,039,000. This made the

annual gold supply during that period 30 per cent, of the whole.

In 1846, in consequence of a heavy yield from the Eussian gold-flelds,

the supidy of gold was from 50 to 52 per cent, of the whole, but so large

a proportion of gold had been produced only for a short period prior to

1848. According to all estimates the supj^ly of gold for three centuries

and a half prior to 1848 was only some proportion between 25 and 31

per cent, of the total supply of the two metals.

According to the figures of Sir Hector Hay, heretofore given, and

which do not materially differ from those of Tooke and Newmarch, and

other accepted authorities, the proportion of gold production to the

combined i)roduction of gold and silver was —

LONDON PRICE OF SILVER. 27

lu five years ending with and including —

1856.

1K61 .

lb'60 .

1871.

Proflortion

of gold to

supply of

both met-

als.

79 per cent.

7;") per cent.

71 per cent.

71 per cent.

And even duiiufi: the four years ending witli and iucludin<j 1875, the

Comstock lode bad only carried up the relative production of silver to a

proportion of about 40 per cent, of the supply of both metals.

During the entire twenty years ending with and including 1871, the

proportion of silver was only about 27 per cent, of the whole production,

whereas for three and a half centuries prior to 1848 it was from 09 to 75

])er cent, of the whole production. Even in 1876 the yield of silver was

only 43 i)er cent, of the whole production.

These facts show how great a change the gold discoveries of the mid-

dle of this century made in the relative out-turn of the two metals.

How trilling were the changes in the relative value of the two metals

during this enormous change in their relative production will appear

from the minute on the market ratio of gold and silver.

The London quotation of the price of silver in 1871 was OO^d. per

standard oz. During none of the five years ending with and includ-

ing 1871 did it exceed dO-^^d., and the average during the whole five

years was GO^d. During the five years preceding 1848 it averaged

59f^rf. The utmost that can be set down to the score of the Cnli-

fornia and Australian gold yield as a disturbing cause is this differ-

ence between C0|^f7. and 59|-if^. There were intermediate differences

somewhat larger, but the greatest, that of d^^d. for the year 1859,

was clearly due to the sudden and largely increased demand for, and

purchase of, silver in England to remit to India to construct railroads

and other i)ublic works, the necessity for which had been made appar-

ent in the grerit Sepoy rebellion. It is, at any rate, a pregnant coin-

cidence that the greatest aberration in the London market in the rela-

tion between gold and silver, prior to the German demonetization, was

contemporaneous with an extraordinary demand for silver for India,

for uses till then unknown in that country. It is doubtful whether any

of these (changes in the relative value of the metals should be ascribed

to clianges in their relative production. They were practically confined

to the London market and measured the varying i)remiunis which Eng-

land was ol)liged to pay for the luxury of a gold standanl. The silver

needed for its great dependency could have been obtained without i)re-

mium or inconvenience if the metals had been legally interchangeable,

as in France. It has never been shown that the maximum change in the

relation which occurred in 1859 was a source of loss, or even inconven-

ience, to (louble-standaid countries. On the contiary, the French Haron

Kothschild says that France has profited largely from the premiums which

England has been compelled to jiay for silver from time to time.

Ernest Seyd (liuliion, pageO.'Jl) ascribes the occasional higher prices of

silver in Lojidon to the demands for tlic eastiMii trade, and adds that "on

the contiiK'nt silver has varied but little in pi ice." Sir Isaac Newlon, in

1717, treated nuich larger fiuctuations in London, arising from the same

cause, as of no imi)ortan(;e. In his report, then made as master of the

mint, lie d(!termined tiie averagt^ ])rice ol' silver in London to be (»4A

pence, and adds:

28 STEADY RELATIVE VALUE OF GOLD AND SILVER.

When ships are lading for the East Indies, the demand of silver for exportatioH

raises\*the price to 66 or 68 pence, or above, but I consider not those extraordinary

cases.

The sudden increase of the demand for silver in England in 3859, is

shown by the fact that British silver exports to the East rose from

£4,753,933 in 1858 to more than three times that amount in 1859.

The steadiness in the relative market- value of the two metaJs uu<ler a

sudden and great increase of the supply and stock of gold having been

thus demonstrated by experience, it is incredible that it can have been at

all affected by the smaller and slower increase of the last few years in

the supply and stock of silver. For a long period of time prior to 1848,

silver had been produced greatly in excess of gold, and is not now pro-

duced equally with it, and is not likely to be so produced for many years.

The most that can be said is, that the yield of silver has recently recov-

ered from a temporary relative deiiciency. Its present increased yield,

as has been shown, is principally from the Comstock lode. Even if an

excessive relative production of either metal would tend to disturb the

relative value of the metals, the production of the Comstock lode, which

yields almost as much gold as silver, could not occasion such a disturbance.

The results following the extraordinary supply of gold from Cali-

fornia and Australia, as well as those which followed the extraor-

dinary supply of silver after the discovery of America, show that the

steadiness of the relative value of the metals, under great vicissitudes

of production, is sufficiently great to justify their concurrent use

as money, and is very much greater that the steadiness in the value of

either or both of them, as compared with all other things.

One cause for the steadiness in the relative value of gold and silver is

perhaps to be found in the hyi^othesis that during the past three centuries,

when the variations in their relative market value have oscillated between

14 and 16 of silver to 1 of gold, the variations in the relative cost of pro-

ducing them have also been between 14 and IG to 1, taking into account

all the varying conditions of production. But while there seems to be a

not very unsteady relation of value between the metals, independent of

legislation, whether based upon cost of production over long terms of

time, as assumed in the foregoing hypothesis, or ux)on the relative mag-

nitude of the accumulated stocks of gold and silver, or upon some other

foundation, it also api^ears to be established by experience that law can

make the relation exact and permanent, within the range of fluctuations

determined by other causes. A law undervaluing any particular com-

modity, whose current production rarely exceeds its current consump-

tion, would be speedily defeated by a stoppage of its production and

the disappearance of the article undervalued. The enormous stocks of

the iirecious metals, the accumulations of centuries, and imperishable,

so greatly exceed in amount either the production or consumption of

any one year, or of scores of years, that the law can control their rela-

tive value in the performance of the money function which it confers on

them. It is the enormous surplus of the precious metals over and above

the demand for them as commodities which places it within the power

of the la A' to control their relative values, and the larger this surplus

is the more exactly and permanently can the law control them. The

view seems extreme and untenable that this power of the law is with-

out limit, as, for instance, that it could permanently make silver and

gold equal in value pound for pound. At that rating, gold would be

produced only under exceptional circumstances, and the gold in exist-

ence would rapidly leave the coinages for the other uses, to which it is

essential, or preeminently adapted.

HOW LAW CONTROLS METALLIC VALUES. 29

Whenever tbe surplus stock of the under- valued metal should disap-

pear, the power of the law to control its value relative to the other metal

would cease. The demand for it in the arts would be superior to the

demand for it as money, and would absorb the current production at

hijiher than mint rates. But whatever doubt may exist as to the possi-

bility of establishing- an equivalency between the metals of one for one,

or any other extraordinary equivalency, there can be no tloubt that the

United States alone could by law establish exactly and permanently an

equivalency between them, which has practically withstood the muta-

tions and frictions of three centuries of time.

The use of the precious metals as monej^ is as old as tradition, aiul

there can be no doubt that this use originated in tlie universal estima-

tion in which these beautiful metals had always been held and in the

qualities of durability, divisibility, and portability whicli fit them for

the monetary function. Nor can there be any doubt that origiually the

value of gold and silver followed closely the cost of their production,

and that the demand for them as commodities was the controlling, bat

variable, force in regulating their values. But wheu iu the progress of

society large stocks of the metals had been accumulated and their use

as money.had become established, that use and the demand which re-

sulted from it became the controlling force in regulating their values.

Demand and supply are the sole factors out of which exchangeable

value arises. The demand for gold and silver as commodities is limited

and fluctuating, but when the law invests them with the higher function

of money and makes them the common denominator of all values, that

limited and fluctuating demand is changed to an unlimited and constant

one, which fixes their value for other and inferior purposes.

The demand for the precious metals as commodities is believed by

many to be still essential to their general and ready acceptance as

money. If this is true, it is a misfortune. The happiness ;ind prosper-

ity of the world, if not wholly dependent upon, are largely influenced

by, the steadiness of the value of money, which cannot exist without

steadiness in its volume. The demand for the precious metals as com-

modities is fitful and irregular, and always aftects the volume of money

in the most injurious direction,\* that of decreasing it. History shows^

that a deficiency of money is more probable and more to be feared than'

an excess, and this deficiency is caused in a great measure by the

insidious and constant encroachment upon the precious metals of other

demands for them than as money. When the magnitude of the world's

interests and equities, which rest on steadiness iu the value of money,

is contrasted with the comparative unimportance of the uses of the

metals as commodities, it becomes api)arent that the subjection of the

value of money to disturbance from the demands for gilded signs and

looking-glasses, for bangles and breastpins, is an evil which the benefits

derived from such uses but ])Oorly compensate.

The i)Ower of law in steadying the relative value of the metals

has been signally illustrated during the extraonlinary variations ol'

the last thirty years in their relative supply. To whatever extent

gold depreciated in relation to commodities from ISIS to lS()r), alter

the ('alifornia discoveries, silver dejui'ciated to the same extent, not-

withstanding the enormous decrease in its relative production during

that period. The two metals iVll togetliei- bccausi! the ligalnrc of law

was strong enough to hold them t(»g<'i her. The FrciKih law of ISO.'! Ii»l<l

their relations steady in Europe until it was practically abrogated by tjio

limitation of silver coinage iu J874, and its total suspension in 1S70.

Jevonslikensthestocksof till' two metals to twor«'servoiis,snpplied ln»m

30 HOW LAW CONTROLS METALLIC VALUES.

independent sources, and, therefore, tendinj? to differences of level, but

actually kept at the same level by a connecting-pipe. The connecting-

pipe between the metals is the law, which establishes a legal relation of

value between them, and which, by authorizing their interchangeable

use as money, niaintains their market and legal relation of value at the

same level.

It is not claimed that law can directly control the relative values of

the metals, or of anything else. But it is claimed that upon the sfigh-test

divergence between the two metals, the law of the double standard

creates a new and constant demand for the cheaper metal, wh'j3e at

the same time it suspends all demand for the dearer one, and, untH the

equivalency is restored, furnishes a supply of the dearer metal to the

markets of the world. It thus operates on demand and supply, which,

it is not denied, are the sole factors of value.

The power of a country whose laws establish the double standard t^

steady the relative value of the metals in the markets of the world de-

pends, first, upon the aggregate amount of its metallic circulation, and,

second, upon the proportions of each metal in that supply. A countrj'

with a metallic circulation of, say, $150,000,000 in gold and $250,000,000

in silv^er, has the p.ower to furnish to the world's markets those amounts

respectively of both gold and silver, and to take in corresponding

amounts of the other metals. Under these conditions it could to that

extent check fluctuations in either direction and from whatever cause

arising in the relative value of the metals. But if the metallic money

of a country were $400,000,000, wholly in silver or gold, it could only

prevent a rise in the relative value of the partijcular metal which it pos-

sessed, which it could do by yielding up to the markets the whole of

Uhsbt metal and absorbing in its place an equal amount of the other.

Thus France, during the period of the greatest gold yield, absorbed

under the free operation of the double standard not less than $500,000,000

and probably $700,000,000 in gold in eight years and yielded up a suffi-

cient amount of silver to maintain the equivalency between the metals.

The metallic circulation of Great Britain is generally estitnated at

$600,000,000, and of France at $1,000,000,000. On a comparison with

^ any other on a metallic basisij, 500,000,000 is the least amount of metallic

' money that can be assumed to be sufficient for this country in the

event of resumption. With that amount divided between gold and

silver in any proportion which can be conceived to be probable, the power

of the United States would be sufficient to maintain the equivalency of

the metals against greater fluctuations in the supply and demand than

have ever occurred in the direction of depreciating silver, or are ever

likely to occur in either direction.

It has not been deemed necessary, in view of the patent and accumu-

lated facts of experience, to present all the technical and theoretical

arguments and subtle considerations which sustain the theory that

supply and demand, as commonly understood, have only a minor

influence upon the value of a vast surplus of any commodity which the

law invests with the functions of money, and that law is the major and

paramount influence, not in controlling the value of money in relation

to other things, but in creating an automatically-shifMng demand and

regulating through it the relation of value between the surplus stocks

of two commodities invested with the functions of money.

The first treaty concerning a relation of value between the two

metals was made between France, Italy, Switzerland, and Belgium, in

1865, and known as the Latin Union. This treaty, made permanent in

those countries, until 1880, the relation which had previously existed

HOW LAW CONTROLS JMETALLIC VALUES 31

ill each of tliem of 15| of silver to 1 of j^old. The a(lv;mtu<:;es of an

agieemem between (louble-.staiidard countries, upon tlie relation of value

between gold and silver, seem obvious at the present day. lu all times

past, the relation has been established not by concerted action, but by

each nation acting for itself, with the apparent design of seeming

some supposed advantage in matters of commerce and money. It

was long supposed that there was something to be gained by retain-

ing the one metal rather than the other, and that the threatened expor-

tation of the favored metal ought to be prevented by its legal overval-

uation in relation to the other metal. Even the great mind of Sir

Isaac Newton did not wholly escape the influence of the prevailing-

delusions of his time, and liis rei»ort of 1717 upon the relation of

the metals is mainly directed to a demonstration of the relation most

likely to prevent the exportation of silver. Our own legislation on

this subject has not been faultless. The legal relation of gold to silver

of 1 to 15, originally established iu 1792, was an undervaluation of gold

and an overvaluation of silver. The change made iu 1834, establishing

a relation of 1 to IG, was as great an error in the opposite direction, but

was acceptable to Georgia and the Carolinas, then in the Hush of great

hopes from recently-discovered gold mines, and satisfactory to tbe whole

country on tbe theory that bank-notes could be expelled more certainly

and. readily Irom the smaller channels of circulation by gold than by

silver coin.

With the more enlarged ideas now prevailing in respect to interna-

tional interests and obligations, it may be reasonably hoped that the

nations which agree upon the wisdom and policy of a double standard

of money will guarantee to that poiicy its best development, by a uniform

relation of value between the metals.

The closure of the mints of Europe and the United States against the

unrestricted coinage of silver reduces the current supply and uncoined

stock of that metal to the level of a commodity' in those countries, de-

prives it of the steadying iniluence of a connection with the vast accu-

mulations of coined silver, and dams it from the channels of circulation,

to take its chances of finding purchasers in the markets. A suri)lus of

silver iu the London market of even so small an amount as $10,(K»(>,()00

might cause a serious depreciation in its value. The extent to which

any commodity not in present demand can be held s])eculatively in the

market, depends ui>on the number of persons who i)ossess the cai»ital to

hold it, and at the same time the confidence and temi)er to induce them

to do so. Ten million dollars in silver is a large and onerous amount

to be carried speculatively, with the loss of interest and other charges,

even in the London market, but it is a wholly insignilicant sum in the

circulation of even one considerable country. The much larger sum

placed on the markets by the German demonetization of silver, would

not have been felt if France ha<l not adopte<l the policy, wiilu)ut pre-

cedent in history, of closing its mints to a metal wliich it still letained

as moiicy in the coins already struck from it.

The present fluctuations in the relative value of the precious metal

could not have occurred with open mints for both metals, ami instead

of being arguments against the double standard, most stiikingly illus-

trate the folly of abandoning it and of closing mints against silver,

llow much suffering and lo+^s must yet be endured, before the com-

mercial world returns to the old and safe ways, remains to lie seen.

The policy of France in closing its mints to silver can hardly be ex-

plained as the result of panic. It was probably brought about by the

activity and iniluence of the partisans of a gold standard. A vastly

32 WEIGHT AND BllLKlNESS Oi^ SILVER.

j>reater excess of gold liiul been brought to the Freueh mint after the

California and Anstralian discoveries than could ha\"e been brought

to it in silver in consequence of the German movement. There is

not, and lias not been since 1873, any question of the power of Fran(;e

and its monetary allies in Europe, to sustain silver and the double

standard. England and Germany are important countries, but they are

uot important enough, with a current annual production of $101,000,000

in gold and only $74,000,000 in silver, to raise gold and depress sil-

ver, if France again resumes silver coinage. Either France or the United

States could resume the coinage of silver without suffering anything

more or worse than the exchange of their commodities or possibly some

small amount of gold for silver. If they or either of them refuse to do

so, it will not be from expediency or necessity, but becaus^e their ancient

opinions have been changed for the new dogmas which originated in the

increase of metallic supplies after 1848.

WEIGHT AND BULKINESS OF SILVER.

The inconvenience and expense of transporting and handling sums

in silver sufficiently large to meet the requirements of the increased

exchanges of modern commerce is sometimes urged as a reason for the

abandonment of the heavier and bulkier metal. To this it is a sulBcient

answer that the facilities for transportation have increased as rapidly

and as greatly as the volume of commercial exchanges, and even more.

In the transportation of the precious metals, the chief cost is the risk,

and is therefore j)roportioned to the value, and not to the bulk and

weight, which have become comparatively unimportant considerations.

If the weight of a given value in silver is greater than the same value

in gold, the risk in its carriage is less, because it is less liable to furtive

seizure and concealment. As a matter of fact, the charges for transpor-

tation are about as low for one metal as for the other. So far as conven-

ience of handling is concerned, it is enough to say that both gold and

silver are too bulky and heavy for the ordinary transactions of busi-

ness. Only a minute percentage of large payments is made in either

metal, nearly all of them being made with paper, or by transfers of

credits. What is called gold in the markets and in the bank reserves

in this country is to a considerable extent not really that metal, but

certificates of the deposits of it issued in money-note form by the Sec-

retary of the Treasury of the United States. Such certificates may

and ought to be issued upon the deposit of silver, which can be held at

less risk than gold. They should be issued for bars of both metals,

stamped at the Government assay-offices, as well as for coins. They

would be much more convenient for money use than coin of either

metal. The habits and prejudices of the people of the United States

are confirmed in favor of a safe paper money. If by safety is meant

constant convertibility at will into coin, no paper money could be safer

than that based dollar for dollar on coin or bullion in the Govern-

ment vaults. Such j)aper would be universally used in transacting

the business of the country. A certificate in money-note form issued

by the United States Treasury for a deposit of silver in its vaults would

be neither heavier, bulkier, nor less convenient than a like certificate

issued for a deposit of gold.

Jevons (Mechanism of Money, page 203) says :

The use of representative money is becoming so general in the most advanced com-

mercial countries, that the portability of metallic money is a question of very minor

importance.

UNJUST TO REDUCE MEASURE OF VALUES, 33

The Journal of the London Statistical Society (March, 1875) says:

Snch is the development of credit in this country, that it has been roughly calculated

that 97 per cent, of payments are ordinarily effected by checks, bills, and other expedi-

ents of credit ; about '2i per cent, by bank-notes ; and about i per cent, by coin.

In this country the proportion of money used in settlinfj balances,

reckoniuoj both bank-notes and coin as money, is somewhat larger than

in England, but is still small.

III.

THE CO:\IBINED MASS OF GOLD AND SILVER HAVING BEEN THE MONE-

TARY MEASURE OF VALUES, IS IT JUST TO REDUCE THE MEASURE

BY DISCARDING EITHER METAL?

The facts that both gold and silver have heretofore been used as

money, that prices have been controlled by their combined volume,

and that existing contracts on an enormous scale have been entered

into on that basis by States, municipalities, corporations, and individu-

als, are the most important of all the facts to be considered in respect of

propositions to demonetize either metal. If gold alone had always been

used as money, although less steady as a measure of value than gold

and silver together, and in other respects less desirable, the objection

would be well taken, that the addition of silver would double the

existing volume of money and thereby depreciate it, and thus injure the

creditor. The arguments of justice and expediency are more cogent

against diminishing the mass of money by discarding silver, when both

gold and silver have been always and almost universally used as money.

The great majority of creditors have other connections with the business

operations of the communities in which they live, and other forms of

investment than those which constitute them creditors. What they

would gain as creditors by a contraction in the volume of money,

would be partially, if not entirely, lost by their unavoidable partici-

pation in the general depression resulting from the fall in prices which

such contraction would occasion. Alison (England in 1815 and 1845)

says of the currency contraction brought on bv the British gold resump-

tion policy of 18 19-'21:

There can be no doubt that the reduction of interest has injured the holders of the

available capital of the country nearly as much, in many cases, as the producing

classes have been injured by the fall in the money-prices of their commodities. \* \* •

Probably it has reduced the incomes of creditors forty per cent.

And so, on the other hand, what thoy might lose as creditors tluough

an abundance of money and a general rise of prices would be more or

less comj)ensated by the buo^'aucy and activity of business, and by the

enlarged revenues from real estate and ti.xed capital, which follow an in-

crease in the volume of money. To the dclitor classes there is no compen-

sation fortheappreciationof money, and ^ hey are less able to bear losses.

This difference in the respective conditions of debtor and creditor was

well summed up in the following language in a report made to tiio

United States Senate, June 9, 1808, by Mr. Sherman, chairman of the

Committee on Finance:

The depreciation of the burden of debt is a loss to a cbi-ss generally benefited by the

increased values of fixed property, and better al)li) to bear the diminution of llieir

ca])ital; but an increase of the burden of the dchl to the debtor class often jiroducoa

absolute ruin.

Price, the expresnion of a relation between money and other things.

Price is the expression in money terms of the relation which the unit

of money bears to a specified quantity, or the unit of each and every

S. Rep. 703 3

34 VOLUME OF MONEY CONTROLS PRICE.

other thiag in exchange. It is also the exi)ression iu units of property

and services of the value of the unit of money, and without having any

influence on the relations is the sure indicator of the exchange relations

which the units of all other things bear to each other. Market price

is the expression in the units of money of an equilibrium between the

correlative demands of bnyer and seller. It is, in fact, generally estab-

lished through a competition between sellers rather than buyers, the

market iDrice of any article being the smallest quantity of money for

which the unit of such article is offered for sale in open market. By the

word unit,when applied to money, is intended that denomination in which

accounts are kept, and in which judgments are rendered for money, as the

dollar in this country and the pound sterling in England. By the same

word, as applied to commodities, is intended that specific portion or quan-

tity by multiples or fractions of which all quantities are accustomed to

be described, as a ton for coal or a yard for cloth. The relations in

exchange of all other things than money are not at all affected by

the volume of money or by its increase or decrease. Nov do changes

in the volume of money practically affect a transaction wherein a sel-

ler of property makes immediate purchase of other i^roperty with the

proceeds of such sale. Exchange by barter can be as equitably ef-

fected under one volume of money and under one range of prices as

another. But under a credit system, where contracts aggregating

a vast amount, to pay money at future periods, have been made, steadi-

ness in prices becomes the all-important consideration, and that steadi-

ness depends on the steadiness iu the quantitative relation between

money and all other things. The performance of contracts to deliver

commodities or render services is not made either less or more difficult

by an increase or decrease in the volume of money. But nearly all

contracts in the commercial world are for the future delivery of money,

and the consideration received and the promise made in such contracts

are based on existing prices. The command, therefore, which commodi-

ties and services may have over money in the future, and which will

find its expression iu price, becomes a matter of vital importance.

Whenever under any firmly-established Government a system of money

has been generally accepted, the value of each unit of such money be-

comes 9. general mental conception,which,if it be what is called a value,

or metallic money, is not based on the past or probable future cost

of producing the material of which it is composed, nor on the average

cost of its production, nor on the cost of its production iu either the most

or least prolific mine. Nor, if it be what is called credit-money, having

full legal-tender functions, is that portion of it which is uuhoarded and

in circulation and performing the functions of money, based upon the

present value of the promise of the issuer to redeem it, nor ui^on the

proximity or remoteness of such redemption.

Under firmly-established systems the value of each unit of either

metallic or fiat money depends absolutely upon the number of such

units and the relation they bear to the services they are required to

perform. The purchasing-power of the world's entire stock of metallic

money would neither be increased nor diminished by an increase or

diminution of its magnitude, if other things should at the same time

remain unchanged. The value of that stock can only be changed

by an increase or diminution of the things which it is the function

of money to measure. If the volume of either metallic money or

accepted fiat money should be doubled at however great or little cost,

other things remaining the same, the aggregate value of neither would

be changed, but the value of each unit would be diminished one-half.

METALLIC VALUES NOT DEPENDENT ON COST OF PRODUCTION. SS\*

The cost of producing the precious metals lias no direct influence upon

the value of metallic money, but might tend, although the history of

mining does not show this to be the case, to stimulate or discourage

production, and, consequently, in long periods of time, to affect the mag-

nitude of the metallic money stock, and it is the magnitude of that

stock relative to the amount of services it is required to perform that

controls the value of each unit of either metallic or fiat money.

But even if it were true that au increasing vakie of monej' stimulated

mining, the nature of the occupation is such that the increase of the

yield would be slow and doubtful, and unless there should occur such

improbable, if not imi)0ssible, discoveries as those of California and

Australia, whose recurrence has been marked by the lapse of centuries,

generations of falling prices and ruin might come and go before relief

could be had.

In a great majority of the instances, in which the current metallic sup-

ply has been largely increased, it has not been due to any stimulus given

to mining by the increased value of money, but to the purely chance

discoveries of new mining-fields. As often as otherwise, these discoveries

have been made accidentally by persons while engaged in otlier pursuits

than mining. And whenever they have been made by those engaged

in mining, the surrounding circumstances show that they were as likely

to have been made at one time as at another, and without reference, ex-

cept in a remote degree, to the increasing or decreasing value of money.

Indeed, it is to be doubted whether the cost to the miner of producing

the precious metals differs at different times, and whether the amount

produced does not depend entirely upon accidental discoveries. How-

ever this may be, nothing can be more certain than that the production

of the precious metals bears no scientific relation to the increase or de-

crease of population and commerce, which alone should govern the in-

crease or decrease of the stock of money.

In respect to almost all other commodities, an advancing ])rice causes

an immediate increase in production. In agricultural protlucts a single

year suffices, and in manufactured articles periods far short of a year,

and the increased production requires no movement of population, but

only a different direction of their industries. Gold and silver mines are

generally found in sterile regions, remote from populations, and destitute

of the supplies and materials needed in mining. It is only a small ]>or-

tion of the human race that are both able and willing to leave the coiu-

forts and conveniences of home to engage in such a ha/.ar<lous business

as mining even in fields already discovered, and the number is still less,

whatever might be the exchangeable value of money, that would be

ready to embark in a new Argo in a new search for the Golden Fleece.

If "^the present current outturn of the precious metals were in-oduced

without any cost whatever, and if atthe same time, the sourc<-s<»f produc-

tion were so controlled as to prevent any increase thereof, the value

of the product would I)e precisely the same as it is undi-r existing

circumstances. If, for the purpose of maintaining intact tiic world's me-

tallic money stock, and of furnishing the adilitional (juantity recpiired by

increasing population and commerce, the various governments should

raise a fund for the mining of the metals, and if each grain were pro-

duced at a cost equal to the value of three grains, the valueof tlie pn.d-

uct would not and could not be at all euhanced by that consideraiion-

This process might be continiuMl indefinitely and forever wilhoul in-

creasing the value of the metal so i)i<)(lu(;ed over its previously existing

value. If, through this governmental i)rodnction, the stoek were in-

creased beyond current requirements, the value of each grain produced,

36 PRICES NOT CONTROLLED BY CREDITS.

notwithstanding the high cost of its production, would be decreased in

inverse ratio. It is the limitation of the quantity of money, without

any reference to the cost of its production, that regulates the value of

each unit of money, whether fiat or metallic. In the case of flat money,

the limitation is imiiosed by law. In the case of metallic money, it is

imposed by nature. The effect of limitation upon the value of mimey is

precisely the same in both instances. In the one case the limitation is

regulated by the wisdom and justice of man ; in the other, it is regulated

by the variable and uueertaiu obstacles which nature opposes to the

production of the metals. The value of money, of whatever hind, is meas-

ured hy the cost of obtaining it after it has been produced, and not by the cost

of its production , and this value is indicated by the general range of prices.

The calculations of those who contract to pay money are always based

upon the general command which units of property and services have

over units of money, and their expectations of meeting their contracts

when they mature rest ui)on their confidence in a steady continuance of

that command and upon their knowledge that the services or property

which they control will, at that rating, be sufficient. But such con-

tracts can only be satisfied legally by the delivery of the specified num-

ber of the units of money.

If, in the mean time, population, commodities, and commerce should

increase, and the stock of money should not increase in corresponding

ratio, or if commerce and pojiulation should remain stationary, and a large

portion of the money in existence when the contract was made were

struck down by legislation, the equilibrium between money and other

things would be disturbed. The money unit would rise in value and i)rice8

would fall. The debtor would find that it required more labor and more

property to meet the terms than it would to meet the equity of his con-

tract. But the terms, not the equity, must be met, and the debtor must

submit to the partial or entire confiscation of his property.

Prices, notwithstanding the use of banhing expedients and credits, governed

by the volume of money.

It is sometimes maintained that a compensation can be made for a

shrinkage in the volume of money by an increase of such banking expe-

dients as checks, bills of exchange, and clearing-houses. These expedients

are now resorted to, and, because profit is found in their use, always will

be availed of to the utmost possible extent. It is manifest, therefore, that,

whatever the proportion or percentage they bear to the volume of money,

it cannot be increased except through an increase in that volume. And.

it is as manifest that, when the volume of money is diminished, these

expedients must diminish, and prices must fall in a corresponding ratio.

Money is the primary and governing force, whose functions cannot be

superseded by any device whatever, and whose volume or existence

does not depend on banking expedients, while these expedients grow

out of money and could not exist without it. The furthest extent to

which they can be used is already practically reached, and they can

only increase, and must decrease, as the volume of money increases or

diminishes.

This reasoning partially applies as to the effect of credit on prices.

It would seem to be reversing the natural order of things to maintain that

prices are controlled by the volume of credit instead of by the volume

of money. Without entering into an elaborate discussion of this intri-

cate question, it may be said that prices were affixed to property at the

time when the invention of money superseded barter. Credit, as it is

PRICES NOT COXTROLLED BY CREDITS. 37

now understood, was impossible under the barter system, and must have

come into existence at some period after values were measured through

the medium of price. Primarily, then, prices must have been entirely

controlled by the volume of money, u;. affected by credit.

Credit is the explosive element in the business of modern times. If

it were extended upon property at such a rating of prices as would be

established through money alone, and if the relation between the vol-

ume of money and population and commerce remained steady, prices

would remain steady, and the great mass of credits would rest upon a

sound basis. Even under such conditions there would be speculative

and unsound credits, but these would be exceptional, and the injury

caused by their collapse would be local, individual, and temporary.

There never can occur a universal fall of prices and a general with-

drawal of credits without a preceding decrease in the volume of money.

It is contended by many that credit is based on the combined volume

of property and money, and that a diminution of the volume of money

need not occasion any greater withdrawal of credit than such i)ropor-

tion as the diminution would beiw to the aggregate amount of prop-

erty and money. But the amount of credit which can, or will be, ex-

tended upon property depends upon its price, which is supposed to

represent the cash it can be sold for, and price depends upon the rela-

tion between the volume of money and other things. Property which

might be ample security for a given quantity of money at one range of

prices would be an inadequate security at a lower range. If all the

money of the world were diminished by one-half, the amount of credits

that could be safely extended upon property would be diminished la

at least as great a proportion. It is money, and not property, unless

the creditor shall choose to accept it, that is required for the payment of

debts, and the power of proi)erty over credit is limited to its command

in ox)en market over money, which command must be greater or less as

the volume of money is larger or smaller. If the amount of credit which

can be safely extended upon property be not governed by the price it can

be sold for, then credit must be an institution based upon the whims and

caprices of those who extend it. If credit is either increased or dimin-

ished upon property which has undergone no physical change and with-

out reference to its price, such increase or diminution must be ascribed

to the abnormal mental condition of the money-lender; this is a disease

which, as it is not caused by a change in material conditions, is beyond

the reach of the remedies of the political economist, and must be treated

psychologically.

The mistake is often made that prices are not controlled by the

volume of money, because they have neither risen nor fallen concur-

rently with, nor in exact porportion to, the increase or decrease of such

volume. The precious metals are diffused over so vast a surface and

their current production is so small in comi)arison with accumulated

stocks, that it takes considerable time for changes in their yield to so

affect their volume relatively to population and business as to produce

any sensible effect upon prices. Tlie entire property-interests of a

country are united in maintaining, and if possible in advancing, the

price of property, and in resisting to the uttermost any decline. A

temporary maintenance of noniinal prices, even in the i)resen('c of a

shrinking volume of money, is especially practicabh\*- with imperish;il)le

property, such as real estate. When money begins to become scarce

by reason of a shrinkage in its volume, the first ellect ii|>(tii re;ii estate

is found to be, not a decline of its nominal pric«', but a diiiiiMution in

the number of transactions. Market-reports quote real estate "dwiij

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few sales, hut prices firm.''^ This stagnation is ascribed to temporary

causes, aud a speedy recovery predicted. In order to maintain prices

the terms of purchase are made easier. The amount of cash payments

is reduced, and the deferred j^ayments, secured by mortgage on the

property, extended over longer periods. After a time this expedient

fails, and, even then, nominal prices are unnaturally held up for a short

period by the struggles of those who have purchased upon these ex-

tended credits, andby the tenacity of owners who refuse to sell at lower

figures, and mortgage their own property to protract their power to

hold. The stagnation of voluntary transactions is finally followed by

the activity of involuntary ones under the direction of sherifi's and by

the foreclosure of mortgages.

Upon any material decline in the price of real estate, a large class of

investors, believing that the bottom has been reached, and desiring to

l^rofit by the reaction which they think is sure to come speedily, enter

the market and temporarily check the decline. Another fall in prices

sweeps them and their margins away, and a third class of dealers, now

absolutely certain that bottom prices have been reached, and sure that

a further decline is impossible, come in as purchasers. Each succeeding

purchaser fortifies his conclusion that present prices are bottom prices,

by comparing them with and finding that they are no higher than the

l)rices of some period in the past which is arbitrarily assumed to be a

standard level, below which subsequent prices could never permanently

go. It is overlooked that price is only the expression of a relation, and

that no correct conclusions can be drawn from a comparison of the prices

of two periods unless comparisons be also made of the money stock,

population, and exchanges of both periods. Contrary to all calculations

as the volume of money shrinks prices continue to fall, aud these dealers

encounter the fate of their predecessors. These operations repeat them-

selves until universal distrust prevails, and until it is found that, when

money is decreasing in volume, prices have no bottom except a receding

one, and that they are inexorably ruled by the volume of money. The

effects of a decrease of the volume of money in a particular country

arising from its abnormal outflow or from its withdrawal from the chan-

nels of circulation through the distrust which i)re vails when unsound and

speculative undertakings are breaking down, or when the country is

convulsed by political disturbances, are the same as the effects of a gen-

eral decrease in the volume of money. The result in both cases is a fall

in prices. But in the first case the equilibrium is restored by a quickly-

returning wave of prosperity, and the evils resulting are confined to

individuals aud to special localities ; and those dealers are fortunate who

IJurchase in the first stages of the decline. But in the second case the

cause of the fall in prices is radical, and must continue until prices go

out of existence, unless the decrease in the volume of money is arrested.

In the whole history of the world every great and general fall of prices

has been preceded by a decrease in the volume of mone3^ There never has

been a decrease in the volume of money, nf»r has there ever been a

stationary volume of money, unless accompuined by a stationary pop-

ulation aud commerce, which has not sooner or later resulted in a gen-

eral fall of prices, and there has never been a recovery therefrom ex-

cept through a preceding increase in the volume of money. After the

volume of money has begun to decrease every dollar of credit extended

at the old range of prices aggravates the disaster which must come

sooner or later. Stagnation and panic are nothing more nor less than

the results of a struggle to make prices express truly the relation between

VIEWS OF THE METALLIC SCHOOL. 39

mouey and all other things. Fluctuations of prices frequently arise from

special causes, but they are local and temporary in their character.

Even were it possible to devise a money system so ixn-fect that steadi-

ness in the general level of juices would be absolutely assured, there

would still occur occasional fluctuations in the prices of i);uticular com-

modities, arisiug from a temporary glut or scarcity of such commodities

in the general markets, caused by exceptionally favorable or unfavorable

conditions, which might suddenly enlarge or diminish their production,

or vary the demaud for them. Such fluctuations cannot be avoided.

They mark the ebb and flow of business and no more attect the general

level of prices or i)rosperity than the ebb and flow ot the tides afl[ect

the general Rivel of the ocean. The i)roducers of and dealers in each

article should be better able than anybody else to foresee and guard

against them, aud have no reason to conii)lain of theai. But they may

well complain when the general level of prices is disturbed by monetary

legislation, which they could not foresee, are not responsible for, and

whose injnrious efl'ects they could not by any degree of prudence avoid.

There have long existed two opposing theories in respect to money.

Views of the metallic school.

One school advocates a continuance of the generally prevailing system

of money made of the two commodities, gold and silver. The especial

merits claimed for this system are, that its workings are entirely auto-

matic, that the money value of the commodities upon which it is

basid depends upon their useful intrinsic qualities and is measured by

the average cost of their production, and that their volume depends

upon the yield of the mines aud not uiH)n the caprice of legislation. They

claim that the province of the Government is not to create mouey, but to

coin it, and thereby give to it the best authentication of purity and

weight. Very many of this school claim that the investiture of such

money with the function of legal tender is merely a desiguatiou of a

coined commodity for which judgment shall be rendered in civil ac-

tions, and that the value of the commodity is not aflected by it, w^hile

othf^rs, who concede that the use of such commodities as money adds

something to their value, claim that the law, in conferring the legal-

tender function, only ratified what long usage had established. They

all maintain that there should be no restrictions on the coinage of any

or all of both metals which the mines yield, and that when coined their

legal-tender functions should be unlimited. They claim that every con-

ceivable system of money has been tested for scores of centuries in the

crucible of experience, and that the fittest, the metallic system, has

alone practically survived. They admit the unsteadiness in the value

and consequently the imperfection, of ntetallic money caused by varia-

tions in the consumption, yield, and cost of producing the metals, and

by many other unavoidable circumstances and conditions. They admit

that at certain periods these causes may increase the value of the money

unit to theadvantiigeof the creditor, but they claim that at otlier periods

opposite conditions would be sure to oj)erate in the interest of the

debtor, and that in the long run it would be "as fair for one as lor the

other," and that whatever might be tlu' injustice inllicled on individ-

uals, aud whatever the llucttiations in individual lortiine, the gen-

eral equitable balance between debtor and cr«'ditoi' would bo main-

tained. They claim that the use of metallic money is spiead over so

vast an area that changes in the current nu'lallie supply would bo

slow in making themselves felt, and that the elastic (puilities of credit

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expedients would prevent temporary changes from being felt at all.

They claim that any decided increase or decrease in the value of metallic

monej' would so stimulate or discourage mining as to restore the equi-

librium sooner or later.

They admit that there is no remedy for the perturbations in the value

of metallic money arising irom fluctuations in the supply of the metals.

But they claim that experience demonstrates that there is a limit to the

accidents and freaks of production, and none to the folly and designs

of legislation ; and, consequently, that the perturbations in the value of

paper money would be greater and equally without remedy. They urge

that the jDOwer to increase or decrease the volume and value of money

at will by legislation, and, consequently, to hold at will the fortunes of

individuals and the prosperity of nations, would be a most dangerous

one, and that the ever-present necessities of governments would be a

constant temptation to its abuse.

They claim, finally, that whatever may be the faults of metallic money,

those of paper money are worse; that nothing but intrinsic value can

measure value, and that paper money has no other than a representative

value, anil therefore cannot measure intrinsic value, butthatthe precious

metals possess intrinsic value, and for this reason are fitted to serve as

its measure ; that value inheres in the quality of a material thing, and

not in mental estimation, and hence that nothing but a material thing

possessing it intrinsically can serve as its true standard ; that the dan-

ger of paper money is illustrated by i)recept, philosophy, and example,

and that the financial, political, and social wrecks of states and people,

with which it has punctuated history, should serve as warnings against it.

Views of the inconvertible paper^ or fiat money school.

The other school advocates an exclusively flat paper money, to be is-

sued by the Government, which should possess no value on account of

the intrinsic qualities of the material of which it is composed, but whose

value should be extrinsic and derived from the useful functions with

which the Government invested it, and whose each unit should be kept

steady in value through legal limitations and regulations of the number

of such units issued.

The views of this school are that utility, accompanied by limitation

of quantity, is the basis of exchangeable value. That this utility may

either depend upon such intrinsic qualities as would render the thing

possessing them valuable to man in isolation as well as to man in so-

ciety, or upon extrinsic, artificial qualities which society may confer

upon any article, however intrinsically valueless, by endowing it with

the power of performing the money function. That the evident fact

that this function does not inhere in and cannot be conferred on any

article so as to make it either valuable or useful to man in isolation,

while it is essential to the very existence of society, demonstrates that

money value is not derived from the useful, intrinsic qualities of the

material upon which the money function may be conferred. They also

call attention to the facts that, the usefulness to the individual of any

article depends solely upon the intrinsic qualities which it may possess,

and is not at all diminished by its existence in unlimited quantity, but

that money, on the contrary, becomes entirely useless unless its quan-

tity be limited. They conclude from these facts that the money value

of the material of which money is composed rests solely upon the purely

artificial and extrinsic qualities conferred upon it ; that this value is

VIEWS OF THE PAPER, OR FIAT MONEY SCHOOL. 41

inseparable from society, and arrows out of its need of and demand for an

instrument of valuation and exchange.

They maintain that money is not in itself wealth, but a set of counters

for computing- and exchanging wealth, or, as was said by Bishop Berkeley,

"a ticket entitling to power and fitted to record and transfer this power ;^^

and that " it is of little consequence what materials the tickets arc made of;"

that there are certain qualities which are essential to a proper i)erform-

ance of the money function; that money should be steady in value,

portable, divisible, distinguishable, and dif&cult of imitation; that of

all these qualities steadiness in value is the one most essential and indis-

pensable ; that the highest office of money is that of measuring values,

present and future, and that to perform this office equitably its each

unit must possess through time a practically unfluctuating, unvarying

purchasing power; that as this steadiness can be secured only through

a limitation and regulation of its quantity, the power of limitation and

regulation should be always present, and that to this end the material of

money should be producible at all times without limit, and as near as

possible without cost, and destructible without loss. They maintain that

when the money function is conferred uiwn gold and silver, while the

requirements of portability, divisibility, distinguishability, and difficulty

of imitation are tolerably met, the requirements of constant attainability

and iuexpensiveuessareuotmet atall,aud that the superlatively essential

requirement of steadiness in value is so imijerfectly met as to render

them unfit for money. They claim that the money function is the

noblest of all functions and invests anything upon which it is conferred

with a utility far greater than is possessed by any other exchangeable

article known to man; that this utility is the true and only scientific

basis of money value; that the value begotten of this utility is all that

is needed for money and all that money can possibly possess, and is all

and the only kind of value ever estimated, when money, whether me-

tallic or fiat, is used. That whenever the material of money is in demand

as a commodity, such demand can neither increase the money-value

Dor disturb either the commodity or the money until it rises to the level

of the money demand, when it begins to destroy the money. That this

is illustrated in subsidiary coinages and in the full-tender silver coinage

of the Latin Union, the bullion-value of which, being below the money-

value, prevents the metal in the coin from being either exported or used

forother than money purposes. That in that coinage it is the legal-tender

function conferred by the sovereign authority and verified by its stamp,

and not the metal that receives the impression, which really constitutes

the monej, and that this stamp of authority would be as efficient and

valuable if impressed on paper, and that this had been shown in the

experience of our fractional paper currency. That while the bullion in

this coinage has added nothing to the value of the money, the Govern-

ment stamp has effectually deprived the world of the use of the bullion,

and that the cost of the bullion is a loss to the people for which there

is no compensation. That the aggregate of the money-value which can

exist in any country is limited, and fixed automatically by its environ-

ment. That it bears a sure relation, however indeterminate, to the

population, wealth, and exchanges of such country as modified by the

character and habits of the people, their modes of transacting business,

the rapidity with which their exchanges are effected, an<l many otiier

considerations. That this value exists jjotentially wlicrevcr there are

exchanges to be made. That in order to utilize this value it is only

necessary for the law to materialize it, whereupon it becomes money.

That it is independent of all other values, and cannot be mixed with

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them. That it cannot be in any degree increased by the commodity value

of the material selected for money. That the commodity value can only

make itself felt through a destruction of the money. That as long as the

commodity continues to perform the money function, the commodity

value, instead of adding anything to the conferred money- value, isentirely

susjiended and non-effective. That the only argument that can be ad-

vanced in favor of investing any material substance possessing intrinsic

value with the money function, is, that the holder would be secure to the

extent of the commodity value, even though society, laws, and systems

should break down. That there is no gain in this security, as it must have

been purchased at the outset by the community, including the holders

of money, at its full value, and that there would remain uncompensated

the great losses to the community, including such holders, which arise

from a vicious money. That when paper money depreciates, or even

breaks down entirely, the process is ordinarily so gradual that the losses

of individual holders are inappreciable. That the money of all countries,

whatever may be its material, is nothing but the sum of the integrant

parts into which the money-value is divided. That the value of each of

these integrant parts, or units, will depend upon the numberof parts into

which this value is subdivided. That in case this value is subdivided

through the use of the precious metals, these units, or integrant parts, are

subjected to variations in their value through an increase of their number

from unknown and accidental supplies from the mines, and through a

decrease by the unknown number of such units which may be consumed

in other uses. That while the cost of producing such units adds nothing

to their money-value, the uncertainty of producing them, and the uncer-

tain quantity destroyed after being produced, render it impossible to reg-

ulate the number, and consequently the value of, such units. They main-

tain that theaggregate of the money-value can only be increased ordimin-

ished by an increase or diminution of the productive forces and wealth

which it measures and which govern it. That the increase or decrease

of the number of the unit s of money can have no effect upon the aggregate

of the money- value, but that the number of such units simply determines

the fractional part of the whole value belonging to each unit; that the

money-value will inhere in any material substance whatever upon which

the sovereign authority may confer the money function. That whenever

the law declares that paper in a certain form, upon being stamped with

authoritative and distinguishing marks and devices, shall be invested

with the money function, each piece of such paper so stamped becomes

not a debt, nor a credit, nor a promise, dishonored or otherwise, nor a

representative of gold or silver, nor of any one thing, but of all things;

that it becomes the thing signified, not a sign, and to all intents and pur-

poses lacking no quality, but possessing all, becomes monej^, pure, simple,

and unadulterated, with a value not less real because not mixed with

an intrinsic value, than the money-value conferred in the same manner

and by the same authority on gold and silver, nor less real than the in-

trinsic value of those commodities. They claim that money can be main-

tained steadier and more uniform in purchasing power, and made to

perform its true functions with greater exactness, when composed of

some materia] substance always attainable and not possessing utility or

value for other purposes, than when composed of such substances as

gold and silver, possessing such values, and difficult and uncertain of

attainment, and subject to other than money demands. That the com-

mingling of money-value and commodity-value in one substance is an

intermingling of things whose uses are inconsistent with and whose ele-

ments have no affinity for each other ; that it is a confounding of barter

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with price, and of measure with the thiug to be measured; that the

uncertaiu, varying, and generally increasing demand for the commodity

subjects the money to vicious perturbations in value, while the superior

and constant demand for the money renders tlie commodity more steady

in value than it would otherwise he; that the greater steadiness thus

gained in the commodity value is of no importance or benefit whatever,

while the resulting unsteadiness in the value of money is a transcend-

ent injury to the world; that the commodity demand for gold and

silver not only exerts a disturbing influence on the value of metallic

money, but unfortunately always exerts it in the ruinous direction of

increasing that value by diminishing its vohime, and still more unfortu-

nately that, as wealth and population increase, old uses in(;rease and new

uses are discovered; that to unite commodity and money in ojie substance

is to plant in money the seeds of its own destruction; that the arts,

resisting the invasion of their legitimate domain, are constantly absorb-

ing the coin; that such mone^' is costly and unscientific, and only an

improvement on the barter system, and retains vicious ingredients of

that barbarous method of exchange; that it is as imperfect an instru-

ment for measuring values as would be a thermometer for measuring

heat if its fluid indicator were subject to constant disturbances to an

unknown extent from other influences than heat.

They maintain that the fluctuation in the value of metallic money

caused by the encroachments of the commodity demand is sufiicient of

itself to condemn the use of gold and silver as money, but that when to

this are added the enormous fluctuations in their supply the argument

against their use becomes conclusive.

They claim that adequate metallic supplies in the future will depend,

as in the past, upon the accidental discoveries of gold and silver mines,

and upon the policy and mining laws of the Governments controlling

the locality of the discoveries, if fortunately they should be made.

They maintain that the industry of gold and silver mining is more

subject to chance and less governed by the economic laws of production

than any other pursuit, and consequently bears only an accidental rela-

tion to human eflbrts in other fields, and that therefore the product of

such industry is uneven and ill-suited for a measure of all values.

They claim that the world's supply of metallic money, and consequently

its value, is not only subject to the vicissitudes inherent in the business

of mining, but is largely increased or diminished, as the case may be,

through political complications, and through other conditions which

have no necessary connection with mining. As a signal illustration of

this, they refer to the decrease of the supplies of gold and silver after

1809, caused by the revolutions in the Spanish-American colonies, and

to the enormous increase of the supplies at a later period, through the

acquisition and occupation of California, which resulted from the suc-

cess of the Democratic party in the close Presid<Mitial election of 1844,^

and which mij;ht otherwise have been postponed indefinitely. That of

these two noted changes in the metallic supply, resulting from facts

having no necessary connection with mining, tiie first nearly bank-

rupted the world, while the second stimulated industry ;ind commerce

to an extent never before known.

They say that in addition to the evils which result from fluctua-

tions in the supply of the precious metals is the fiital evil of inade-

quacy of supi)ly which is now pressing upon the industry iind commerce

of the world with crushing severity; that this ina(le(iuacy is con-

stantly becoming more marked an<l threatens to continue indelinitely.

iThey refer to the facts that the yiehl of the precious metals since

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1847 lias been unprecedented, aggregating the enormous sum of

$4,500,000,000; that this entire amount, swollen hy the sums liberated

by suspending countries, has been permitted to flow uninterruptedly

into the few countries maintaining the specie basis; that notwith-

standing all this prices in these latter countries have for a number of

years been falling, and still hav^e a downward tendency, and have

already nearly sunk to the level of the prices of 1847, wlien the great

mines of California were discovered ; that the most prolific sources of

metallic supply are showing unmistakable signs of exhaustion; that

the yield is now and has been for some years stationary or declining ;

that the hope is neither entertained by the most scientific explorer nor

the most visionary gold-seeker that mines equally jirolific with those of

Australia and California will ever be discovered; and that in the pres-

ence of this failing supply stands the constantly-increasing demand of

steadily-advancing populations. They insist that these facts show that,

even if the precious metals were otherwise fit for money, the utter

improbability of obtaining them in sufficient quantity, except on the

basis of ruinous prices, interposes an insuperable objection to a money

system founded upon them.

They maintain that by reason of the great variations in the supply of the

precious metals, and the purely accidental relation which that supply has

borne to the world's demand for money, the movement of the human race

in wealth and civilization has been fitful and spasmodic,and not always pro-

gressive; that the business of the world in all times past has been, through

fluctuations in thesupplyofmoney,now stimulated by fever and now pros-

trated by collapse; that indiistryand commerce have been alternatelyborne

high on the flood-tide of metallic production from newly-discovered min-

ing-fields and stranded on the shoals of bankruptcy by the refluent ebb ;

that, unfortunately, the ebbs and flows of these tides are of unequal dura-

tion; that thefluxof prosperity has usually lasted butabrief period, while

the reflux of adversity, with its attendant circumstances of falling prices,

industrial paralysis, and destitute populations, has been painfully pro-

longed ; that the tide of metallic production which commenced its floo^l in

1847 turned in 1865 to an ebb that still continues and threatens to pau-

perize populations and bankrupt nations; that through the discovery of

steam as a motive power the obstacles of time and distance have been

practically overcome, and that the world is no longer new ; that the

search for the precious metals has been pushed to every part of the

earth, with indiflerent success, by skillful explorers fresh from the fields

of California and Australia, and hence, that the chances of discovering

new and great mining-fields, and more especially gold fields, if not abso-

lutely at an end, are less hopeful than at any former period; that the

exploitation of known mining-fields has been prosecuted in recent years

with such energy, capital, skill, and appliances as to forbid the expec-

tation of an increase in their yield, and especially such an increase as

would supply the world's increasing demand for money; that however

well metallicmoney may have been adapted to the circumscribed business

and political and social conditions of the past, the growing industry and

commerce of the world cannot afford to have their lusty limbs shackled

by it in the future; that the extreme difficulty which attends the efforts

of the United States to secure metallic money enough for its wants,

although it is the only one of the large number of commercial countries

iu suspension that is attempting to reach a metallic basis, demon-

strates the utter insufficiency of the stock of gold and silver for the

general money uses of the commercial world ; that this insufficiency is

palpable, and generally admitted by the bullionists themselves, who,

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nevertheless, persist iu afBrmiug tbat not only is the highest development

of commerce and civilization, buteveu any tolerable degree of prosi)erity,

impossible, except with metallic money; they submit that thus to insist

that such money is essential to any advanced prosperity, and at the same

time to admit that it can be obtained by only a few nations, and to the

exchision of all the others, is to deny the eternal fitness of things, to

deny the adaptation of material conditions to human progress, to deny

the harmonies of nature, and to denj" that an intelligent and beneficent

design is manifested in creation.

They maintain that as the most important function of money is to

measure values and to preserve equities in time transactions, the great

bulk of which are internal and between citizens of the same country, and

all of which are expressed iu the money of some particular country, it

follows that any system of money that is common to several countries

is a vicious one, in that it subjects the entire internal business of each

of them to all the disasters originating in the political or financial mis-

management of the Government, or in the political disturbances, follies,

misfor^unes, or reckless speculations of the inhabitants, of any one or

all of the others ; that money is simply the instrument of commerce and

industry, and not their object ; that a sufficiency of it is better than more

and infinitely better than less ; that the outflow of money from one coun-

try to anotherhavingmoney systems in common, isa double injury. That

it is an injury to the country that receives it, and a greater injury to the

country that parts with it. That it tends in the one instance to produce

crises through inflation, and in the other panics through contraction. And

that in addition to this is an injury to each on accouut of the derangement

of the trade of the other ; that the invention of money is but half completed

when the necessary limitations and regulation of its quantity, and con-

sequently of its value, are remitted not only to tlie vicissitudes and

chances of mining, but to the vicissitudes in the business and legislation

of foreign countries; that these facts and considerations, and many

others which might be urged, show that metallic money is an inaccurate

money, that it fills only in a moderate degree any of the requirements

of a perfect system, while in essential particulars, it so far fails to fill

them as to render it unfit for an advanced civilization.

They claim, on the other hand, that every requirement of a perfect

system can be met more nearly and more certainly by paper money

than by any other ever devised. Not i)aper money based upon gold,

silver, or any other fluctuating commodity, whose measure it should

be; nor upon a promise of commodities, near or remote, definite or in-

definite, of Governments, or banks; nor like the French assignats, based

upon lands; nor fastened to gold or silver by a chain sure tosnaj) when

the metals are wanted; nor convertible into bonds and thereby ofiering

the bribe of interest for its withdrawal from circulation ; nor of any

use to its owner ex(!ept when ])arted with ; nor capable^ of yielding profit

except when employed in the production and distribution of wealth;

but an absolute money, whoso value, conferred by the sovereign au-

thority, and regulated by a pre-arranged and ixufoitted system, and not

by the passions and caprices of the hour, wouUl rest inii)ri'gnably on

functions essential to civilization and ])rogr('ss.

They claim that it would be more i)ortable, mon^ difficult oC imitation,

more easily verified, more readily divisible, and less expensive tlinn

metallic money; that as quantity controls the v.ilue of money, the all-

important quality of steadiness in value could be better assur<'d tiirough

asystem which subjects that (pianfily to absolute control than through

the metallic system, which remits the regulation of (juantity to accidents

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and vicissitudes, industrial and political, sometimes through the resump-

tion and suspension of the yield of the mines, and sometimes through

the resumption and suspension of specie payments in any and every

country; that as paper money is producible substantially without labor

and without expense, its exclusive use would be an addition to the pub-

lic wealth equal to the entire cost of supplying and keeping up the sup-

ply of the necessary quantity of metallic money. That in order to make

it secure and possess the highest degree of utility, paper money should

be issued exclusively by the Government, to the exclusion of all other

kinds of money; that it should be regulated in value through an equi-

table adjustment of quantity by virtue of laws which should take effect

only upon the occurrence of conditions precedent not dependent upon

legislation, such as an increase or decrease of population; that it should

be reciprocally receivable by Government and people, and between the

people themselves; that its each unit should be convertible, not at any

specific time or i)lace, nor into any specific quantity of any particular

product of human industry, such as gold or silver, but at all times and

in all places where the sovereign power gives it the right to circulate

and to the full exteut of the value determined as above, and into any

and all of the products of human industry, including those metals.

They claim that every argument against investing with the money

function a material not possessing intrinsic value is, when analyzed, an

impeachment of the integrity and capacity of the people and of their

fitness for self-government, and a claim that the regulation of the most

important institution of civilization can be more safely remitted to the

edicts of chance than to the guidance of human wisdom.

That the failure in times past to establish satisfactory systems of pa-

per money no more proves that such systems are impossible than the in-

numerable abortive attempts throughout the ages to establish individual

liberty proved that political freedom was impossible. That if the French

assignats broke down, so also did the French Eepublic, and mainly for the

similar reasons, that the French people did not then fully comprehend

the true nature of either liberty or money. That the same degree of

virtue and enlightenment necessary for the establishment of the one is

necessary for the establishment of the other. That the failures of efforts

under revolutionary or despotic governments to establish j)aper money

systems have no significance whatever. That no such effort has ever

been made under free institutions firmly established, without which per

fectiou in the money, or any other system which affects the general

welfare, is impossible. That the failures of one age often become the

established successes of the next. That every progressive movement of

mankind has been tedious and toilsome and hos been accomplished only

through trial, suffering, and the disappointment of repeated failures.

That every step of this progress has been impeded by a sinister con-

servatism which glorifies everything, even tyranny and stupidity, if

hoary with age, and always seeks to rivet the needs of the present to the

decaying and imperfect systems of the past, and to deny to the human

race the hopes and possibilities of the future. That there have been

the same evolutions of progress in money as in all other things. That

in the rude original of society no kind of money was possible. That

the first trade was by barter, after which, some one or more commodi-

ties attainable in the vicinage, and in general use and demand, were

selected as the common medium through which all exchanges were

filtered. That the use for that purpose of various metals by weight

followed next, and, at a succeeding stage, gold, silver, and copper by

weight, and after this their use in the form of coins, the value of which

THE NEW SCHEME OF METALLIC MONEY. 47

coincided with the bullion-value. That iu most countries coined money

has been sometimes supplemented and sometiuies superseded by i)rom-

ises to pay coin, which were always broken when coin was demanded.

That the next step iu many countries has been a coinage maintained

above its bullion-value through limitations of quantity and the stani]) of

authority as in subsidiary silver coinages, and at the present time in

the entire silver coinage in the states of the Latin Union. And that

since the success of this last step in preserving, through limitation of

quantity, a steadiness of money value above and wholly independent of

intrinsic value has been assured, it would be presumptions to affirm that

the same means may not furnish, without any intrinsic value whatever,

a better and steadier money than the world has ever seen, and that such

money will not become the money of the future.

They admit that wherever society is divided into two distinct classes,

the governing and the producing class, a fiat money is open to serious

if not fatal objections, the chiefest of which is the danger of trusting Its

issue to the good faith of the rulers, whose profligacy, ambition, and ex-

travagance would be sure to impel them to vitiate and ultimately destroy

it by excessive issues, as they have from the same motives frequently de-

based metallic money, and that the scales and crucible afford some pro-

tection against the debasement of metallic money, while an overissue of

paper money, when iu the hands of the governing few, can neither be

guarded against nor remedied. But they claim that iu the present en-

lightened age the true function of money is better understood than at

any former period. That with all the experience of the past to warn

and guide, false systems may be avoided and a true system established.

That such countries as have free, stable, and constitutional govern-

ments and advanced systems of jurisprudence, and which furnish uni-

versal opportunities for education and whose citizens are by the practice

of liberty accustomed to self-imposed burdens and restraints, can be in-

trusted with the regulation of the volume and value of fiat money, with

a full assurance that it will be regulated with wisdom and equity, and

they maintain that it is the only kind of money whose value can be

scientifically regulated.

A concession to the paper theory — A new scheme of metallic money that

abandons automatic regulation and acJcnowledges the interference of gov-

ernment to he necessary to secure steadiness in the value of money.

The world has generally favored, theoretically if not practically, the

automatic metallic system, and adjusted its business to it. Some nations

adopted one metal as their standard, and some the other, and souje

adopted both. Those that adoi)ted both metals served as a balance-

wheel to steady with exactness their relative value. The i)ra('(i('al

efiect of all this was the same as if all nations had adojjted both,

because it secured the entin^ stock of both at a fixed equivalency for

the transaction of the business of the world. While some nations have

changed their money metal, or, having had i)ai)er money, have resuiiied

specie payments in one metal, the poliijy of a general demonetizati(»n of

one of the metals was first broached only about twenty years ago. About

ten years later a formidable pro|)aga.nda was organized to fa.sten iliat

policy upon the commercial world.

This new school of financial theorists advocate the retention of metal

as the material of money, but favor its subjection to governmental inter-

ference in every respect. WliciM'ver new mines are discovenMJ, or old

ones yield or promise to yield more abundantly, instra\*! of freely ac-

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ceptiug their product iu accordance with the automatic theory, they ad-

vocate it8 rejectiou through the restriction or the absolute prohibition

of the coinage of either or both metals, or through the limitation or the

abolition of the legal-tender function of one of them. Whenever the in-

terests of the creditor and income classes seem to be in danger of being

impaired by an increase in the volume and decrease iu the value of

money, or, in other words, by a general rise iu prices, these modern

theorists are clamorous iu double-standard countries for the demonetiza-

tion of one of the money metals, and in single- standard countries for

the shifting of the money function from the metal which promises the

most to the one that promises the least abundant supply. They are ex-

tremely anxious for the retention of the material of which the money-

standard is composed when such material is rising in value, and prices

are falling, and exceedingly apprehensive of the evil and inconvenience

which they predict as sure to result from changing it. Whenever a

fall in prices occurs, through either a natural or artificial contraction

in the volume of money, they maintain that it is due to antecedent infla-

tion and extravagance, orto overproduction through persistent and reck-

less industry. If the contraction be natural, that it caunot be helped,

and if artificial, that though it may inflict great temporary losses on the

masses of the people, it will be sure to result in their ultimate benefit, and

they console the sufferers with the comforting assurance that such contrac-

tion is necessary in order to reach the lowest depths of that ^^hardpan"

whose foundations they have previously undermined by demonetizing

one of the metals, and upon which alone they claim that money, capi-

tal, and labor can securely and harmoniously rest. But when the ma-

terial composing the standard is falling in value and prices are rising,

they immediately discover that the maintenance of the value of the

standard is the all-important consideration, and that its material is of

no importance whatever and should be at once changed to ^^ redress the

situation^ After having reduced one of the metals to a commodity by

depriving it of the money function, these theorists complacently point

to the resulting fluctuations in its value as a justification of the act pro-

ducing them, and as a conclusive proof of the unfitness for money of

the demonetized metal.

This system retains all that is mischievous in both of the other sys-

tems, and rejects all that is advantageous in either. Metallic money,

on this theory, is no longer automatic, but is as completely subjected

to governmental control for all injurious purposes as paper money.

But, unlike paper money, the control over this kind of metallic money

can only be exercised in the baneful direction of decreasing its volume,

and thereby making property cheaper and money scarcer and dearer.

This is a one-sided system, which can operate only in the interest of

the security creditor, the usurer, and pawnbroker, whom it enables,

through the falling prices which itself occasions, to swallow up the

shrunken resources of the debtor, but is impotent to protect the inter-

ests of the unsecured business creditor, the debtor, or society, when,

from any cause, the supply of the money metals becomes deficient.

The world has expended a vast amount of labor in the production of

the precious metals, and has made great sacrifices iu upholding the au-

tomatic metallic system of money, and has a right to insist that it shall

be consistently let alone to work out its own conclusions, or th^t it be

abandoned.

If the world, or any considerable portion of it, should follow the teach-

ings of this new school of economists and discard one metal and one-

half of the automatic theory, it need not surprise them if the resulting

EFFECTS OF AN INCREASING VOLUME OF MONEY. 49

financial and commercial disasters should teach and enforce the policy

of discarding the other half of the theory and the other metal, and of

establishing- some system of money, however unscientitic, under which

all classes and interests could at least have an equal chance of protec-

tion.

THE DIFFERENT EFFECTS PRODUCED BY AN INCREASING, DECREAS-

ING, AND STEADY VOLUME OF MONEY.

Effects of an increasing volume of money.

Whenever gold and silver prices have become adjusted to a given

stock of those metals, an increase of that stock, other things remaining

unchanged, will cause a rise and a decrease will cause a fall in j)rices.

But under such conditions other things never do remain unchanged.

There are powerful causes, moral and material, which invariably operate,

when money is increasing in volume, to moderate the rise in prices, and

to intensify their fall when it is decreasing. Hence, the fall in [trices

caused by a decreasing volume of money would be much greater in degree

than would be the rise caused by a ])roportionately increasing volume.

Whenever it becomes apparent that })rices are rising and money fall-

ing in value in consequence of an increase of its volume, the greatest

activity takes place in exchanges and productive enterprises. Every

one becomes anxious to share in the advantages of rising markets. The

inducement to hoard money is taken away, and consequently the dis-

position to hoard it ceases. Its circulation becomes exceedingly active,

and for the very plain reason that thcic could be no motive for holding

or hoarding money when it is falling in \ alue, wlnlst there would be the

strongest possible motive for exchanging it for property, or for the labor

which creates property, when prices are rising. Under these circum-

stances labor comes into great demand and at remunerative wages.

This results in not only increased production, but increased consump-

tion. The wants and expenditures of laborers increase with their earn-

ings. Large enterprises, safe and unsafe, are at such times inaugurated

by eager adventurers, and as frequently as otherwise upon insullicieut

capital.

If, however, the volume of money should increase in undue propor-

tion to the new demands for it so asto cause a continuous and jtersistent

rise in ]>rices, it would encourage gambling in prices instead of encour-

aging ])roduction, and would enil in llie destruction of that industry

which it at first stimulated. Such wouhl be the haste to convert money

into j)roperty thatthe price of all forms of [troperty would advance more

rapidly than the waj:es of labor. The laborer, excited by the apparent in-

crease in the valu(? of ev(u\vtliing, would soon become discontented with

the slow accumulati(jnsof liis increased wages. Using his surj)his earn-

ings as a basis of credit, which is readily extended upon small margins

when i)rices are rising, he would leave the held < f productive industry

for the illusory but more inviting Held of speculative venture.

An increasing volume of money somitinwa needed,, after long periods of

])ros1ratio7i.

It may, however, V»e ])ossibIe tlii'.t when industry has been <1 wailed,

commerce paralyzed, and tlie spirit of enterprise (^rushed out l»y a long

continued shrinka,ge in tin; voluau; of money and falling prices, the-

stimulus of rising prices would l>e a necessary tiMuporary treatment.

Atthe(3hristian eratlie metallic; money of the Itimiaii lOmpire amounted

to $1,8(10,000,000. liy Mie end of the fifteenth centtiry it hud shruuU to

8. Eep. 703 4

50 SHRINKING MONEY OF THE DARK AGES.

lesstlian $200,000,000. Duiiugthisperiod amostextraordinarv aiidbale-

fulchauge took place iij tbecouditioii ot tlie world, Populatiou dwiudled

aud commerce, arts, wealth, aud freedom all disa])peaied. The people were

reduced by poverty and misery to the most degraded conditions of serf-

dom and slavery. The disintegration of society was almost complete.

The conditions of life were so hard, that individual selfishness was the

only thing consistent with the instinct of self preservation. All i)ul)lic

spirit, all generous emotions, all the- noble aspirations of man shriveled

and disapi)eared as the volume of money shrunk and as i)rices fell.

History records no such disastrous transition as that from the Koman

Empire to the Dark Ages. Various exi»lanarions have been given of

this entire breaking down of the frame-work of society, but it was cer-

tainly coincident with a shrinkage in the volume of money, which was

also without historical parallel. The crumbling of institutions kept even

step and pace with the shrinkage in the stock of money and the falling of

prices. All other attendant circumstances than these last have occurred

in other historical periods unaccompanied and unfollowed by any such

mighty disasters. It is a suggestive coincidence that the first glimmer

of light only came with the invention of bills of excbange and i)aper sub-

stitutes, through which the scanty stock of the prtcious metals was in-

creased in efdcieucy. But not less than the energizing influence of Potosi

and all the argosies of treasure from the New World were needed to arouse

the Old World from its comatose sleep, to quicken the torpid limbs of

industry, and to plume the leaden wings of commerce. It needed the

heroic treatment of rising prices to enable society to reunite its shat-

tered links, to shake off the shackles of feudalism, to relight and uplift

the almost extinguished torch of civilization. That the disasters of the

Dark Ages were caused by decreasing money and falling prices, and that

the recovery therefrom and the comparative prosperity which followed

the discovery of America were due to an increasing supply of the pre-

cious metals and rising prices, will not seem surprising or unreasonable

when the noble functions of money are considered. Money is the great

instrument of association, the very fiber of social organism, the vitaliz-

ing force of industry, the protoplasm of civilization, and as essential to

its existence as oxygen is to animal life. Without money civilization

could not have had a beginning; with a diminishing sup[)ly it must

languish, and, unless relieved, finally perish.

Symptoms of disasters similar to those which befel! society during

the Dark Ages were observable on every hand during the first half of

this century. In 1809 the revolutionary ti oubles between Spain and her

American colonies broke out. These troubles resulted in a great diminu-

tion in the production of the precious metals, which was quickly indicated

by a fall in general prices. As alread^^ stated in this report, it is estimated

that the purchasing-power of the precious metals increased between

1809 and 1848 fully J 45 per cent., or, in other words, that the general

range of prices was GO per cent, lower in 1848 than it was in 1809. Dur-

ing this period there was no general demonetization of either metal and

no important fluctuation in the relative value of the metals, and the

supply was sufficient to keep their stock good against losses by accident

and abrasion. But it was insufficient to keep the stock up to the proper

correspondence with the increasing demand of advancing populations.

The world has rarely passed through a more gloom j" j^eriod than this one.

Again do we find falling prices and misery and destitution inse])arable

conii»anions. The poverty and distress of the industrial masses were

intense and universal, and, since the discovery of the mines of Amei ica,

without a parallel. In England the sufferings of the people found ex-

INCREASE OF MONEY SOMETIMES NEEDED. 51

pression iu demands upon Parliament for relief, in bread-riots, and in

immense Chartist demonstrations. The military arm of the nation

had to be strengthened to prevent the all-pervadinji- discontent from

ripening into open revolt. On the Continent the fires of revolution

smoldered everywhere and blazed out at many points, threatening the

overthrow of states and the subversion of social institutions.

Whenever and wherever the mutterings of discontent were hushed by

the fear of increased standing armies, the foundations of society were

honeycombed by ])owerful secret political associations. The cause at

work to produce this state of things was so subtile, and its advance so

silent, that the masses were entirely ignorant of its nature. They had

come to regard money as an institution fixed and immovable in value,

and when the price of property and the wages of labor fell, they charged

the fault, not to the money, but to the proi)erty and the employer.

They were taught that the mischief was the result of overproduction.

>rever having observed that overproduction was complained of only

when the money stock was decreasing, their prejudices were aroused

against labor saving machinery. They were angered at capital, be-

cause it either declined altogether to embark in industrial enterprises

or would only embark in them upon the condition of employing labor

at the most scanty remuneration. They forgot that falling prices com-

pelled ca[)ital to avoid such enterprises on any other condition, and for

the most i)art to avoid them entirely. They did not comprehend that

money in shrinking volume was the prolific parent of enforced idleness

and ])overty, and that falling prices divorced money, capital, and labor,

but they none the less felt the paralyzing pressure of the shrinking metal-

lic shroud that was closing around industry.

The increased yield of the Russian gold fields in 184G gave some relief

and served as a parachute to the fall in prices, which might otherwise

have resulted in a great catastrophe. But the enormous metallic sup-

plies of -California and Australia were all needed to give substantial and

adequate relief. Great as these supplies were, their influence in raising

prices was moderated and soon entirely arrested by the increasing ])opu-

lations and commerce which followed them. In the twenty-five years -

between 1850 and 187C the monej' stock of the world was more than

doubled, and yet at no time during this period was the general level of

prices raised more than 18 per cent, above the general level iu 1848.

A comparison of this effect of an increasing volume of money after 1848

with the effect of a decreasing volume between 1809 and 1848 strik-

ingly illustrates how largely diflerent in degree is the influence upon

prices of an increasing or decreasing volume of money. The decrease

of the yield of the mines since about 180."), while jiopulation and com-

merce have been advancing, has already produced unmistakable syn)p-

toms of the same general distrust, non-employment of labor and i)olit-

ical and social disquiet, which have characterized all former perio«ls of

shrinking money.

Steadiness in the volume of money esuential to prosperity.

It is in a volume of money keei)ing even pace witii advan(;iiig popii

lation and commerce, and in the resulting stea<liness of prices, thai

the wholesome nutriment of a healthy vitality is to be found. The

highest moral, intellectual, and mateii;il development of iiatictns is

I)romoted by the use of money nir-hanging in its value. 'V\\.\{ kind of

money, instead of being the oppressor, is one of the great inslrumentali-

ties of comnnjrce and iiulustry. It is as profith'ss as idle nuii-liiuery

whenitis idle; differing from all other useful agencies, itcaMn<»t beiieht

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its owner except ^\hen hit parts with it. It is ouly under steady prices

that the production of wealth can reach its jiernianent maximum, and

that its equitable distribution is possible. Steadiness in prices insures

labor to all aud exacts labor from all. It gives security to credit and

stability aud prosperity to business. It encourages large enterprises,

requiring time for their development, and crowns with success well-

matured and carefully-executed plans. It discourages purely specula-

t'ive ventures, and especially those based ujion disaster. It encourages

actual transactions rather than gambling on future prices. It metes

out justice to both debtor and creditor, and secures credit to those who

deserve it. It prevents capital from oppressing labor and labor from

oppressing capital, and secures to each its just share of the fruits of in-

dustry and enterprise. It secures a reasonable interest for its use to

the lenders of money, and a just share in the profits of i)roduction to

the borrower. It keeps up the distinction between a mortgage and a

deed. It insures a moderate competence to the many rather than colos-

sal fortunes to the few at the expense of the many.

It may be impossible to devise any system through which the volume

of money shall always increase or decrease in corresponding ratio to-

the increase or decrease of all those things which it is its function to

measure. If it be admitted that the volume of money should increase

pari passu with either wealth, commerce, or poj)ulation,the least measure

of increase would be that based on population, as in commercial countries

both wealth and exchanges are multiplied more rapidly than population.

The narrower measure of increase would probably be the more accurate

one, as the thing to be measured and which it is important should have

an unvarying value is human eftbrt, and as that can neither be in-

creased nor diminished except through an increase or diminution of the

population, it would seem that the volume of money should only vary

with population.

As steadiness in prices, which depends on steadiness in the#relation

between money and all other things, is essential to prosperity, it follows

that in any change in money-systems the volume of the new money,

that is to say, the number of units of the new money issued, should, if

possible, be neither greater nor less than the number of units in circu-

lation at the time of the change. A strict observance of this rule, what-

ever may be the material of money, will prevent any general rise or fall

in prices.

The quantity of metallic money, or of paper money constantly con-

vertible into metallic money, which can be maintained in the circulation

of any particular country cannot be controlled arbitrarily. It cannot

be greater than such an amount as may be requisite to maintain the

prices of such country at a substantial parity with the prices of all

other countries using the same kind of money. Any change from this

amount must be temporary', and will be soon automatically corrected

by the course of exchange.

The volume of inconvertible paper money, on the contrary, is local to,

and subject to the control of, the country issuing it, and should be regu-

lated solely with reference to existing prices, and consequently should

be neither increased nor diminished, excpi)t in correspondence with

changes in population and commerce.

The proposition often made that the quantity of money in this country

should amount now to as much per capita as it did at some anterior

period, or to as much 2>€r capitals in England or France, rests on no philo-

sophical basis whatever. Irrespective of the time-contracts, it is of no

consequence what the volume of money may be, provided it be subdivided,

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into such number of units, or iractions of un ts, as would meet physical

requirements, while the equity of such contracts can be met only by

luaiutaining the relation betwceu money and other things uudisturbed.

Equally fanciful and eironeous is the propositiim that the rates of in

terest lor money can be lowered by increasinji its (luantity. It is i)rices,

and not interest, which depend ujion the volume of money. The rates

for the use of loanable ca])ital depend upon entirely different factors;

such as the current rates of business ])rotits, productiveness of the soil,

the security of pro])erty, the stability of government, pressure of taxa-

tion, and the fiscal policies of governments, such as the maintenance

of public debts, which necessarily increase the rate of interest. In truth,

increasing the amount of money tends iudiie('tly to increase the rate of

interest by stimulating business activity, while decreasing the amount

of money reduces the rate of interest by checking enteri)rises and

thereby' curtailing the demand lor loans. This is signally illustrated b.v

the present condition of things in every part of the commercial world.

The rate of interest should be, and under a correct money system would

be, merely an expression of the rate of profit which could be uuide through

the use of borrowed capital.

Effects of a decreasing volume of money.

While the volume of money is decreasing, even althimgh very slowly,

the value of each unit of money is increasing in corre^spouding ratio,

and proi)erty is falling in price. Those who have contracted to pay

money find that it is constantly becoming more difficult to meet their

engagements. The margins of securities melt rai)idly away, and the

confiscation by the creditor of the property on which they are based

becomes only a question of time. All productive enteii)rises are dis-

couraged and stagnate because the cost of producing commodities to-day

will not be covered by the prices obtainable for them to morrow. Ex-

changes become sUiggish, because those who have money will not ])art

with it for either jiroperty or services, beyond the requirements of actual

current necessities, for the obvious reason that money alone is increas-

ing in value, while everything else is declining in price. This results

in the withdrawal of money from the channels of circMdation, and its de

posit in great hoards, where it can exert no infiuence on prices. This

hoarding of money from the nature of things mast continue and in-

crease not only until the shrinkage of its volume has actually ceased,

but until capitalists are entirely satisfied that money lying idle on spe-

cial dei)Osit will no longer aftord them revenue, and that the lowest levt'l

of prices has been reached. It is this hoarding of money, when its vol-

ume shrinks, which causes a fall in prices greater than would Ix' caused

by the direct eflect of a decrease in the stock of money. iMoney in

shrinking volume becomes the i)aramonnt object of connuerce instead

of its beneficent instrument. Instead of mobilizing industry, it poisons

and dries up its life-currents. It is the fmitlnl source ol" polilictal and

social distnil)ance. It foments strife between labor and other forms of

cai)ifal, while itself hidden away in security gorges on both. Jt re

wards close-fisted lenders and filches from and hanUrnpts enterprising

borrowers. It circulates freely in tiie slock exchange !mt avoids IIk-

labor exchange. It has in all ag(;8 been the, worst enemy with which

society has had to coiitend.

The great and still continuing fall in prices in the liiiiled Slates has

proved most disastrous to nearly every industrial enterprise. Tlio bitter

experienceof the last few years has been an expensive but most thorough

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teacher. It bas taught capitalists neither to invest in nor loan money

on such enterprises, and just as thoroughly has it taught business men

not to borrow for the purpose of inaugurating or prosecuting them. Of

the few business enterprises now being successfully prosecuted, the

larger part are based on a monopoly secured either by patents or ex-

ceptional conditions. The business man has discovered that the less

active and enterprising he is the better he is off. The manufacturer

avoids loss by damping down furnace-fires and slowing down machinery.

The mining companies would find profit in inactivity, and would i)rob

ably suspend operations, were it not for the great loss they would sustain

in doing so. Mines can be properly opened only through a great outlay

of capital, which would be practically lost if they were closed down for

any considerable period of time. The filling up with water, the caving

in of galleries, the crushing in of shafts, the rusting of machinery, and

the general disarrangement of their interior workings would require for

their repair a not much less expenditure than was necessary for their

original opening. Hoping for better times, they therefore struggle on

against an adverse current, without profit and generally only without

loss by redvicing their miscellaneous expenditures to the lowest possible

point and wages to a starvation level. The miners ascend from the

dark and gloomy depths of the mine with their scanty pittance called

wages, to find in a famishing houseliold a gloom that is more profound.

They await with heroic fortitude and a sometimes impatient hope the

advent of another Sir Humphrey Davy, with a lamp capable of shed-

ding light on the cause of existing evils, and of protecting them and all

others who depend on their labor for their daily bread against a linger-

ing misery more to be dreaded than the deathly danger that lurks in

the treacherous fire-damp.

The stockholders of railroads have suffered a vast shrinkage in the

value of their property and in the volume of their traffic and in rates

of transportation, while their debts have remained nominally the same

but really increasing. In order to make their decreased receipts meet

the interest on their bonds, they are forced to reduce their operating-

expenses to the lowest possible point. Their struggles seem to be in

vain, and unless that system can be changed which is making each

dollar which they owe more valuable, and at the same time causing a

shrinkage in their business, and which is chaining labor and all other

forms of <;apital to the chariot-wheels ot money-capital, they will, one

after another, be swallowed by the l ondholders. In the end the stock-

holders Avill be entirely out of the account, and the contest will be be-

tween different classes of bondholders, if that can be called a contest

where victory is assured in advance to the liens which have priority.

Farmers whose lauds are noc mortgaged, and their employes who at

least are insured against absolute want, best escape the evils of the

times, but the ijrices of agricultural products must finally decline with

the reduction in the number and means of the consumers. The tendency

of falling i^rices is to break down the vast diversified interests of the

country, and to force a constantly-increasing proportion of the po[)ula-

tion into the one single primitive industry of cultivating the soil. The

Dnited States, instead of continuing a highly commercial and manu-

facturing nation, will, until falling prices are checked, become more and

more exclusively agricultural and pastoral.

Securities have already become so impaired through falling prices that

loanable capital has fled affrighted from the newer and more sparsely

settled sections of the country and accumulated in large amounts in

the great financial centers M^here securities are more ample. The per-

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soiial and proixTty socuiitiesol individuals bavo <^eiuM ally ceased to be

available, except at tlie bij^best rates (»t' iiitei est, or at ruinously low val-

uations. Money can be borrowed readily only upon sucb securities as

bouds wbicb are based ou tbe unlimited tax levyinji' jjower of the (iov-

ernnieut, or upon tbe bonds and stocks of lirst-class trunk-lines of

railroad corporations, whose frei,ubt and fare rates are jn-actiially a tax

ui)on the eutire i)Oi)ulation and resources of tbe regions which they

traverse and sup])ly. The competition among capitalists to loan money

on these more am])le securities has become very keen, and sucb se-

curities command money at unprecedentedly low rates. These low

and lowering rates of interest, instead of denoting financial strength

and industrial prosperity, are a ji^uge of increasing prostration. Large

accumulations of money in financial centers, instead of being caused

by the overflow of a healthful circulation, or even a proof of a suffi-

cient circulation, are unmistakable evidence of a congested conditiou,

caused by a decreasing and insufficient circulation. The leadiuess

with which Government bonds bearing a very low rate of interest are

taken, instead ot showing that tbe credit of the Government has im-

proved, IS melancholy evidence of the prostratetl condition to which

industry and trade have been reduced. There need be no haste in re-

minding the public debt at the rates now proposed and considered low.

Unless the progress of the commercial world in the policy of contracting

money by demonetizing silver is cheidved, bonds bearing a much lower

rate of interest than auy yet offered will be gladly accepted by capitalists

here and in Eui'ope. When the money stock is diminishing and prices

are falling, the lender not only receives interest, but finds a protit in the

greatly increased value of the ])rincipal when it is returned to him. A

loan of money made in 18(i9, if repaid in LS4S, would have been rei)aid

with an addition of 145 per cent, in tlie purchasing ])ower of principal

and interest, besides all the interest i)aid. Those wdio have loaned money

to this Government since 18GI have already received nearly as much

in the increased value of their ])rincipal as in interest, and all the i)rob-

abilities are, in respect to the four per cent, thirty-year national bonds

now being negotiated, if they are redeemed in gold, that more protit will

be made by the augmentation in tbe value ol i)iin<ipal than through

interest. Indeed, tlie signs of the times are, that the bonds of a country

possessing the unbounded resources and stable institutions of the United

States, payable in gold at the end of thirty years without any interest

whatev<?r, would, thrcnigh the increase of the value of that metal, j)rove

a most profitable investment.

Effects of a shrinldng volume of money on productive industry.

The worst effect, however, economically considered, of falling prices,

is not upon existing pn^perty nor njion debtors, evil as it is, but upon

laborers whouj it deprives of ell)])lo.^ iiieiit and consigns to i)Over(y, and

upon society, whi(;h it deprives ol that vast sum of weallh which resides

potentially in the vigorous arms of the idle workman. A shrinking

volume of money transfers existing ])roj>erty unjustlx , aii<l causes a con-

<;entration and diminution ol weallh. it also impairs the \aliie of ex-

isting pro|)erty by eliminating from it I hat impoitant eh im'ut of value

confeire(l upon it by the skill, energy, and care of Ihe dehlcus from

whom it is wrested. But it does not destroy any existing piopeily,

while it does absolutely annihilate all the values jiroducible by tin' labor

which it condemns to idleness. The estimate is not an e\tia\a;:aiil one

that there are now in tin; United Stales three milliou peisoiis willing

to work, but who are idle because they cannot obtain employment.

■I

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This vast poverty-stricken army is increasing and will continue to in-

crease so long as falling prices shall continue to separate money capital,

the fund out of which wages is paid, from labor, and to discourage its

investment in other forms of property.

Money capital, labor, and other forms of capital are the warp and woof

of the economical system. Labor, co-operating witii the forces of nature, is

the source of all wealth, and to reach the highest degree of offectiveness,

it must be classified through the aid of capital and supported by capital

during the process of production and be measured and paid in money,

each unit of which is a sight-draft on all other forms of property, bear-

ing a value in proportion to the number of such drafts. In order that

any country may reach the maximum of material prosperity, certain

conditions are indispensable. All its labor, assisted by the most ap-

proved machinery and appliances, must be employed, and the fruits of

industry must be justly distributed. These conditions are only possible

when capital is absolutely protected against violence and free from ille-

gitimate legislative interference, and when the laborer is protected io

his natural right to dispose of his labor in such manner as he may prefer.

They are utterly impossible when the money-stock is shrinking and the

money- value of property and services is declining. Howsoever great

the natural resources of a country may be, however genial its climate,

fertile its jsoil, ingenious, enterprising, and industrious its inhabitants,

or free its institutions, if the volume of money is shrinking and prices

are falling, its merchants will be overwhelmed with bankruptcy, its

industries will be paralyzed, and destitution and distress will prevail.

The instinct of self-interest is the mainspring of industrial and com-

mercial activity. It is the animating motive alike of the capitalist and

of the laborer. Without it, no labor would be performed, nor would

capital have an existence. If money capital is withdrawn from produc-

tive enterprises, it is from the apprehension of loss and from the same

instinct of thrift through which i.t was acquired. It is natural that the

money capitalist should exact from labor all he can in exchange for his

money, and that the laborer should exact all the money hecan in exchange

for his labor. What is known as the conflict between capital and labor,

is not so much a conflict between other forms of capital and labor as it

is between money and labor. Indeed, the conflict between money and

other forms of capital is as distinctly marked and quite as severe as

the conflict between money and labor, and in that conflict other forms

of capital suffer fully as much as labor, the only difference being that

they are better able to endure losses. Other forms of capital must be

constantly converted into money in order to pay wages and to meet

other demands incident to industrial enterprises. When the stock of

money is shrinking and prices are falling, this conversion can only be

made'at rates continually growing more unfavorable, while at the same

time the products of the labor for whose wages sacrifices have been

made are also undergoing a shrinkage of money-value. Thus loss and

sacrifice are encountered at eveiy turn, and the owners of othisr capital

than money shrink from the friction of exchange, withdraw from pro-

ductive enterprises, and only exchange as much of their property for

money as will suffice to meet the necessary expenditures of living, which

are reduced to the most economical level, as it is principal and not income

which is being consumed. Little more labor will be employed under these

circumstances than is sufficient to support the owners of capital on this

parsimonious basis, and as a consequence the labor market will be over

stocked, and the competition between laborers will reduce wages to a

starvation level. But during this period, when property is being sacri-

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ficed to meet curreat necessities, aud laborers are being remitted to idle-

ness and destitution, money fattens on the general disaster. Under any

money system whatever, labor, money, aud other forms of capital cou-

• front each other as opposing forces, each seeking through a natural

instinct to secure as much as possible of the others in exchange.

These forces, although always operating agaiust, are not necessarily

inimical to or destructive of each other. On the contrary, under a Just

money-system, they are not even harmful to each other. The contlict

between them is essential to the proper adjustment and harmonious

working of all parts of tlie economical machinery. They are the cen-

tripetal and centrifugal forces of the industrial system. The equilibrium

of all things Is maintained through counterbalances. It is out of the

action and couuteraction of antagonistic forces that the harmonies of

the universe are evolved. But under an unjust money-system, under a

system which through law or accident fails to regulate the quantity of

money so as to preserve the equilibrium between money and the other

factors of production, the conflict between money and labor aud other

forms of capital becomes destructive and ruiuous. It is in the shadow

of a shrinkmg volume of money that disorders social and political

gender and fester, that communism organizes, that riots threaten and

destroy, that labor starves, that capitalists conspire and workmen com-

bine, and that the revenues of governments are dissii)ated in the employ-

ment of laborers, or in the maintenance of increased standing armies to

overawe them. The peaceful conflict which under a just money-system

is continually waged between money, capital, and labor, and which tends

only to secure the rights of each, and is essential to the progress of

society, is changed under a shrinking volume of money to an unrelent-

ing war, threatening the destruction of both. Money, in either shrink-

ing or unduly increasing volume, like a dissolving chemical, separates

capital from labor. It is not against capital, but against the false finan-

cial system that permits the volume of money to either shrink or unduly

increase, that the hostility of society should be aroused. Let labor and

capital be put on equal terms, so that idle capital will be as unfruitful as

idle labor, aud the conflict between them will cease to bj destmictive.

An unjust money-system ])roduces an unnatural relation between labor,

capital, and money, and the resulting evils cannot be remedied by spe-

cial legislation on particular cases, nor by general legislation abridging

the natural rights of either. Such legislation would be futile and ini

pertinent, destructive of that freedom of individual action so essential to

progress, and subversive of the true interests of all classes of society,

and would powerfully tend to the overthrow of free institutions. The

equitable adjustment of the correlative demands of cajiital and labor

cannot be made through violence, and is utterly impossible through any

legal or other contrivance, under any system that permits contraction

or undue expansion of that great instrument which measures alike the

property of the capitalist and the labor of the workman. It is only

thiough the action and counteraction of the antagonistic; forces of capi-

tal and labor, automatically oi)erating under a just nioiK'v-systein, that

equity and harmony can be evolved.

The very same reasons which make cai>italists refuse to exchange

money, whose command over property is increasing, Ibi jtroperty, whose

command over money is decreasing, also make them refuse to ex<;liange

it for labor for the production of pidperty. In a eominen'.ial sense,

industrial enterprises are never undertaken nor carried on excej)t with

the hope and expectation of gain. This expectation, unless under excep-

tional conditions, falling markets destroy. While ciii)italists, for these

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reasons, cannot afford to invest money in productive enterprises, still

less can anvV)od.v afford to borrow money for siicU iiivestaients at any rate

of interest, however low, and but little money is being now borrowed,

except ibr purely speculative ventures, or to supply i)ersonal and family

wants, or to renew old obligations. Money withdrawn from circulation

and hoarded in consequence of tailing prices, although neither paying-

wages, nor servingto exchange thefruits ot inilustry, nor performing any

of the true functions of money, is nevertheless not unproductive. It

may not be earning interest, but it is enriching its owner through an in-

crease of its own vane, and that, too, without risk, and at the expense

of society. If this were not the case, ynd if money were, while idle,

losing a little in value instead of guining, or if it simply held 1\*8 own,

it would be constantly diminished to the extent of the necessary expendi-

tures of its owners who, under such conditions would be impelled by

every instinct of thrift to seek for revenue through its employment in

productive enterpii>es. The pecnliiir effect ot a contraction in the vol-

ume of mimey is to give protit to the owners of unem]>loyed money,

through the iipineciation of its purchasing power, by the mere lapse of

time. It is falling jtrices that robs labor of employment and precipi-

lates a conliict between it and moiiey capital, and it is the appreciating

effect which a shrinkage in the volume of money has on the value of

money that renders the contest an unequal one, and gives to money capi-

tal the decisive advantage over labor and over other lornis of cai)ital in-

vested in industrial enterprises. Idle machinery and industrial appli-

ances of all kinds, instead of being productive of protit, are a source of

loss. They constantly deteriorate through rust and waste. They cannot

escape the assessor and tax gatherer, as the bulk of mouey does, and

must ])ay extra insurance when idle. Labor, unlike money, cannot be

hoarded. The da>'s labor unperformed is so much capital lost fofever

to the laborer and to society. It being his only capital, his only means

of existence, the laborer cannot wait on better times for better wages.

Absolute necessity forces him to dispose of it on any terms which the

owners of money may dictate. These are the conditions which surround

the laborer tljroughout the commercial world to-day. The labor of the

past is enslaving the labor of the present. At least that i)ortiou of the

labor of the past which has been crystallized into money is enabled,

through a shrinkage ot its volume and while l>ing idle in the hands of

its owners, to increase its command over present labor and over all tonus

of property and to transform vast numbers of honest and industrious

workmen intotramps and l)eggars. Theselaborers mustmaketheir wants

conform to their diminished earnings. They mustcontent themselves with

such things as are absolutely essential to their existence. Consumption

istherelbre constantly shrinking toward such limits as urgent necessities

require. Production, which must becontiueil to the limits indicatetl by

consumi)tion, is constantly tending toward its minimum, whereas its ap-

pliances, built up under more favorable conditions, are sufficient to sup-

ply the maximum of consumption. Thus idle labor, idle money, idle

macliinery, and idle capital stand facing each other, and the stagnation

spreads wider and wider. The future affords no hope or prospect of

improvement, excejit through a change in financial policies. Prices have

been i)ersistently tailing throughout the world since 1873, and as fast

and as far in specie-paying countries as elsewhere. If the policy of

chaining the industry antl commerce of the world to a single metal be

persisted in by the United States, Germany, and the other Euroi^ean

countries acting in concert with them, mouey must still rise iu value, and

prices must continue to fall. The depression iu productive industry

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will become more deathly, aud the number ol itlif l.iborersi will iudeti-

Ditely multiply. The loss which this country sustaiiiN by reason of the

eulorced idleness ol thiee million persons who, aklmugh uile, must still

in some scanty way be supplied with lood, clothing, and shelter, is in the

aggregate very great, if it be estimated ai one dollar per day lor each

laborer, it would amount in two years to a suuj sutlicicnt to tlischaige

the national debt, it would pay the interest, at live per cent. |)er annum,

on eighteen thousaml million dollars. It woukl be a sum muie than

sufficient to supply auew each year the circulating metlium of the

country. It would amount, in lour years, to a greater sum thau the

world's eutire gold product has amounted to iu the last lilty i)rolitic

years. It would aggregate iu ten years a value far greater thau the

value of the world's eutire product of both gold and silver for the

last hundred years. It would amount in four years to a sum more than

sufficieut to duplicate aud stock every mile of railroad now in the

United States. Contrasted with the startling sum thus auiuially lost

through the shrinkage of money and falling prices, the amount which

could by any possibility be lost in a generation ihiougli tiuciiuuions iu

the relative values of gold, silver, ami paiJer, woukl weigh as meredu&t

iu the balance. If to this loss be added luat caused by the non emi)loy-

meiit of productive machinery aud appliances, the aggregate becomes

appalling. The average stocks of nearly all commodities are at no

time suhicieut lor more than a lew mouths' consumption. Without

constant reproduction mankind would soon be stripped of all their

movable possessions. ]So more fatal blow, therefore, could be directed

against the economical machinery ot civilized life than one against

labor, and that blow cau be most effectively delivered through a [tolicy

which strikes down prices, if all debts in this country had been doubled

by an act of legislation, it would have beeu a far less calamity to the

debtor aud to the country than the increase in their real biailen already

caused by a contraction in the volume of money. Aud inhuitely more

disastrous in every sense than an unjusL iuciease in the burden of debt

is the universal, stagnation of industry and commerce re&uliing from

the same cause. The doubling of debts would have left the pro-

ductive forces unimpaired, while lalling prices are sapping them in-

sidiously aud fatally, isations have otteu exhibited an astonishing

capacity lor sustaining and repairing the destruction of great and

protracted wars. The explanation ot this will be found in the fact that

their i)ioductive forces have atsuch times continued vigorous and active.

Armies in barracks and on parade are as essentially non producers as

when actively engaged, and a considerable proportion ol the additions

made to armies iu times of war are recruited from the ranks of non-

producers. England was never more j)rosperous thuu during the iSa-

poleonic wars. The JS^oithern and Western iStates of this Union were

never more prosperous than during the civil war, ami for some time

afterward, tto long as all the productive forci's are activ\*' almost any

burden cau be bcnne. The debts of the country, great as tluy are,

would scarcely weigh as a feather if all its labor were employed, in-

deed, this country could better all'ord, in an ecoiioniical view, tosupiKut

one million of soldiers in the held than to support its present army of

three millions that falling prices have conscripted into tlie ranks of non-

pioducers.

Authority empha8ize» what experience teaches.

All resijectablc authorities agree as to the relative etlects of an in-

creasiug and decreasing money. Several of them are presented, the

60 AU'l'HORlTIES ON SHKlNKlNCi MONEY.

earliest in point of time being the following, from David Hume's Essay

on Money:

It is certain that since the discovery of the mines in America industry has increased

in all the nations of Europe. \* \* We find that in every kingdom into which money

begins to flow in greater abundance than formerly, everything takes a new face ; labor

and industry gain life ; the merchant becomes more enterprising, the manufacturer

more diligent and skillful, and even the farmer follows his plow with greater alacrity

and attention. \* \* \* It is of no manner of consequence with regard to the domes-

tic happiness of a state whether money be in a greater or less quantity. The good pol-

icy of the magistrate consists only in keeping it, if possible, still increasing ; because

by that means he keeps alive a spirit of industry in the nation and increases t he stock

of labor, in which consists all real power and riches. A nation whose money decreases

is actually at that time weaker and more miserable than another nation which pos-

sesses no more money, but is on the increasing hand.

Alexander Hamilton, in his report (1791) ou the mint, says:

To annul the use of either of the metals as money is to abridge the quantity ot cir-

culating medium, and is liable to all the objections which arise from a comparison of

the benefits of a fall with the evils of a scanty circulation.

Thomas Jefferson, in a letter to Mr. Hamilton (February, 1792), says:

I concur with you that the unit must staud on both metals.

William H. Crawford, Secretary of the Treasury, in a report (Feb-

ruary 12, 1820) to Congress, says:

All intelligent writers on currency agree that when it is decreasing in amount, pov-

erty and misery must prevail.

Mr. R. M. T. Hunter, in a report (1852) to the United States Senate,

says:

Of all the great effects produced upon human society by the discovery of America,

there were pi'obably non» ko marked as those brought about by the great influx of the

precious meials from the New World to the Old. European industry had been declin-

ing under the decreasing stock of the precious metals, and an appreciating standard of

values; human ingenuity grew dull undertheparalyzinginfluencesofdecliningprofits,

and capital absorbed nearly all that should have been divided between it and labor.

But an increase in the precious metals, in such quantity as to check this tendency,

operated as a new motive-power to the machinery of commerce. Production was stim-

ulated by finding the advantages of a change in the standard on its side. Instead of

being repressed by having to pay more than it had stipulated for the use of capital, it

was stimulated by paying less. Capital, too, was benefited, for\* new demands were

created lor it by the new uses which a general movement in industrial pursuits had

developed ; so that if it lost a little by a change in the standard. It gained much more

in the greater demand for its use, which added to its capacity for reproduction, and to

its real value.

The mischief would be great, indeed, if all the world were to adopt but one of the

precious metals as the standard of value. To adopt gold alone would diminish the

specie currency more than one-half; and the reduction the other way, should silver

be taken as the only standard, would be large enough to prove highly disastrous to

the human race.

The Encyclopaedia Britannica, 1859 (article Precious Metals, by J. R.

McCulloch), says :

A fall in the value of the precious metals, caused by the greater facility of their pro-

duction, or by the discovery of new sources of supply, depends in no degree on the

theories of philosophers, or the decision of statesmen or legislators, but is the result of

circumstances beyond human control ; and although, like a fall of rain after a long

course of dry weather, it may be prejudicial to certain classes, it is beneficial 1^ an

incomparably greater number, including all who are engaged in industrial pursuits,

and is, speaking generally, of great public or national advantage.

Ernest Seyd, 18(»8 (Bullion, page 613 ), says:

Upon this one point all authorities on the subject are agreed, to wit, that the huge

increase in the supply of gold has given a universal impetus to trade, commerce, and

industry, and to general social development and progress.

The American Review (1876) says :

Diminishing money and falling prices are not only oppressive upon debtors, of whom,

in modern times, states are the greatest, but they cause stagnation in business, re-

duced production, and enforced idleness. Falling markets annihilate profits, and as it

is only the expectation of gain which stipulates the investment of capital in opera-

AUTHORITIES ON SHRINKING MONEY. 61

tions, inadequate employmeut is louud lor labor, and tlioso who are employed can only

be 60 npou the condition of dimiuiebed wages. An increasing amount of money, and

consequently augmenting prices, are attended by results precisely the contrary. Pro-

duction is stimulated liy the prolits resulting from advancing prices; labor is conse-

quently in demand and better paid, and the general activitj and buoyancy insure to

capital a wider demand and bigber remuneration.

Leon Faucbet (1843), iu Researches upou Gold and Silver, says:

If all ibe nations of Europe adopted the system of Great Britain the price of gold

would be raised beyond measure, and we should see produced in Europe a result lam-

entable enough.

Before a Frencb monetary convention in 1869 testimony was given

by the late M. W'olowski, by Baron Eotliscliild, and by M, Rouland,

governor of the Bank of France.

M. Wolowski said:

The sum total of the precious metals is reckoned at tifty milliards, one-half gold and

oue-balf silver. If, by a stroke of the pen, they 8upi)rcss one ot these metals in the

monetary service, fhey double the demand for the other metal, to the ruin of all

debtors.

M. Eouland, governor of the Bank of France, said:

We have not to do with ideal theories. The two moneys have actually co-existed

since the origin of human society. They co-exist because the two together are neces-

sary, by their quantity, to meet the needs of circulation. This necessity of the two

metals,' has it ceased to exist ? Is it established that the quantity of actual and pro-

spective gold is such that we can now renounce the use of silvir without disaster ?

Baron Eotbschild said:

The simultaneous employment of the two precious metals is satisfactory and gives

rise to no com plaint. Whether gold or silver dominates for the time being, it is always

true that the two metals concur together in forming the monetary circulation of the

world, and it is the general mass of the two metals combined which serves as the

measure of the value -ol' things. The suppression of silver would amount to a veritable

destruction of values without any compensation.

At the session (October 30, 1873) of the Belgian ]Monetary Commis-

sion, Professor Laveleye said :

Debtors, and among them the state, have the right to pay in gold or silver, and this

right cannot be taken away without disturbing the relation of debtors and creditors,

to the prejudice of debtors', to the extent of perhaps one-half, certainly of oue-lhird.

To increase all debts at a blow (brunqncmenl), is a measure so violent, so revolutionary,

that I cannot believe that the Government will propose it, or that the Chambers will

vote it.

The contrast presented by these anthorities between the efiects of

an increasing and decreasing vokime of money shows that if a cliaiige

in the one direction or the other is unavoidable, a change in the direc-

tion of increase is the most desirable. Undoubtedly the best condition

n])on the whole is that of steadiness, or only sncli an increase of money

as would coriespond with the advance of population. But with the his-

tory before us of thirty centuries of mining, we know that an iiijtirions

and excessive increase of metallic money has never occurred. \Vc may

feel assured that it never can occur, because the enlargement of commei-

cial exchanges, which results from an increase of money, sjx'edily re-

stores the equilibrium. The dangei- of an unduly iiicrcasiug money is

theoretical and fanciful. The mischief which practically threatens the

world, ami which has been the most prolific cause of the social, i)oliti-

cal. and indu.strial ills which have aniieted it, is thai of a decreasing

and deficient money. It is from siu;h a <l«'iiciency that mankind are

now suftering, and it is the actind and present evil with which we have

to deal.

A single standard ruinous to debtors — Magnitude of puhlic and private

debts.

All debts must at last be paid through exaction from labor, and the

62 MAGNITUDE OF DEBTS.

real pressure of debts is measured by the prices of the commodities

whicli debtors must sell in order to make payment. It is thus that the

volume of the precious metals determines the real pressure of debts by

determining the prices of commodities. There is a partial exception to

this in the case of the domestic debts of countries in which inconverti-

ble pai)er is made money by force of law. But such paper will liquidate

neither the individual nor corporate debts of such countries which are

payable abroad, nor, with rare and unimportant exceptions, will it liqui-

date their national debts. It is sometimes said that these debts are, in

fact, discharged, not in gold and silver, but in exported products ; but

this in no degree afi'ects the case, as they must be discharged in prod-

ucts at prices determined by the volume of gold and silver.

If the proportions of silver and gold in the mouey of the world be as-

sumed to be equal, the total discarding of either metal would diminish

the amount of money one-half and double the pressure of debts. It

would do more than that while the proce.-sof diminution was going on,

and for some time afterward. The proportions of such a calamity as

that cannot be exaggerated.

The Westminister Keview for January, 1876, estimated that the national

debts of the world then aggregated £4,598,000,000, or $22,204,000,000.

Our national debt is about $2,000,000,000.

Some other public and corporate debts have been computed by careful

authorities as tollows:

States $390,000,000

Cities, towns, and counties 850, tOO, 000

Railroads 2,459,000,000

Canals 105,000,000

Total 3, fc04, 000, 000

The figures for railroad debts are taken from Poor's Manual, 1876-'77.

Of debts of manufacturing, mining, and other companies, no estimates

have ever been attempted.

Of another form of permanent debt in this country, -that of mortgages

upon real estate, it can only be said that it is exceedingly great.

The permanent investments of the national, State, and savings banks,

insurance companies, and trust companies of !New York City amounted

at the comm encement of the j^resent year to about $500,000,000. These

investments include $205,000,000 in real-estate mortgages. According

to the most recent returns from savings banks which are accessible,

those in the six New England States, having $438,000,000 in deposits,

had invested $228,000,000, or rather more than one-half, in real estate

mortgages; those in the State of New York, having $310,677,000 in

deposits, had invested $116,154,000 in the same way; and of those in

New Jersey, 45 per cent, of ihe deposits are so invested.

It may be fairly inferred from these statements that the aggregate

value of real-estate mortgages held by moneyed institutions is very large.

The value of those held by individuals must be still larger. The loans

and discounts of the national banks October 2, 1876, were $927,000,000.

In November, 1875, the capital of State and private banks was $209,-

000,000, no^ reckoning a large surplus, and $487,000,000 of deposits,

and the savings banks had $884,000,000 of deposits. Nearly the whole

of this vast aggregate must have been employed in loans of some kind.

A considerable proportion of the farms in the West, especially in the

newer States, are known to be mortgaged. Of the 630,099 traders and

manufacturers on the books of the mercantile agency of Dunn, Barlow

& Co., in 1876, 9,022 failed, with average liabilities of $21,020. If that

MAGNITUDE OF DEBTS. 63

is assumed to be tbo avi nijje liability of tbo whole ().')0,oOO, the aggregate

liability would be $13.244. (l(i(».(i( (». ' Those \\i.u ihink that the tailures

should be ascribed, uot to a rehnive detieieiiey ot assets, but to au excess

of debts above the average, will reduce this estimate. But if is also to

be taken into tbe account that the books of this agency do not contain

the names of all the persons described as traders and niaiinlacturers,

nor of a vast uumber not described as such that are large t»peratois and

debtors.

There are other forms of debt in this country, which consist of the

rents reserved on long leases of either land and buildings, or land alone

to be built upon by the lessees. The amount of this kind ot indebted-

ness in the larger cities is enormous, and the eti'ect ui)on it of a shrink-

ing money is especially ruinous. The prostration of business, which

destroys or greatly reduces the value of buildings hired for commercial

or manufacturing i)ur[)0ses, does not atfect the right of the landlord t)

exact in full the stijjulated rent. The source from which it was ex-

pected to be paid may be dried up, but the liability to pay it remains

undiminished. Indebtedness under long leases figures largely in the

lists of debts scheduled in bankrupt courts, and largely also among the

losses of those who have so far managed to keep out of such comes.

Poors Man ual states the share-capital of the railroads at 8-, 108,()()(), 000,

and their debts at $2,400,000,000, being a i)rop()rtiou of share-capi-

tal to debt of eighty-nine to one hundred. This shows a considerable

excess of debt over capital stock. The financial condition of the rail-

roails illustrates the condition of a large proportion of the corporate

and individual property in the United Stafis. The country is new and

unsurpassed in natural resources, the population ventureso/ne, inge-

nious, and industrious, and enterprises of all kinds, from the greatest

to the smallest, are undertaken by c.ori»oratioiis and individuals on

small capital. It is considered ])iudentfor comi)anies or individuals

to undertake opt'rations with only means enough of their own to con-

stitute a security for loans wherewith to complete them. This view of

what is prudent may or may not be well takeu, but it is natural to

a young and progressive people. It has made tlie American econom-

ical system one vast network of debts and credits, and of long

debts and long credits. Merchants and traders, whose bills receivable

balance their bills payable, may easily make the mistake that an in-\*

crease in the vabu' of money is of little (consequence, and that what

is lost on one hand will be gaine<l on the other. 15ut this is a delu-

sion, as they will find that, while they lose by the bankrujitcy of debt-

ors, caused by a diminishing and ajjpreciating money, they will be

obliged to pay in full the debts which tliey themschcs owe. But these

short comiiKrcial debts, wheie bills ])aA able and bills receivabh' balance

each other, do not represent in amount or character the most iuirdcn-

some forms of the indebt<'diiess of the (country. Our cities aie hugely

built up on long loans, jind this is((pially true of the lural regions.

Men olten commence to larm with little else than their hands and their

courage, generaby with only some ina(le(piate. accumulation tbi' a liist

croj). They buy their land>> jtrincipally on credit, and get the means

for improvement on credit. Debt and credit run through all the rami-

tications of permanent investment in the United Stales. Vavu (tiiurch

edifices do not escapt mortgages. 'J'wo years ago the Stockholder, one

of the financial journals ol New Vork, stated it to be the opinion ol well-

informed persons that of the lots on Manhattan Island, computed at

1.00,000, improved a ndunim proved, thre(;lburt lis were moil ga-^cd. 'J'his

may be too high an estimate, and it may i>e the, case tliat properly is

64 PARLS CONFERENCE OF 1867.

mortgaged to a greater^ extent in New York City than in other portions

of the conntry. Bat there can be no doubt tliut (»n the lowest estimates

the mortgage-debts of the conniry aggregate a vast and startling amount.

The question of preserving steadiness in the value of money, and

consequentlj' in the prices of property, and especially" of guarding

against a change in the direction of contracting the volume and appre-

ciating the value of money, is, therefore, the transcendently important

one in the discussion of the policy of demonetizing silver.

It is a mistake, although a very common one, to suppose that the Paris

conference of 1867 recommended the demonetization of silver and the

adoption of an exclusive gold standard. What it did recommend was

such a unification of the gold coins of the leading commercial nations

as would render them convenient for iuternational use. The i)ractical

measure proposed was that the British pound sterling should be reduced

to twenty -five francs and the American eagle to fifty francs. The de-

monetization of silver formed no part of the policy proposed. The only

recommendation on that point was, that nations having the double

s^"-mlard should agree to establish such a legal relation of value be-

tween the two metals as would not practically exclude the circulation

oi gold. This recommendation was embodied in the following resolu-

tion:

The advantage of international nee which will be acquired by coins of the metal

selected as a common standard will not of itself be a sufiScient guarantee for the

maintenance of their circulation in each nation, but it will also be necessnry to be

farther stipulated, by nations now having the single standard of silver and by the

nations which have the double standard, that the relation of the value of the two

metals shall not be so fixed as to prevent the circulatiou of gold.

After a long discussion, this resolution was adopted unanimously. The

representatives of two nations (Prussia and the United States) declined

to vote, and the latter (Mr. Euggles) for the express reason that it

recognized the continuance of the double standard, to which he was

opposed.

It will thus be seen that the action of Germany in 1871 wag in no

respect conformable to the recommendations of the Paris conference.

Germany, in demonetizing silver, did what that conference did not rec-

ommend, and in refusing to adapt its coinage to international use, did

not do what that conference did recommend.

It is, therefore, not the Paris conference of 1867, but the legislation of

Germany of 1873, which compels a review of the grounds upon which gold

and silver have always and almost universally been regarded as equally

money-metals, and a consideration of the policy and the consequences of

abandoning the monetary use of one of them. No question more vitally

affecting the interests and happiness of the human race has ever claimed

discussion and decision. It is no such question as was supposed to exist

twenty years ago, when the anticipations of the Californian and Aus-

tralian yield were so exaggerated beyond the actual event as to create a

belief, more or less extensive, that the stability of the standard of values

required the demonetization of one of the metals. The yield of the two

metals since 1848 has not, upon the whole, raised the prices of commod-

ities much, if at all, and this yield, instead of increasing, has been for

several years rather decreasing. The danger which menaces is, therefore,

not a i)lethora, but a scarcity of money, even if both metals are retained

as such. But w^th the demonetization of one of them we should wit-

ness a contraction and scarcity of money and fall in prices which, in

magnitude and suddenness combined, has no i)recedent in the history of

the world, and in respect to the (consequences of which we have no

adequate experience to guide us. The m<mey-stocks of the world were

A SINGLE STANDAED EVENTUALLY INJURES CREDITORS. 65

diminished after the overtbrow of Eomnn civilization, bnt only by tlie

slow ])ioeess of current supplies fallinjj helow current consumption and

loss. But the general demonetization of either metal, if carried into

immediate etlect, would destroy at one blow one-half tlie money of the

world.

The demonetization of silver in a sinjile country, or even in several

countries, so long as silver retains a substantial position in the mon-

etary V'iroulation of tlie world, would i)roduee ert'ects short, of course,

of those which would follow its universal demonetization. IJut to act

upon the assumption that silver could maintain such a position, if the

United States should finally discard it, would be takiu<j^ reckless chances

in a matter too momentous to be subjected to any avoidable risk.

A single standard eventually rninous to creditors.

It is obvious that a violent contraction in the volume of money would

prove disastrous to all classes of debtors, includintj nations. This

would be its first effect, its more immediate result. But that it wouhl

eventuate in great injury and loss to the creditor classes, is not less cer-

tain. The cases are isolated and exceptional in which creditors are

secured by ])ledges so ain])le as to be absolutely insured against loss

even when the depreciation of prices is moderate. Their losses would

become enormous in such a depreciation of prices as would result from

contracting metallic money one half. In the general wreck which would

follow such a contraction, debtors and creditors would be engulfed in

one common ruin.

As to many debts, si)eciti(; pledges do not exist, as in the cons[)icuous

case of national debts, swollen already to such incredible proportions

and still increasing. The English, who, from their pre eminence in

accumulated capital, own so large a proportion of these debts, do not

conceal their anxieties in resi)ect of this danger.

The Westminster Review fJanuary, 1870) holds that no rise in the

prices of commodities has resulted from the increase of gold since 1848,

and that the tendency in that direction has been at least neutralized

by '"the increase of general jiopulation and wealth, the demonetization o/

silver, and the establishment of fjold currencies in its stead in several slates.'''

And u])on the effect of further movements in the direction of demone

tizing silver, it says:

Oijc of the things involved \v<! holil lo In- tho i)rohiibli) a|iiirf('i;itioii of t^old ; in

other words, an increase of iits jjurcliasinji power ; ami that, cou.seqiicnlly. unlcMs Iresh

discoveries are made, ])rices have seen their hij;hest for many a lonj^day, and that debts

contraeted in ^old wrll, hy reason of tiiis moveineiu, tend to press more heavily on the

borrowers, and iliat il will Ix; wvUif UiisprcsHiire do nol become so iiilolcialile <in to utiiigext,

by way of nohitiou, nomclliUu) tike universal iwpudialion .

In letters published within a few months, the ]>residerjt of the Ijiver-

pool (l<jngland) Chajuber of Commerce says of silver <Iemonetization :

It will practically beggar all nations that have l>oi rowed in silver and have to pay

in gold.

No doubt, if such a state of things were to hapi)en, some countries would have to

jtasH intr) liqnidatifui and make a eomposilion with their creditors, and ultimately

matters would st!ttli' down evc-ryw hrn', after excessivt- sutlenng ami confusion, into a

universal system of gcdd )iaym<'nts ; 1 ml the nrecssaiy n-snli woidd be that t Ik- nn-tallic

basis on which tin- business (d' the wurld was done w(Hild be immensely irdiMcd. It

would bo as if tin mines were shut up f(n- several years. Inst end of, sa> , 1. UMi millions

[sterling | of gold and silver to do i lie busiiu'ss of irxidiangi', I here wouM be 700 nr h(I(1

uniliotis [sterlinii] of gr)ld, ami a limited amount id' silver as sm;ill changi". .Mont'y

values would fall greatly; national dclits, like our own, would jiress much in<»ro

heavily, atid a period of snll'ering and contraction of busiur.ss would ensim, sindlar lo

what the t'uitt'd .States has expeiienecd on coming painfully back from inll.'ited papi-r

toward h|)eeic payniei.fs. No <l'>ubt at last the process would be ac'ccunplished, (in<l

S. Uep. TO.'} u

66 A SINGLE STANDARD EVENTUALLY INJURES CREDITORS.

after a century or so tbo world could trade as well on gold alone aa gold and silver

combiued. But why have the iuterniediate chaos if it can be avoided?

It was this same view which induced the London Economist, the

special organ of British financial opinion, to advise (Sei)tember 2,

187G) this country to adopt either the double standard or a single

standard of silver. It then said:

The United States might take tbe single gold standard like ourselves, and this is

what, till very lately, every English economist would have advised them to do. The

evils of thin 2ilan hud vot then been seen.

And, after pointing out that in the event of the adoption of a gold

standard by h ranee and the United States, "///e money-markets of the

irorid icould be straitened, ^^ the Economist continued:

At the present moment America would become a silver country, and the interest

and principal of her obligations would be paid in silver. The evil, of course, would

not be what the momentary circumstances of the mariiCt would now suggest. Silver

would not be at 52 pence jnr ounce if America was a country with a sole silver cur-

rency. So large a demand as her coin requirements would send up the price very

rapidly — perhaps to its old amount.

It IS quite apparent that the wiser creditor nations are beginning to

see that they would inevitably lose more than they could possil>ly gain

by such a contraction in the volume and consequent appreciation in the

value of money as would drive their debtors to bankruptcy and ruin.

They will see it more clearly hereafter if the demonetization of silver

is persisted in. This country, with its vast extent of unoccui)ied fertile

territory, its ala)ost boundless resources, its ingenious, enter])rising,

industrious, and increasing po])ulation. its comparative imuiunity from

the danger of foreign wars, its free institutions, and its stable govern-

ment, would i)erhaps be able to sustain any burden thrown upon it by

an unwise and unjust policy. But it must be remembered that these

favorable conditions do not exist everywhere, and that less lavored

debtor nations would sink under a load which this country might be

strong enough to carry.

IV.

UNDER THE ACTUAL CIRCUMSTANCES OF THE MOVEMENTS IN OTHER

COUNTRIES, IN THE DIRECTION OF DEMONETIZING SILVER, IS IT

PRACTICABLE FOR THE UNITED STATES TO MAINTAIN THE DOUBLE

STANDARD ?

It is said tbat the policies of other countries which we cannot control

are giving to silver a tendency to such a degree of depreciation and

fluctuation as would unfit it for monetary use, and that it is not in

our power to resist this tendency by remonetizing silver ourselves.

The following is a statement of different nations, not including the

United States, with their estimated populations, classified according to

their metallic standards :

SILVER-STANDARD COUNTRIES.

Population.

Russia 76,000,000

Austria 36,000,000

Egypt 4,500,000

Miesico 8,000,000

Central America 2, 600, 000

Ecuador 1,300,000

Peru 3,400,000

China 400, 000, 000

British India 237, 144, 456

768, 944. 4.56

As Eussia and Austria both have legal tender paper money, their

population will be noneffective in relation to the matter in hand, until

MONEY STANDARDS OF VARIOUS NATIONS. fi7

they resuuie specie payments, or coiiiineiiee to hoard sp«M'ie with a view

to such i)ayraeiits. With that deduction, the population actually usinji

the silver standard is G5(),944,4i")(5.

UOUULK-MANDAJU) (..(JLNTKUCS.

Population.

Greece 1 , 400, (oO

RoiiuKiuia 4,UH(i, OdU

Colombia '. •.', <,(io, V.OO

Vcuoziioki ,. . ] , G(lU, 0(1(1

Cbili 1.1)00, (l(/(»

Uruguay 400, 1 'Oo

Paraguay 1, "200, 0'JO

.Tai)au ;{:{, 000, Odd

Hollanti :5,T00, OdO

France :{(>, tjOd, 000

Belgium .">, 100,000

Switzerland 'J, 700, 000

Italy 20, K)0, 000

Spain Ki, 400,000

1:57,300,000

As Italy has not only a legal-tender paper u)oney, but substantially

no metallic money in circulation, its poi)ulation may be net down as non-

effective, thus reducing- the i)opulation of this group to 110,500,000.

In Holland, France, Belgium, Switzerland, an<l Spain, containing a

population of 64,100,000, the coinage of silver is either limited or en-

tirely suspended.

GOLD-STANDARD COUNTRIES.

Population

Great Britaiu 32,000,000

Canada, Cape of Good Hope, and Australian colonies 7, (tOO, 000

Germany 42,000,000

Norway 1 . 700, 000

Sweden 4, 300, Odd

Denmark 1,800,000

Portugal 4, 000, 000

02, 800, 000

This classilicatiou excludes Brazil, the Argentine lvei)ul)lic, Turkey,

Persia, the great bulk of Africa, and some minor countries and colonial

possessions in Asia.

Brazil and the Argentine Bejuiblic have the gold standard nominally,

but the actual cunency is legal-tender i)a[)er. Turkey and IN'isia have

the gold standard nominally, but not in I'act, the actual currency being

gold and silver coins. Within a few months Turkey has commenced

the issue of legal-tender t.'Overnment pa|)er.

Africa has a cousi<lerable po[»ulation, but, outside of Egypt and Cape

Colony, its relation to coinages or legal sljindai<ls is trilling and unim-

portant. Both (jf the precious metals iiic ie<'ognized as money among

the peoples inhabiting it, who have a special j)referen(;e Ibr tliesilvei'

ilollar, the coin which centuries of use have made most familiar to them.

In the non enumerate<l <(mnlries ol Asia silver is the metal in geneial

use, and some of them, as Siam, Burniali, and the Dutch eitlony of

Java, have i)0])ulations which are considerable, although small in com-

j>aii.^on with the j)oj)ulatiOn of India and Chin;!.

In Spain a lo^,al decK-e w;is issued in the summer ot l.STti, interdict-

ing the coinage of silver excej)! on government account. This decree

also declared it to be the intention of the government to limit the legal-

tender I'unctioii of silver to !.">(» pesetas, or about )?2.S, afti-r it had obtained

Rud coined a suflicient amount of gold to make it practical)le to do so,

68 MONEY -STANDARDS OF VARIOUS NATIONS.

The peseta and lianc are equivalents in value. The reason assigned for

this intention was the depreciation of silver relatively to gold. The

price of silver in London was at about its lowest point when this decree

was issued. What influence the subsequent advance in its price in

that market may have on the policy of Spain is uncertain.

In Holland silver was the sole standard until 1816. In that year the

double standard was adopted with the legal relation between the metals

of 15.873 to 1, which undervalued silver and practically banished it from

the circulati/)u. In 1847 silver was again adopted as the sole standard,

not in consequence of the discovery of gold in California, but just before

that event. The i)rincipal reason assigned by the statesmen of Holland

for this change in 1847 was, that it had proved disastrous to the com-

mercial and industrial interests of Holland to have a money system

identical with that of England, whose financial revulsions, after its

adoption of the gold standard, had been more frequent and more se-

vere than in any other country, and whose injurious effects were felt in

Holland scarcely less than in England. They maintained that the

adoption of the silver standard would preventEngland from disturbing

the internal trade of Holland by draining off its money during such re-

vulsions, and would secure immunity from evils which did not originate

in and for which Holland was not responsible. In 1875 a law was passed

interdicting the coinage of silver except on government account, and

I^roviding for an unrestricted gold coinage, with unlimited legal-tender

functions at a legal relation between the metals of 15.G04 to 1.

This law was avowedly provisional, and was to expire January 1,

1877, Buless re-enacted. The executive department of that country

decidedly favor the gold standard, and have proposed two laws for its

eslablishment, both of which have failed to receive the sanction of the

legislative chambers. The law first proposed restricted the coinage of

silver at the Java mint as well as at the home mint, and deprived silver

coin in Holland, but not in Java, of the legal-tender function, except for

small payments. The law last proposed prohibited absolutely the fur-

ther coinage of silver. It did not demonetize coins already minted,

but authorized the finance minister, at his discretion, to purchase and

withdraw them from the circulation. The American minister to the

Hague, xNOvember -17, 1876, referring to this law, says :

Wltli regard to the Dutcli East Indian colonies the rule will be substantially the

same, leaving it to the minister of linance to make proper arrangements with the

colonial minister.

This law was agreed to in November last by the lower chamber, but

was defeated in December in the ujiper chamber by a decisive vote; and

thereupon, on the 23d of December, the ministry proposed a new law,

substantially keeping in force the law of 1875, which was passed. The

ultimate policy of Holland remains to be determined.

France, Belgium, Italy, Switzerland, and Greece constitute what is

called the Latin Union, and are bound by treaty until 1880 to receive

each other's gold and silver coins at their respective treasuries at a

relation of value between the metals of 15^ to 1. By an agreement

made in January, 1874, and which still continues with modifications,

France, Italy, Belgium, and Switzerland limited their silver coinage

(exclusive of subsidiary coins) to the following sums for the years named,

stated in francs:

1874 140.000,000

1875 150,000,000

1876 108,000,000

These were the maximuni amounts of the silver coinage permitted by

SMALL AMolNI <»K SMAIJJ l\ IM'L'Ol'K. t)9

the a.G:reeiiient for tlie \(ai-.s luiimMl n sjMH'tivel.v. but cither eouutry

mijiht decline to coin the (|i!ota assigneil to it, ;ni(l in fact SwitzerUuid

dill so decline in ISTo. In Ani^nst, l.sTU, tlic President ot France sus-

pended entirely the coinage of silver, excei)t lor subsidiary ])uri>^ses.

This was in j)ursuanee of a law passed Anjinst o, l.S7<!, anthorizin.n' him

at his discretion to keep the mints of France closed against the conia.ufe

of silver until January, 1878. In December, 187G, JJelgium, followinjj

the example of France, also suspended the cointiije of silver.

These restrictive agreements and acts in respect to the silver coiujige

(•onstitute what is known in current discussions as the ''exi)ectant iitti-

tude'' ot the Latin Union. They amount on the one hand, to a relusaT

to Join Germany iu a gold standard, and, on the other hand, to a i)reven-

tion of su(di an increase of their silver coins as would augment the dif

Hculty and loss of going to a gold standard, if they should hereafter

decide upon such a policy. They will be characterized as wisely cau-

tious, or irresolute and weak, according to the varying opinions of ob-

servers. In fact, they may be neither; but rather the onlj- comi)romise

which was possible of nearly equally-<livided counsels.

Only a small amount of silver now remaining in Europe.

It is objected by many that the remonetization ol" silver iu the duited

States would induce a further ami nnu-e general demonetization of

that metal in Europe, and would make this country a reservoir into

which would tlow a swollen stream of cheap and cheapening silver.

As it is not alleged that we are exposed to a dangerous inllow of silver

from any other quarter, it may be nselul to inquire what quantity in

coin and bars there really is in the dift'erent countries of Europe at

this time, and how much of that quantity is available for sale after

their demands for consumption in the arts, and to keep their stocks of

subsidiary coins good against abrasion and loss, have l)een supplied, and

iiow much they will need annually in the future for these last i>urposes.

Italy, Austria, and liussia, having an actual currency of legal-tender

paper, mav be left out of this account. They have no silver to dispose

of.

In respect to Italy, it is stated in the report (1870) of the Britisii sil-

ver commission:

Italy Las Ijeeii gradually deuuded oT her silver ciincucy. Siiut! lr;G5 ]ar;^e aiiit»iiiitB

have been exported; her forced pai)er eurreucy has api)arently expelled the whole

of the metallic ciirrencv, of which t lie silver coins auiounled at ihe hcf^jiiiiiiii^jof IstiCi

I. . about £17,000,000.

In the tabulation in the same report of the (juantities of silver thrown

on the market during the lour years from 187- to 187"), bolh inclusive,

Italy is put down as Ihrnishing eight millions sterling, or as mucli as

was furnished during the same time by Germany and the Scandinaxian

states combined. An Italian finance ministei' has estimated tlu' Italian

export ol both the metals since 180(; at .sii(M),(iOO,()()0.

The tacts given in the r<'j)ort made Deeemlier !!(►, !87(», I'y Mr. <'omp

ton, of the British embassy at Ivome, seem to justily Ins statement that

".s//(C6' ISfUi, when paper money uus inhoilimd in the, pUicc of <<>in, iinirlif

Ji:;;0,00(),OUO north (f HUv<r has hum txportnl." 'iius is neaily twice the

estimate of the British silver commission. If it is true that 8l'«»().(i(»o.(i(»(»

of both the nu'tals have been exported since ISOO. ihe estimate of Mr.

(.'on)pton is moie jiroljably correct, as the in(i|)ortion of silvei" to ;j,old

was always veiy large in the Italian circulalion so long as it was metal-

lic or convertible. Of the coins issu<'d prior to 1802, those withdrawn

70 SMALL AMOUNT OJ' SILV1':k Lf^ EUROPE.

have been in 1 he proportion of $92,635,000 of silver to $5,415,(K)0 of

gold. In the new coinage since 1862, and down to 1876, the silver was

£17,505,481 and the gold £9,446,688. In the public treasury and in all

the banks in October last Mr. Compton states the entire metallic money

at only £7,000,000, divided about equally between gold and silver. It

is fully shown by all these statements that within eleven years Ikxly

has thrown an immense amount of silver, undoubtedly approximating

$150,000,000, on the markets, and that it can do nothing further in that

direction.

The i)ortentous political aspects iu Europe do not justify the expecta-

tion of an early resumption of coin payments by either Russia or Austria.

The paper rouble of Russia, which dates with the Empress Catherine,

has had the varying fortunes of the wars and })olitical events of a century,

alternately appreciating and depreciating, occasionally subjected to the

process of scaling or partial repudiation, and during one brief period,

from 1839 to 1857, redeemed in coin. If the great struggle threatened

with Turkey takes i)lace, monetary reforms will yield, as always, to

more urgent national necessities. Of Austria, it is said that an annual

treasury deficit has been chronic since 1789, and the actual needs of

military preparation and observation justify no present hope of an im-

proved condition.

Great Britain may be left out of this account, having: demonetized

silver two generations ago.

Germany must be included iu the account, as the demonetization

of silver there is not yet an accomplished fact. The estimates of the

silver still to be called iu and sold by that country' are widely variant.

The known facts iu the case are : the total amount of silver coins

which had been struck down to the date when demonetization was de-

termined upon, the amount taken in by the Government to February 28,

1877, the amount sold by the Government to September 30, 1870, and

the amount used to February 28, 1877, in the manufacture of the new

subsidiary coinage. What is unknown, and in respect to which there

is an extreme variance of opinion, is the proportion of the coins hereto-

fore struck which has been lost^ melted, or exporti d. The figures are :

Total amount of the old silver coinage $431,650,000

Withdrawn to February 28, 1877 182,561,217

Used iu subsidiary coinage to February 28, 1877 97, 150, 6:55

Actually sold to September 30, 1876 39,847,600

Converted into bars for sale, but not sold, September 30, 1876 9,855,200

If the sum of ten marks, equaling about two and a half dollars per

head, which in the provisional per-capita limit of the subsidiary coinage,

be made permanent, there will he needed to carry the coinage up to that

limit, about $8,000,000. If the limit be increased to fifteen marks, about

$60,000,000 instead of $8,000,000 will, be required.

The exports of silver from Germany to England were much greater in

the latter than iu the earlier ])artof 1876. During January and Febru-

ary of this year they were £1,317,880 or $6,391,718, During the same

mouths of last year they were only £196,738 or $954,180, Upon the

whole, it may be concluded that nearly the entire difference, which is

$85,410,582, between the amount withdrawn aud the amount used in

subsidiary coinage to the end of February, 1877, has been sold.

Of the old silver coinage, $50,000,000 were in florins or gulden cur-

rency, all issued since 1837. The remainder consisted of the thaler coin-

ages, some of tiiem dating back to 1750. The gulden currency has been

demonetized, aud only 68 per cent, of it was presented within the time

limited tor redemption. It is argued that the proportion of loss must be

SILVER UEMAINIXG IX GERMANY. 71

much greater in thetbaler coinages which have been snbjected so nuieh

louger to the various causes of loss. The jirobable jtropoition of the

loss of those coinages is fixed by some authorities as high as three-tifths,

but against this view it is urged that the gulden currency was better

ada])ted to export and better ada])ted to melting down, because coii-

taiuiug more gold. The controversy will be settled when the coinage

is all called in, and not before. The British silver commission, after

groping about as best they could where so much was uncertain ;ind

obscure, concluded that the German Government might, at the date

of their rei)ort, July o, 187C, still have had from $40,0(K»,()0U to

$100,000,000 of sdver to sell. The later evidence seems to point rather

towards the higher than the lower estimate. The computation of the

British commission included only the sales of $30,000,000 then reported

and kuown. The sales to this time amount ])robably to $85,000,000,

but the excess of such sales above $o0,000,0()0 is certainly more tljan

$40,000,000, the minimum estimate of the amount remaining at the date

of the British report. Since November last, all the old sdver coins have

been demonetized, except the thaler jiiece and the sixth of a thaler

piece, but the current reports are that the amount of the outstanding

thaler pieces is still considerable.

The result will be largely aflected by the conclusion finally reached

as to the amount required for subsidiary coinage. The executive gov-

ernment has i)roposed to enlarge it one-half, or to fifteen marks per

capita, but the proposition lies over for the present, some legislative

opposition having manifested itself. If carried, the eiriargement will

require about $31', 000,000 in silver.

The London Economist of Februarys, 1877, states that the German

coinage jjrogramme for the present year is to comjjlete the subsidiary

coinage up to the present legal limit, which will call ft)r $S,0(H),000 in

silver, and to coin •10,0(J0 iionnds in weight of gold (about $12,11'."), 000)

for the account of the government. The mints are always open, of

course, for such gold coinage as individuals may recjuire. If tiiis is

really the present prograunne of the German authorities, it implies

either that they are not inclined to press the withdrawal of silver to an

immediate conclusion, or that the quantity still to be withdrawn is not

large.

In the appendix (page 1) to the report of the British commission is a

careful estimate, which i)uts the amount of subsidiary silver in Great

Britain, December 1, 1872, at £10,5,50,000. Taking t'he iiopniation of

Great Britain at thirty two millions, and the English shilling as the

equivalent of the German mark, it would be about twelve marks i)er

capita of the population.

The British commission say :

It 8ceni8 certain that iiiorcBUbHidiary c(piiia;;c will lio iiHcd in (it rniany f lian in Eiifj-

land, owing to the smaller ukc of c1j<c1vh, and to llie lialtit of daily )iayniont lor all

family expenses, in the place of tbo Englivli system of weekly or monthly l)ills.

It seems probable, therefore, that the increase of the German subsidi-

ary coinage of filteen marks ])er capita will finally be carried, and that

even a greater increase may l)e found necessary.

The subsidiary coinage of iwance is limited to six francs, or about four

and a half marks, per capita of the ]iopulation. A much greiiler :im(innt

per caj)ita would doubtless be required were it not lor tlu^ Wu't that the

ne(-essity for it is lessened by the existence ol the full tendei sil\ cr live-

franc pieces, just as it is h-ssened in lhisconnti\\ by tin: one and two

dollar legal-tender, and bank notes. But it the full-tender five-franc

pieces were called in, as they would be ishoulU silver be demouetlzed,

72 AMOUNT OF SILVEK IN FRANCE.

France would require at least as much subsidiary coiu, per capiia of the

population, as Germany.

In the event of a remonetizatiou of silver in the United States, and

of its g:eneral demonetization in Europe, this country could not be

flooded with silver from Italy, Austria, or Russia, which have none to

dispose of, nor from (Jreat Britain, which has none except what is fixed

in subsidiary coins, nor from Germany beyond the small amount not yet

withdrawn from its circulation. It is France which has nearly all the

silver which is left in Europe, liable to be thrown on the markets of the

world. The amount of this French stock, disposable in the event of de-

monetization, is as variously estimated as the amount of the German

stock. The total number of five-franc pieces coined, from the commence-

ment of the coinage in 1795 to its suspension in 1876, was 1,008,159,949,

amounting in value to $947,500,000. The five-franc piece is the only

full-tender silver coin in circulation in France. Tlie silver coins under

that denomination are below the French standard of fineness, and are

tenders for only small sums. The British silver coniiiiissiuu printapaper,

stated by the chairman to have been furnished by " a higli authority in

France," whose name, however, is not given, in which the amount of

full legal-tender silver in France is estimated at li,200,000,000 francs,

or $413,500,000. The bases of this estimate are, that in 1868 the au

thorities generally concurred in estimating it at 1,500,000,000 francs,

to which had been added 500,000,000 by subsequent coinage at the

French miut,.and 200,000,000 by the importation of the five-franc pieces

of the other states of the Latin Union. Between 1857 and 1868 there

was no silver coined at the French mints, except debased pieces for

subsidiary purposes.

M. Cernuschi gives it as the general judgment of French authorities

that the total metallic money of France, gold and silver, is $1 ,000,000,000.

The proportion of gold to silver in the reserves of the Bank of France

is as five to two, but ma}^ be less outside of that institution.

Paul Leroy Beaulieu {Journal des DSbats, March 3, 1876) estimates

the whole quantity of silver remaining at only 1,200,000,000 francs, one

half of which is in the Bank of France. Victor Bonnet makes estimates

equally low. Ernest Seyd combats these estimates as being too low, and

as being made by advocates of the gold standard for the purpose of

underrating the difficulties of demonetizing silver, but he does not him-

self reckon the quantity at above £70,000.000 sterling, or $350,000,000.

The i)roportion of silver in the total amount of specie paid to and de-

posited in the Bank of France is diminishing. This fact is considered by

French authorities as indicating that there is no plethora or excess of

silver in the circulation.

Upon the whole, we may take $413,500,000 as a maximum estimate

of the full-tender silver in France. It is probably less. Whatever the

amount may be, 400,000,000 francs, or $75,000,000 would be absorbed in

the event of the demonetization of silver in such an addition to the sub-

sidiary coinage as would carry it up to twenty francs per capita, or about

the equivalent of fifteen marks per capita in Germany.

In respect to the Scandinavian states, our minister to Denmark (letter

of November 8, 1876, to Secretary Fish) says the demonetization of sil-

ver was completed October 1, 1876, and that the old silver coins had

then entirely disappeared. The same thing is doubtless true of Norway

and Sweden, as those countries conducted their movement toward a

gold standard in concert with Denmark, and ijursuant to treaty arrange-

ments. In respect of Denmark, full accounts have been published of

CONSUMPTION OK SILVKK IN EUltOPE. 73

the silver withdrawn, of the jnnonnt sold, and of the amount remiuted

in subsidiary coins. These iiccounts are as follows:

Withdrawn §11,397,500

Sold 6,8-2,150

Eeminted 4,515,:{o0

The annual consumption ol silver in Europe would not be nuich

diminished by its universal demonetization there. Its. consumption in

plate and in the arts wouhl not be alfeeted at all. Its consumption

by the loss and abrasion ot coins would be nearly if not quite as great

as ever. Silver would still be the material of the coins used in retail

transactions and by the masses of the people, and it is in coins so used

that loss and abrasion chietiy occur. There would be less silver in the

leserves of banks and public treasuries, but in such reserves loss and

abrasion of coins do not occur.

The returns of British imports and exports of silver for eight years

ending with 1875, show an average annual excess of imports of

£l,147,.o00, or $5,837,500. The British commission set down £400,000

to account of waste and loss of coins, £350,000 to the account of i»late,

and £250,000 to the account of consumption in the arts. The consump-

tion per capita on the continent of Europe would be less in the arts, but

probably more in plate, than in Great Britain. The British commission

say that the use of plate is mainly contined to the "higher classes " in

England, whereas iu France ami Germany the "lower classes" and

"peasantry" indulge in it in minor forms.

The Paris corresi)ondeut of the London Economist (December 10, 187G)

says of the consuuii)tiun of silver in that city, that "the demands are

solely for manufacturing i)urposes, for which a value of a million of

francs ($200,000) is required weekly." I'aris, undoubtedly, manufactures

for other consumers than the French, but the annual (;onsnmption of

silver of the value of $10,000,000 for manufacturing purposes in that

single city is, iu any asi)ect, a noteworthy fact. The consumjxion in the

coinage on the continent of Europe through abrasion and loss could be

immense if it were not for the expulsion of the metals by i)aper in sev-

eral large countries, but, even under existing circumstances, must be

several times larger than it is in Great Britain.

The substitution of gold for silver in P^urope has be<'n in i)rogress ever

since the discovery of gold in California, and consecpiently the amount

of silver remaining even in the specie-paying countries of Europe can-

not be formidable. The only thing whicli couhl occur hereafter to dis-

turb niaterially the relation of the two metals would be the resumption

of specie payments by Italy, Austria, and Kus.sia. How the relation

would be ali'ccted depends upon the metallic standards which those

nations might select hereafter. If they should resunu'Uiion their i»resent

metallic standards, resum|»tion in Italy, which is a ddiiith'-slandard

country, would simply tend to restore the old relation of 15jV to 1, whde

resumjjtion in Kussia and Austria, which are silver standaid c(»niitries,

would not only carry silver up to an e<iuivalency of 15A to 1, but iniglil

carry it still higher, if all these countries should resume or seriously

attemi)t to resume specie i>aymen1s, and on a gold standard, it wonhl

enormously increases the, demand for and relative value of gold ; but

such a resumption in those (rountiies is impossil)le, and any attempt in

that direction improbable. Their resumpiioii on any metallic stan<lard,

within any near period, is wholly improliable.

If silver were remouetized in the ( nitcd States, the amount which

would be absorbed here, in the event of the resumption of sp«'CMi pay-

ments, would exceed any visibh^ supply which Europe has todiHposeof,

74 ASIATIC DEMAND FOR SILVER.

and would restore the relative value of silver to what it was before the

recent movement of Germany. And in all contingencies, the permanent

value of silver rests securely upon the magnitude of the silver stock,

upon its diffusion over so large a part of the globe, and upon the silver-

absorbing power of the world, and esi)ecially of Asia, whose vast popu-

lations, whatever may be done with silver elsewhere, mu.st continue to

use it as their money for an indetinite period. The exchangeable values

of gold and silver, resi)ectively, whether as commodities or money, de-

pend upon the demand and the supjjly, and the demand depends upon

thenumbers and wealth of those who make the demand, and not upon

their intelligence, civilization, or retinement.

Magnitude of the Asiatic demand for silver.

Tt will certainly meet all the requirements of the discussion to con-

sider the question of remonetizing silver in the United States upon the

assuujption that silver will continue to be used as money iu most of the

regions of the world where it is now so used, and especially in Asia.

This is the assumption, in fact, of Euroi)ean advocates of the gold

standard, and they insist upon it as the adequate answer to those who

point out the disaster and ruin that would follow a universal demon-

etization of silver.

Humboldt estimates that at the beginning of this century the pro-

duction of the precious metals in America, principally silver, was

$43,0()0,U()(), $25,000,000 of which went to Asia in the course of trade,

and never to return.

Asia has been known in all historical times as the S'uk of silver.

In the twenty-six years irom 1851 to 187G, both inclusive, the specie

exports to Egypt and the East were —

silver. Gold.

From (irf-at Britain $741, 8-6, 000 f 135, 4«?, oH5

From French i^orts 294, 671, 400 181, . 579, 150

Total --- 1,036.5.57,450 316,963,0.35

This is an annual average of $39,867,594 of silver and $12,190,88(5 of

gold. (See Quetteville's circular.)

British India alone, in the I'orty vears ending with 1875, had an excess

of silver im[)orts over exports of'£ 198,404,000, or nearly $1,000,000,000,

and during the same period an excess of gold imi)orts of $500,OtlO,000.

In the same forty years the silver coinage of India was £210,0(50,975.

Of this amount there were £21,(!00,0(I0 of old coins reminted, which

being deducted from the total of the coinage would leave £189,0(50,975,

or ne.rly $900,000,000, as the addition made in those years to the pre-

viously I'xistiiig money-stock of India.

The testimony is clear that the India demand for silver generally, and

for silver coins in particular, is as unsatisfied and exigent as ever. If

India was over-su])plied with silver, the prices of commodities would

be abnormally high, whereas the reverse is the fact. The effectiveness

and uigency of the demand in any country for money are measured by

the general s(;ale of r)rices at which its commodities are offered to the

world. Tried by this test, the India demand for silver, which is the

money of India, was never greater. The governor and council of India,

in a minute, i)ublished last summer, of their reasons for keeping the mints

open for silver, say :

First, gold has risen iu value since March, 1873, and especially since last December.

Second, it in not shown that silver has fallen in value, i. e., as compared with commod-

ities iu general, either in London or in India, during the same period.

ASIATIC DEMAND FOR SILVER. 75

The Loiuloij Economist (October 28, 1876) says of this paper :

As a whole, both iu itscouclusions aud reasoiiiups, tin- '•minute" is most admirable.

The council of India kept well on the safe side in eayiuji that silver

had not fallen in value in India since 1873, or. in other words, that thi?

prices of India products had not risen. Most oltlie autiiorities concur

that silver has risen in India rather than fallen since that time. A New

York writer, J. S. jNloore, who has special facilities for information on

this subject, says (New York Evening- Post, October UI, 187G) that "In-

dian i)roducts are, at present, at their lowest ebb, as con)parcd durinjj

fifteen years." At tbe annual meetiufj in Sei>tcn)ber last of the share-

holders of the Oriental Batdc of London, which lias extensive aud inti

mate connections with the India trade, the president said that with few

exceptions, India produce was so low that even the general war sup-

posed to be menacing Europe could not make things worse. To the

same efi'ect was the testimony last summer beJ'ore the Uritish cummis-

sion, and it is not weakened by the tact, which the commission say is

borne out by the testimony, that the imports as well as the exports of

India are on a low range of prices. Both facts prove the same thing,

that silver is not in excess, but scarce and delicieut, in India.

The demand in India for coined money, on any scale, is of very mod-

ern origin, not antedating the i)resent century, and has become imi)or-

tant even more recently than that. The old native practtiee was to pay

land-rents iu the products of the land, and nearly all transactions even

tifty years ago were by barter. W. Nassau Lee, one of the l)est informed

aud most intelligent writers on Indian topics, in a work entitled "Urain

of Silver to the East," dated at Calcutta iu 18(13, but |)rinte<l in London,

states that the use of coined money was still notcommon outside of the

cities, and that the general use of it would recpiiic an additional amount

of £400,()( 10,000, $J,000,000.000. This estimate was on the basis of an

assumed population of 180,000,000 (now known to be L\*37,O()O,OO0), and

on an amount per cai)ita ecpial to what is employed in (Ireat Britain,

although in Mr. Lee's opinion jndia re«iuired mt>re, because making less

use of credits ajid representative money, ('olonel Hyde, who was for

fourteen years director of the Calcutta mint, testifieil before the British

e.ommission to the, same geneial facts which ar\*- given in Mr. Lee's

work, and gave it as his opinion that " it.s (India's) cajxtcittj for ahNorbing

nilrcr remains great.-'' Another witness, McKenzie, who had been a mer-

chant, indigo manufacturer, and railway manager in India, testitied that

the <iiculation in many parts of that country was ^'' totulli/ iiunlcfjuaie.''^

There have been, of course, IJuctuations in the balances of India trade

within the last forty years. Thesilv<'i- imjioits, from 1871 to 1.S7."). were

on a lower average than during the last lorty years, and on a much lower

average than during the American civil war, when India largely supplied

the world with cotton. Tlieie weie equal and even greater (liietuations

prioi- to the last lorly yeais. In one year, 18.'')--33, i^ccoidiiig to Mr.

Lee, " the Hood of silver to indiaalmost dried up." But no(\\ itlistand-

ing temporary tluctualions, the great fact that India is a sink of silver

is as true today as it has been IVom the earliest i)eri(»d of history.

That it will continue to <liaw sj|v«'r from the icst of the world rests

upon the jtermanent conditions that it has no sihci mines, while it

al)ounds in commodities which command the pre<-ions metals, and liasa

vast po])nlation, industiious and lich, whose demand I'or siKcr for use

as money is constantly incieasing, and whose jjassion for both silver

and gold, for d«'coration, ornamentation, and personal adornment is pro-

verbiallv universal.

76 ASIATIC DEMAND KOH SILVER.

The followiug is a statemeut of the foreign commerce of India for the

thirty-six years, from 1835 to 1871 :

Exports of meichaudise '. £1, 012, 000, 000

Esport.s of gold and silver 37,000,000

Imports of merchandise 583, 000, 000

Imports of gold and silver 312,000,000

The British commission discussed at length this India problem, relat-

ing as it does to the greatest of the British dependencies, and arrived

at the conclusion that " as India has been a great consumer of silver in

the past, so it will continue to be in the future."

In respect to China, with its teeming population, no circumstance

is suggested likely to diminish its demand for silver, which is its prin-

cipal money, current by weight. That emi)ire is now proposing, for the

first time in its history, to establish a mint for the coinage of silver.

Such a coinage would have an immense influence in extending the mon-

etary use of silver in that country. Jt would cause the same substitu-

tion of cash for barter which followed the establishment of a mint in

India, and, in addition, w^ould replace with small silver coins the cumber-

some coins of base metal now employed. The American minister to

China, writing from Peking, August 9, 187C, says the prospect of the

establishment of a mint is "excellent."

Current facts show how groundless was the apprehension, which was

so large an element in producing the late silver panic, that the East would

cease to absorb silver. The flood of that metal to the Orient has already

set in again with redoubled lorce. The London Economist gives the fol-

lowing as the silver exports from England for the years 1875 and 1870,

respectively :

1875. 1876.

To British India £3,231,266 £8,229,124

To China 863, 131 1, 249, 729

Rating the pound at $4.85, this was an aggregate export in 1876 to

India and China of $45,975,438. In three only of the last twenty-six

years has it been gi eater. The average of the last twentv-six years

was $28,748,077. In 1876 it was, therefore, $17,000,000 in excess of

this average, and the prices of India products are still abnormally de-

pressed, which is another mode of saying that the India demand for

silver is still unusually great.

But the figures thus commented upon do not give the whole case, and

especially in respect to China, inasmuch as, by a recent change in the

course of trade, much larger amounts than formerly are being sent to the

East from San Francisco, and a good deal of it on Loudon orders and

account. The amount sent during the year 1876 was $9,119,031,

During January and February of the present year, the silver export

from San Francisco to China and Japan has been $2,625,081, and the

British silver export to China and India has been £2,119,025, or upward

of $10,000,000. This is more than three times what it was in the cor-

resi)onding months of 1876.

We have in the operations of the Vienna mint another illustratiou,

and on a considerable scale, of the sure tendency of the East to absorb

silver when it falls in its gold price at the West. It has long been the

practice of that hiint to strike a jjarticuiai" coin, the Maria Tliei osa thaler,

lor exportation to the East, and especially to Egypt, where it has been

for many years a familiar and favorite species of money. The amount of

ASIATIC DEMAND FOR SILVER. 77

this coinage, rating two Austrian florins as equal to one dollar, has been

as follows :

1869 $16,838

1670 97,737

1871 11,471

1872 166,923

1873 363,791

1874 2,609,006

1875 3, 485, 76<t

1876 5,319,792

As silver fell relatively to gold, the Austrian export of silver to rhe

East, in the accustomed form of the Maria Theresa thaler, increased.

There is one feature of the India trade which seems to have escaped

altogether the attention of the British commission, although it has a di-

rect bearing upon the ])ower of the East in general, and of India in i)ar-

ticular, to steady the relative value of the metals Of the $l,oOO,OUO,00()

absorbed by India in the forty years ending with 1875, one third was

gold. Gold is not demanded there for use as money, but as a luxury,

and when it rises in value India will export it or import it in less

measure, which is the same thing in its effect, upon the relative value

of the two metals.

Comparing the first eleven months of 1876 with the same months of

1875, we find the excess of gold imports into England from India and

China, respectively, over exports from England to these countries, to

have been as follows :

1875. 1876.

From Inflia £4,717 £1,126,448

From Chiua 27.", 508 757, 958

It is thus that the East will restore and steady the relation of the

metals, not merely by taking silver, but by giving up gold, or by taking

it iu less quantities.

In this way India may, to some extent, obtain the silver it needs, not-

withstanding that the amount it has to |)ay annnaliy iu London as in-

terest on debts has become so much greater than Ibnuerly. In what-

ever [)roportion it gives up the purchase of gold, (»r sells the gold it has

in its possession, it will find a new resource for acquiring silver. Gold

will be sure to be given up as the necessity for money (silver) becomes

urgent.

Proportion of gold in the worlcVs metallic supply greatly increased since 1848.

Since the voyages of Columbus, the two forces which, acting against

each other, have controlled the value of the i)recious metals, bolli in

their relation to commo<lities and in their lelation to <'ach other, have

been the su[)pliesfrom the new world and the (lemaiid for thciii of that

I)rep()nderant mass of the human ra(;e iuhabiting Eastern Asia. So far

as the relative value of the two metals is concerne<l, these opposing

lorces cam(\* loan equipoise about the middle of the seventeenth century,

which has been substantially maintained for ujore than two centuries,

and down to the erratic movement of the last two years.

In respect to the sujtplies of the precious metals since the discoxery

of America, that of silv'.;r, from its bulk and weight and the methods of

its production, is tiie more easily ascertaisied. Statisticiaus have always

assumed that they had toleraltly accurate accounts and esiiuiates of tlie

silver ]U(iduction of Spiinish America, which has furnished tlu' greater

pait ol the world's sui)i»ly of silver since I'WVJ,. The pro(lucti»Mi of gold

is not so easily ascertaine<l; but so large a projiortion of what has been

foujid within this century lias come from the highly <-ivilized communi-

ties (jf California and Australia, where ie«'ords are kept ol Coiuagesand

of ex[»orts of coine<l and nn«;oiued treasure, thai estimates of totals may

78 INCREASE OF GOLD SINCE 1848.

be fairly reliable, alt bough embracing some productions not likely to be

accurately reported.

Distiuguisljiiig" the periods j^rior and subsequent to the California dis-

covery, we have the following estimates:

Supplies from 14'J2 to 184«.

Gold. Silver.

From America $1,1)98,000,000 .ff), '261,000, 000

From elsewhere .. G"2«,000,000 441,000,00..

Total 2, 626. 000, 000 5, 705, 000, 000

Supplies from 1849 to 1876, both inclusive.

Gold ... 13,215,000,000

Silver 1,367,000,000

The estimate from 149L\* to 1848 is that of Chevalier, which Soetbeer

adopts.

The estimate from 1849 to 1870 is based, as to most of the years, upon

the figures of Sir Hector Hay. The estimate of the Loudon Economist

is rather less. That of Soetbeer is about the same. But the diflereuces

in the cummouly-accepted estimates are not important.

When we pass Irom the question of current supplies to t lie other ques-

tions of the stocks on hand, of the location of stocks as between the East

and West, and of the proi)oi tions of gold and silver at various dates, we

are confronted by doubts and difticulties at every ])oint.

If the amount of gold and silver jiroduced since 1492 were accurately

ascertained and agreed on, it would still be important to the discussion

to know the amount then in existence. We only know in respect to

Europe that the great abundance of the jnecious metals at tlie time of

the Eoman Emi)ire was succeeded by the extreme scarcity of the Middle

Ages ; and of the East we know comj^aratively nothing. The few orien-

tal travelers prior to the discovery of America gave glowing and possibly

exaggerated accounts of the great wealth of the East in gold, silvei,

and jewels, but they furnish no leliable data upon which to base esti-

mates. Even if the exact amount of the precious metals existing in

1492 and the amount that has been produced since were known, the

amount consumed since in the aits and by abrasion an<l loss would

still be indeterminate, and the jHoportionate amounts of gold and silver

resi)ectively in the stock would remain nncertain. Even if the relative

production of gold aiul siherin i)ast periods were known, their relative

amounts in existing stocks could not be assumed to be the same, as the

proportionate amount of each lost and consumed in various ways may

have been essentially ditlerent.

It is agreed that the proportion of gold in the stock of the precious

metals has immensely increased since 1849.

Before that year it was ordinarily estimated that silver was in excess

in the world's stock in the proportion of three to one, and in the stock

cf the Western World (meaning by that, Europe, America, and the civ-

ilized portions of Africa) in the projtortion of two to one. All authori-

ties agree that in the stocks of the Western World the proportions are

reversed, and that gold is now in excess. In 1810 Chevalier fixed the

proportion in the ^\esteru World at 44 of gold to 30 of silver. Xeller

fixed it at the same time at 37 to 28. The proportion of gold has in-

creased since tiieii.

At any rate, there has been since 1848 a complete reversal of the old

proportions of gold and silver in the supplies and a very large change

of i)roportions in the stock of the precious metals, and, notwithstanding

these facts, the relative value of the two metals remained substantially

steady until within two years,

DRAIN OF SILVER FROM EUROPE SINCE 1848. 79

Deficiency of the silver prod uci ion Kince 1848 mafle rij) so far from ihe sil-

ver stock held in Europe in 1848.

The relative deticieiicy in tlie piodiu'tioii of silver since 184ti has been

made up, so far, by the quantitiesreleased from the circulationsof Europe

and the United States, and the relative excess in the production of gold

since 1849 hasbeenabsorbedintothecireulationsof Enropeand Ainorica.

If this releasiup^ of silver from, and absorbini;- of j^old into, the circula-

tions of Europe and the United States could go on indehnitely, the time

would never come when the Asiatic demand would raise the i)rice of

silver. But Eurojie and the United Stares can release silver only so

lonjjc as they have any to release, and this process must end when the

substitution of gold for the silver in their circulations is com])leted.

In France, the metallic circulation has always been large, and consisted

almost entirely of silver when the California and Australian gold tields

were discovered. After those discoveries silver was exchanged for gold

until the major part of the French circulation became gold, and is so

now. From 1850 to 18G7 not a siiigle full-tender silver coin was minted

in France, although its mint was open to anybody that had isilver bullion.

Jevons estimates that, down to 1859, $500,000,000 of the Australian and

California gold had been absorbed in the French circulation, and a nearly

corresponding amount of silver displaced and made disi)osable for the

markets of the world. Mint returns would justify a higher estimate. Dur-

ing the seventeen years of the reign of Louis IMiilii)pe, ending with the

date of the California discovery, the total l^ench gold coinage was

during these nine years over and above the total coinage during the pre-

ceding seventeen years was £120,987,735. The total French gold coin-

age from 1848 to 1871, both inclusive, was £259,801,000, or $1,201,000,000,

rating the pound at $4.85.

Professor Hansen, of the Berlin University, said in 1808:

Europe, or rather the whole civilized world, is indebted to French l;iw lor its escape

from the perturbations in the relative ijiices of gold and silver, threatened by the

enormous arrivals from Australia and California.

The exchange of silver for gold in the circulation of various coun-

tries in Euroi)e has been steadily i)rogressing ever since " the enormous

arrivals from California and Avstralia'^ \umW gold the most available

metal. There has been in addition a displacement of silver without a

substitution of gohl, by the suspension of specie payments in Jvussia

(lfe57), Austria (18G8), and Italy (1800), the two lirst l)cing silver-

standard countries, and the last being a double-standard country. The

exchange of silver for gold under the operation of the douitlc standard

was easy and natural. It was injunous to no interest and did not

attect the relative value of the precious metals, until the (Jeniian law of

187.i demonetizing silver came into practical ellect. Even that law could

not have alfected the; relative value of the metals if other nations in

Europe had not restricte<l and susjiended the coinage of silver. The

Latin Union agreed upon a restriction in .January, 1874, before the rel-

ative value of the metals was aHected at all, and nolxxly can donbl that

France alone, which had absorbed in nint;' years alter the (.."alilbrnia dis

covery five or six hnndred million <loilars in gohl, coidd have absorbed

the one hundred millions of silver, which Cicrniany has (»c(iipie<l four

years in selling, without a <listurbance of the iclative vabwol the metals.

But in any event, whether the displacements ol silver from the European

80 DKAIN ,')V SILVEK FROM EUROPE SINCE 1848.

c'irculiitioii have ariseu hum substitiitiou of gold, suspeusioiis of specie

l)a.yiueuts, demonetization of silver, or closure of mints against its coin-

age, the jirocess must come to an end wlien all the silver which can pos-

sibly be spared consistently with the reqairen?ents of a subsidiary coin-

age is disi)osed of. This end is i)ractically reached already if France ad-

heres to the double standard, and is not very far oft' if France demonetizes

silver, as it has no such quantity of that metal as it had in 1849.

If the exchange of silver for gold shall still continue in Euroi)e, it will

be no new force acting on the market, but a force which has been act-

ing without interruption since the California and Australian discover-

ies. It can only continue until the present very much reduced stock ot

European silver which is disposable shall be exhausted. It is a force

which has no novel or undefinable terrors. We knowi its exact gauge

and measure by an experience of nearly thirty years. The utmost it has

been able to effect, leaving out of view the recent short period of panic

in the silver market, has been to preserve substantially undisturbed the

same relative values of the metals that have existed for about two cent-

uries. .

In 1840, nearly the entire mass of the metallic money of the continent

of Europe consisted of silver, the gold standard being contined to Port-

ugal and to the island of Great Britain. Holland and Kussia were sin-

gle silver-standard countries. The double standard existed legally else-

where, but the quantity ot gold in circulation was very small. If the

Asiatic demand for silver had not existed, the new gold received after

1849 would have been simply an addition to the general mass of metallic

money in Europe, and could not have affected' the relative value of gold

and silver, as both were concurrent in the circulation. But by reason

of the Asiatic demand for silver, that metal was withdrawn troui the

Eurojjean circulation, and its place supplied by gold. This withdrawal

of silver diminished, of course, the aggregate volume of the two metals

in Europe. The law of the double standard made the entire operation

easy and automatic. As the laws invested silver and gold equally with

the monetary function at a stated equivalency, it was of no consequence

which metal was retained and which displaced. The absorjition of gold

by Europe tended to check a depreciation in its relative value from ex-

cessive production. The exportation to Asia of the surplus current sup-

ply of silver and the displaceed stocks of Europe tended to check a rise

in the value of silver in Asia. No interest was injured. On the contrary,

the interests of both Euroi)e and Asia were conserved.

It is plain that within the past thirty years the Asiatic demand and

the demand of the arts and the abrasion and loss of coin haveabsorbed

not only all the current supplies of silvei-, but also the larger part of the

stock of that metal existing in Europe in 1849. These absorbing and

consuming forces still continue undiminished. There can be no reason-

able doubt, the European stock now being nearly exhausted, that these

forces unaided will be powerful enough in the near future to overcome

the effects of the German demonetization of silver and neutralize the

effects of the general closure of the mints against it, and to restore the

relation of value between the metals which has existed during the

greater part of this century.

There are no large stocks of silver in coins and bars anywhere outside

of what is in actual and active circulation. In the great banks of the

world, except in the Bank of France, there is but very little, and in that

institution there is only about two-fifths as much Ps of gold. In this

country, the whole amount outside of plate and the subsidiary coinage

is estimated by the Director of the Mint not to exceed $3,000,000,

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COXSUMPTION OF SILVER. 81

There is but little in Loudon, auil none at all in Paris, except in coius.

The Loudon Economist (December 0, 1876) says the stock there has run

down, because " all dealers are I'earlul of keeping: any amounton hand";

and the Paris correspondent of the same journal, writinjx two days be-

fore, says :

Bar silver is intlemaiid, but there is none in Paris. Dealers sell at equal to 5(5| per

ounce for Euglisli standard silver, but orders have to be executed in London.

The fact that has needed all the silver liberated in Europe, by demon-

etization and suspension of si)ecie payments, in addition to the annual

Bui)ply, to prevent a rise in its value relatively to gold, is explained and

confirmed by such approximate estimates as can be made of the annual

absorption of silver in plate and in the arts and by the abrasion and

loss of coin.

Estimates of consumption of silver in the arts, and by the abrasion and loss

of coins.

In the eight years ending with 187r the imports of sdver into Great

Britain exceeded the exports by $44,379,500, makingan annual average

excess of imports of $5,547,437. The British silver commission assume

that this sum of $5,547,437 represents the annual silver consumption of

Great Britain, but they overlook the fact that there should be added to

this excess of imports over exports theamount of silver taken from itsown

mines, and also the much larger and very considerable amount extracted

in England annually from imported argentiferous ores and lead. Sir

Hector Hay, in his testimony before the British commission, estimates

the value of this last amount at £1,000,000, or 85,000,000; but it is only

recently, and in consequence of improved methods of extracting silver-

from lead, that it can have reached so large a figure. In 18G5 it was es-

timated at less than one-fitth as much. Ernest Seyd, quoting It. Hunt's

Mineral Statistics, estimates the annual production of the British silver

mines at £140,000 to £100,000, or from $700,000 to $^00,000, and says

that the annual aggregate of this production, together witli that of the

British metal refineries, is not less than £1,000,000.

Assuming that they had only $5,547,437 to account for, the British

commission set down tw'o fifths of it to the account of keei)ing \\\) the

silver coinage and three-fifths of it to the account of use in plate and

the arts. If this last estimate is not too low, Jacob's estimate, made in

1831, or nearly fifty years ago, that Great Britain used in plate and the

arts £820,521, or' $4,000,000, must have been too high. But if the

annual silver consumi)tion of Great Britain is reall.N n(» more than

$5,547,437, Germany, France, and the United States, with a population

three and three-fourths times greater than that of Great Britain, must,

at the same rate, consume $20,802,889.

To assume the same ratio of consumption in France, Germany, and

the United States as in Great Britain is far inside of the jjrobahdities.

So iar as waste in the coinage is conceruod, it is very much larger at

the i)resent time, because they use a very much greater quantity of sil-

ver coin. The United States use less, but Fiance uses four tinics as

much, and Germany uses more, and will do so until its silver demoneti-

zation is completed.

As to the future, making the supi)ositions most unfavorable to silver,

that France abandons the double standard, that the United Slates do

not restore it, and that Germany perseveres in its gold jtolicy, all those

countries must have as large a subsidiary silver coinage per capita

as Great Britain. As to use in plate and the arts, the evidence is that

S. Kep. 703 C

82 SILVER CONSUMED IN THE UNITED STATES.

Germany and France use at least as much per capita as Great Britain.

In this country, where the ability to indulge in luxuries is vastly more

diffused and general, this use is unquestionably greater.

Upon the whole, if the United States do not restore the double stand-

ard, and should France abandon it, those two countries, together with

Great Britain and Germany, would still consume annually in manufact-

ures and the abrasion and loss of coin at least $30,000,000 worth of

silver. At the present time they use up more than that, as France has

now not only the double standard legally, but has actually in circula-

tion a large amount of silver, approximately $300,000,000, beyond what

a merely subsidiary coinage would require.

The silver used by the Paris manufacturers is estimated at 1,000,000

francs per week, or $10,000,00\* per annum. A part of this manufact-

ure is undoubtedly not consumed in France, but exported or sold to

the wealthy foreigners with whom Paris is always thronged. It is not

possible to explain the excess of French imports of silver over exports,

except by assuming a large French manufacture of silver. This excess

for the eight years ending with 1875 was $262,415,000, of which only

$140,000,000 is accounted for as being either in coins or as having been

sent to the mints to be coined, and $80,000,000 as consumed by the

Paris manufacturers. The remainder, being $42,415,000, or $5,301,375

annually, may be accounted for as used by French manufacturers out-

side of Paris, or by supposing that there may be inaccuracies in the

custom house returns.

In the first eleven months of 1876, the excess of French silver imports

over exports was $24,590,259, of which $9,717,080 was minted, leaving

$14,873,179 unaccounted for.

Taking the estimates of the Commissioner of Mining and of the Di-

rector of the Mint, the total silver production of the United States in

seventeen years, from 1860 to 1876, both inclusive, was $289,854,527.

During the same period the exports and imports of silver were as

follows :

Exports.

Domestic coins $36, 693, 840

Domestic bullion 189,209,927

Foreign coins 83, 5:i5,207

Foreign bullion 921 , 552

310, 360, 526

Imports.

Coins $99,382,668

Bullion 6,894.088

106, 276, 756

This leaves a net export of $204,083,770. which being deducted from

the amount produced, would leave as still remaining in the country

$85,770,757.

During this period the consumption of silver through the abrasion and

loss of coin was trifling, as no coin of any description was in circulation

except for a short time during that period, it having been expelled by

legal-tender paper. The consumption, therefore, must have been in

plate and in the arts, and the data for computing it are —

First. The excess, $85,770,757, of the production above the net export.

Second. The diminution in the stock of silver coins and bullion be-

tween 1860 and 1876. The stock now, outside of $30,000,000 in subsid-

iary coinage, is estimated by the Director of the Mint at $3,000,000. To

January 1, 1860, there had been minted $41,487,207 of underweighted

SILVER CONSUMED IN THE UNITED STATES. 83

silver coins, under the act of February 21, 1853, desijiiUMl exclusively

for domestic use. The mint value of tliis coinajje beiii.i; above its bull-

ion value, it could not be exported juotitably, and consequently all or

nearly all of it continued in domestic use until specie ]>aynients were

susi»ended in 1S62. There was also, in 1860, a considerable quantity of

full-tender American silver coin in use, and a still larger (luantity of

foreign silver coin,especially Mexican dollars and French five-franc jiieces.

Third. The quantity of the foreign silver coin, not entered at the cus-

tom-houses, brought in by the 4,508,852 immigrants that arrived in this

country during the seventeen years referred to.

The New York Commissioners of Emigration (December 15, 1854)

say:

German immigrants have, for the past three years, as estimated l>y the best German

authorities, brought into the country annually about $11,000,000. The amount of

money thus brought into the country is incalculable.

In 1856, these commissioners questioned all the immigrants, and

found that, according to the answers, the actual cash brought into the

United States by them averaged $68.08 per capita of the 142,342 arriv-

ing in that year.

Superintendent Kennedy's report (January, 1858) says:

While the table of 1856 presents the average amount of cash means at $68.08 per

head, subsequent information showed that, had full admission been made of the funds

in possession, the average would have been at least double the amount reported.

It cannot be known in what proportions this cash, amounting to more

than $300,000,000, brought in by immigrants in these seventeen years,

consisted of bankers' dralts, gold, or silver. Gold is easier to carry, but,

on the other hand, the German immigration bringing in the most

money was from a country having for the greater part of the time no

gold currency.

A review of all the facts of the case seems to justify a conjecture, if

not an opinion, that the consumptinn of silver in the United States, in

plate and in the arts, during these seventeen years, averaged iiimually

$10,000,000.

The populations of Europe (exclusive of France, Great Britain, and

Germany), of America (exclusive of the United States), of Africa, and

of Australia are as follows, respectively:

Europe l'J.>, 000, 000

America 4(5,000,000

Africa 4 20:5,000,000

Australia 4,500,000

Total 44.5,500,000

Throwing out of this account altogether the barbarous poition anionnt-

ing to 160,500,000 of the African population, it maybe assumed that the

remaining 285,000,000 consume per cai)ita two-fifths as'niuch silver as

the ])eople of Great Britain, or $19,702,732 annually. A small group

of countries (Holland, Belgium, the English colonies, Switzerland, and

the Scandinavian states), with a poi)ulation of 26,500,000, coiismiuMiiiito

as much per capita as Great Britain. Austria, Italy, and Russia in

Europe, with a population of 132,000,000, have substantially ('xpclled

silver by paper, and use very little in coinages, but their wealth and

habits make them large consumers in other forms. Northern Africa

uses silver largelyin both forms, and so does Spain.

If the annual silver i)roducti()n of the world does not go above its

present figure of $74,000,000, and if the annual consumption outside of

Asia continues at $50,000,000, the total inadequacy of tlic^ n'liiaiiiing

$24,000,000 to supply the Asiatic demand is ai)parent. It is certain that

84 EECENT CHANGES IN VALUE OF GOLD AND SILVER.

British India alone, containing only one-fourth of the population of Asia,

cousumed that quantity annually on the average of the forty years end-

ing with 1875. Schem's Statistics gives 798,000,000 as the total pop-

ulation of Asia. This estimate includes 182,000,000 outside of India

and China. Undoubtedly, the consumption of silver in India is above

the average of Asiatic consumption, but it is everywhere considerable,

and in China is constantly increasing, and in probable contingencies

may increase very largely. During the last year (1870) India and China

took $55,000,000 from England and San Francisco,

Even if tlie lutuie Eniopean demand for silver shall be less than

what it was before 1849, it is never to be forgotten that the silver pro-

duction, wbich is now less than that of gold, had been, from the discov-

ery of America to 1849, two or three times greater, and that it was

upon this anterior proportion of production that the relative value of

the metals had adjusted itself, and had been substantially steady for

two centuries ])rior to the discovery of the great gold fields of Califor-

nia and Australia.

Recent fluctuations in relative value of gold and silver.

As this branch of the investigation appertains especially to the prob-

abilities of future steadiness in the value of silver, a resume of the

facts connected with the recent panicky changes in the relative value of

gold and silver would seem to be necessary, in order to form a correct

judgment as to whether there is any cause to apprehend their recurrence

in the future. On the one hand it may be said that the possibility of

such changes, proved by the actual fact of silver having been sold in

London at 4G| pence in gold per ounce, is sufficient to impair confidence

in its luture steadiness. On the other hand it may be said that the

divergence in the relative value of the metals was wholly due to a rise

in gold. A comparison of general prices in 1873, when the German

demonetization of silver went into effect, with present prices, will show

that the purchasing power of both metals has increased, and gold more

than silver to'the full extent of the divergence. But even if it were

due equally to a rise in the value of one metal and a fall in the other,

or entirely to a fall in silver, it may be demonstrated that it cannot be

other than temporary, and that the concurrence of the causes producing

it can never again be possible.

The relative value of silver and gold of 15^ to 1 — which is equivalent

to CO4 pence in standard gold for an ounce of standard silver — had not

varied in the London market very materially, or for any great length

of time, during this century, until 1875.

The average quotation during 1875 sunk as low as 58^ pence.

During 1876 the range of fluctuation in the London market in each

month was as follows :

January - •- 56| 54|

February 54| 53

March 54^ 52^

April 54 53i

May 54 52

Juue 52 50

July 5H 46f

August 53| 50

September 52fV 51i

October 53^ 52

November 55 53^

December 5SJ 56

In their circular of January 4, 1877, reviewing the business of 1876,

Pixley & Abell, bullion brokers in London, state that on the 8th of July

PANIC OF 1876 IN SILVER. 85

there was " an exceptional sale at 46^." Such a quotation is of no more

value than the maximum grold quotation of Bhick Friday in New York.

The causes which, in concurrence, produced the thictuations in the rel-

ative value of gold and silver which culminated in July, 1870, were —

First, the demonetization of silver, by Germany in 1871, by the

United States in 1873 and 1874, and by the Scandinavian states in

1874 ; the limitation on the coinage of silver imposed by France, Bel-

gium, Switzerland, and Italy in 1874; the closure of the Holland mint

against the coinage of silver on private account in April, 1875; the

refusal of Switzerland, in 1875, to coin silver at all, and in the summer

of 187G, by authority given to and actually exercised by the President

of the French Eepublic, the suspension of the silver coinage altogether ;

the Spanish royal decree (187G) closing the mint of that Kingdom against

private depositors, and declaring the purpose of that Government to

demonetize it for all sums exceeding $28 at the earliest practicable

moment; and the submission (1876) to the Dutch legislative chambers

of a ministerial project of demonetizing silver in Holland, and of ex-

tending to the mint in Java the restriction against coinage%r individuals

already imjiosed (April, 1875) upon the mint in Holland.

Second, a serious decline, for the time being, in the India demand for

silver.

Third, an increase in the production of silver in the United States,

considerable in fact, but the effect of which was immensely increased by

exaggerations, and by the persistent error that the yield of the Corn-

stock lode was wholly of silver, when it was really about one-half gold.

Fourth, the summary suppression by Germany of $13(),()()0,()00 of bank-

notes and the consequent demand for gold to take their place.

Fifth, a law of the United States, enacted in 1875, ordaining a re-

sumption of payments in gold January 1, 1879, and thus menacing the

world with another enormous demand for that metal.

In respect to the effect of the last two facts, it may be observed that

the British resumption of gold payments in 1821 raised the value of gold

relatively to silver 5 percent., although at that time all other countiies

had either the double standard or the silver standard, and there was,

therefore, no such c(mii)etition for gold as exists npw. It the circum-

stances existing then had been similar to those existing to <lay, England

either could not have resumed payments in gold at all, or would have

caused a much greater disturbance of the relation of the metals by

such resumption.

Upon this enumeration of the causes of the recent divergence in

the relation of gold and silver, it may be safely concluded that they

will never exist again concurrently. At certain ])erio(ls Ihere may oc-

cur a great increase or decrease in the yield of (itlieror both ol' the

precious metals from the mines; or at certain intervals there may occur

monetary crises and stagnations in comm«;rce and iudustiy. It is

always possible that Governments may tanrper with their money stand-

ards, or may suspend or limit the coinage of either gold or silver. Fai-h

and all of these circumstances would have a greater or less i-tlect upon

the value of the jirecious metals, relativ«' <>r otherwise. ()verm;istering

€xigen(;ies sometimes <\*om])el national suspi'iisions of sjtecie paynuMits,

and neither national susjtensions nor resumptions can o(M;ur without a

perturliing elfe(;t uj»()n tlie value of the precious nu'tals relatively to

other things, nor without such effect upon their iclative \aliie, if the

countries suspending or resuming have their mon«'y standaids based on

a single metal. Tint it is not piohalile, nor scaiccly p()ssil)le, that all

the causes of a(li\ergence l)(^t weei; the metals which have been operat-

86 INHERENT STRENGTH OF SILVER.

ive ill the recent case can ever again be acting simultaneously and in

one direction within any i)eriod which need be covered by the foresight

of legislation. There is an equal chance that all these causes may

operate hereafter simultaneously in the other direction ; and if it be wise

to legislate against remote contingencies, gold should be demonetized

as well as silver.

The tendency of the two metals to return to their old relation, or of

silver to recover from its fall, if the latter mode of expression is to any

persons more acceptable, was manifested very soon after the silver

panic of last July, and has made a degree of progress which tends to

confirm the belief that, in any event, the full recovery of the old rela-

tion may be relied upon. The partial recovery actually realized, while

the causes of the widening of the relation of the metals still continue

active, proves the existence of great forces always at work to steady

the relation, l^o mints closed to silver have been opened to it; no

law demonetizing silver has been repealed ; no threat of demonetizing

it has been withdrawn ; and the supply of silver from the mines con-

tinues undiminished, although some of the exaggerations concerning it

have been corrected. Nothing has been done by our Government since

July, 1876, to raise the gold-price of silver, except the continuance of

the coinage of subsidiary silver, authorized and commenced long before,

under the resumption act of January, 1875. The influence of this de-

mand has been more than offset by sui^plies from the increased sales of

silver bj the German Government since last summer. The gold-price

of silver has advanced since July, 1876, not by the aid of Governments,

but from its own inherent strength. Its value rests securely on the

magnitude of the existing stock, its universal dilfusion, and the universal

demand for it by the peo[)le of all countries, and especially by the

teeming populations of the East.

Jevous, who advocates the gold standard for Europe, said two years

ago (Money and exchanges, page 142):

The hundreds of millions who inhabit India and China and other parts of the east-

ern and tropical regions employ a silver currency, and there is not the least fear that

they will make any sudden change in tlieir habits. Although the pouring out of forty

or fifty millions sterling of silver from Germany may for soine years depress the price

of the metal, it can be gradually absorbed without difficulty by the eastern nations,

which have for two or three thousand years received a continual stream of the pre-

cious metals from Europe. If other nations should, one after another, demonetize sil-

ver, yet the East may be found quite able to absorb all that is thrust upon it, lirovided

that this be not done too rapidly.

In Asia, as elsewhere, the demand for money, in the sense of desire

for it, is unlimited and insatiable. Undoubtedly the effective demand

of Asia is limited to its capacity to pay for silver, but this guarantee of

the value of silver, which is its money, is nothing short of the entire

mass of the disposable commodities of the Asiatic world. It is difficult

to see how any amount of silver which Europe has left, whether thrown

upon Asia "rapidly " or otherwise, can have anything beyond the most

transient influence.

The evidence on this branch of the subject all goes to establish the

conclusions that the Asiatic demand alone will be sufficient, within a

comparatively short period of time, to absorb the surplus stock of silver

in Europe and overtake the current supjdy and place silver at its old

relation of value to gold, and that, if the United States should remone-

tize it, the practical resumption of specie payments could not be more

than fairly begun before the old equivalency between the metals would

be restored. It is apparent that the current supply of silver is too

MONETARY LAWS OF THE UNITED STATES. 87

nearly statiouary, auci the surplus European stock too nearly exhausted,

to resist much longer the appreciating effect of th<> old and continuing

demand from the East. But if this old demand were reinforced by the

new, great, and increasing demand of the United States, as it would

be if specie payments were resumed and silver remonetized in this

country, the relative value of the metals would be almost iustautly re-

stored.

The opportunity to obtain silver, before the disposable Europ<niii

stock is entirely transferred to the East, ought to be seized upon by tlie

United States. If it is lost by an indecisive and procrajitinating po'icy,

no equally favorable opportunity is likely ever to i)resent itself auain.

Asia never gives up silver. There is no reflux in the current of s-lver

■which sets to the East. If this country waits until Europe is exhausted,

it may become as difficult to obtain silver for coin payments as it is now

to obtain gold for that purpose.

y.

THE POLICY OF REMONETIZINGr SILVER CONSIDERED IN REFERENCE

TO THE RIGHTS, DUTIES, AND SPECIAL INTERESTS OF THE UN' I TED

STATES.

Summary of the monetary laws of the United States.

In 1785 the Congiessof the United States, under the Articles of Coiiied-

eratiou, adopted the silver dollar as the unit of money. Onth<^2dofAi>ril,

1792, Congress, in the law establishing a mint, enacted that "T/je moiwy of

the United States shall be expressed in dollars or tmits," the dollar " to be of

thevaliie of a Spanish milled dollar, as the same isnoiv current,''^ and contain

371^ grains of pure silver. The same act fixed the weight of puic gold

in the eagle at 247.5 grains, or 24.75 grains of gold to tiie dollar, wliich

made fifteen pounds of coined silver the equivalent in all payments of

one i)0und of coined gold. In 1834, the" weight of pure gold in the eagle

was reduced to 232 grains, and, as no change was made in the silver dol-

lar, the equivalency between gold and silver became 10.045 of silver to

1 of gold. In 1837, the quantity of alloy in both the gold and silver

coinage was changed, so as to make the coins of both metals nine tenths

tine. The quantity of pure silver in the dollar was not changed, but

the quantity of pure gold in the eagle was increased to 232.2 grains, so

that the equivalency between gold and silver became 15.088 of siher to

1 of gold. Since 1837 no change has been authorized in the weight or

purity of metal in either the gold or silver dollar. It will thus be seen

that in the whole history of the United States the weight of i)ure silver

in the silver dollar has never been changed, while the weight of pure

gold in the gold dollar has been changed twice.

Gold and silver have been money in this country since its first settle-

ment, by force of the English common law, and the Constitution of the

United States recognizes and fixes them as money by the provision

that the States shall not make anything but '■'(/old and silver eoin a

tender in the payment of debts. ^^ Congress cannot <iemonetize either gohl

or silver, except under a claim to a gtnieral authority over the siihjeet of

currency, upon which, if it exists at all, tlieie are no limitations, and

which may extend to monetizing any form of i)aper. If Congress <;an

establish a legal teii<ler, it is not ])rohibited, as the States are, from

making anything ^''but <jold and silver eoin a tender inpayment (f drhts."

Between 1821 and 1834, when the legal equivalency between^ the

metals was 15 to 1, gold was at a premium in silver of from 5 to 7 per

88 MONETARY LAWS OF THE UNITED STATES.

cent., aud disappeared from the circulation, and but little was brought

to the mint for coinage. The legal relation of value between the metals

of about 16 of silver to 1 of gold established in 1834 was an undervalua-

tion of silver. From that date on and until 1874 the silver dollar bore

a premium in the London market over the gold dollar of from 1 to 3 per

cent. Notwithstanding this premium, silver did not wholly disappear,

as gold did between 1821 and 1834, but the quantity in circulation con-

tinually grew smaller down to 1862, when both the metals were expelled

from the circulation by legal-tender paper. Between 1850 and 1873,

whenever payments were made in coin, gold was used because it was

the cheaper of the two metals, just as silver was used for a similar rea-

son between 1821 and 1834; but during each of these periods both gold

and silver possessed equally the potentiality of money, the metal out of

actual use being certain to come again into actual use when the condi-

tions c banged.

After 1834, on account of the undervaluation of silver by the coinage

law of that year, there was a tendency to export silver rather than gold

in the settlement of adverse balances of foreign trade. In 1852 a scarcity

of the small coins required in minor transactions began to be seriously

felt. To meet this difficulty the act of February 21, 1853, was passed.

It provided that the silver coins under the denomination of one dollar

should be struck slightly below standard weight, and that the legal-

tender function of such coins should be limited to five dollars in any one

payment. This expedient, or the equivalent one of slightly debasing

such coins, is familiar in the practice of European countries. Previous

to the act of 1853 the owners of silver bullion had the right (act of Jan-

uary 18, 1837, section 30) to demand its coinage into any of the denom-

inations of silver coin authorized by law. Before that act the law did

not authorize any silver coins except the three-cent piece, which were

not of standard weight and fineness, and which were not a legal tender

for all sums. Under the provisions of that act, the subsidiary or frac-

tional coins, being underweighted, possessed a mint value above their

bullion value, and were permitted to be coined only on Government ac-

count. By this regulation the Government made a profit or seigniorage

on the subsidiary coinage equal to the diiference between its mint and

bullion value. But after the passage of this law, as fully as before its

passage, the owners of silver bullion had the right to demand its coin-

age into dollars, whose weight remained unchanged, and which, when

coined were equally with gold a full legal tender. This right was never

denied to silver bullion until the passage of the law of February 12, 1873,

nor was the legal-tender quality of the full-weighted silver dollar taken

away or limited until the adoption of the Eevised Statutes in June, 1874.

The act of February 12, 1873, above referred to, is a long act of sixty-

seven sections, regulating all the details of the mint. It does not demon-

etize the old silver dollar, or any of the silver coins of standard weight

issued prior to 1853. The silver dollar is not named in it, and it would

escape casual observation that that dollar was in any way affected by it.

Precisely what the act did was to authorize the coinage of silver half-

dollars, quarter-dollars, and dimes, below standard weight, and of a new

silver coin for Asiatic commerce above standard weight, to be called

"the trade-dollar,^^ and to prohibit these particular coins, described as

" said coins,''^ from being a legal tender for more than five dollars in any

one payment.

' The act contains, in aildition, an enumeration of the gold coins, and of

the minor coinsof base metal, which are authorized. Itcontainedno pro-

hibition, eo nomine, of the continued coinage of the old silver dollar, and

thatit did prohibitthat coina;.e escaped the attention of the people of the

SILVER SILENTLY DEMONETIZED. 89

country who were to be so iujurionsly affected by it, by the g:enerality of

the prohibitory words which are touud in the seventeenth section :

No coins, either of gold, silver, or minor coinage, shall hereafter be issued from the

mint, other than those of the denominations, standards, and weigbt.s herein set forth.

The act of February 12, 1873, did not demonetize or affect in any man-

ner the legal-tender functions of the full-weighted silver coins that had

been minted prior tt) its passage, but the seventeenth section deprived

silver bullion of its right of being coined into full Iegal-ten<ler money

on either Government or private account.

In no section of the act was it specifically pointed out or referred to

that the effect of the act was to change the standard of values from gold

and silver to gold alone. The title of the act, instead of containing any

intimation of the change made in the standard of values, was "A« act

rcrising and amending the laws relative to the mints, ass(n/ ofiees, and coin-

age of the United States'^ As comprehensive a title as this would have

been required for an act making some insignificant change in the nickel

coinage, or in the mode of purchasing chemicals used in assaying.

The act when i)assed was not read except by title, and it is notorious

that this transcendent change in the money system of the country, af-

fecting the most vital interests, was carried through without the knowl-

edge, or observation of the country. It was neither demanded by the

resolutions of i)ublic meetings or political conventions, nor asked for in

petitions from the people. As paper money was the actual currency of

the country at tlie time, a coinage act was not likely to attract general

attention. In its relation to the question of a single or double standard,

it was discussed but little in the House, and not at all in the Senate.

The press of the country was entirely unobservant or silent when it was

pending and when it was passed, and for more than tinee years alter-

waid. If it had been generally known that any such vital question

as the demonetization of silver was lurking in the bill, it would have

arousi'd the most wide spreading discussion throughout the country, as

is shown upon the i)resent debate upon remonetizing it, which is only

the same question reversed, and which, it is apparent, will dominate all

other public questions until it is settled.

The most striking evidence, i)erhaps, of the public inattention to the

effect of the coinage act of 1873, is the fact that President Grant, who

signed it, and who was critically observant of the legislation of Con-

gress, had no knowledge of what it really accomplished in relation to

the demonetization of silver, and was still uninformed about it as late as

the following October. If the President of the United States, in daily

intercourse with the i)ublic men of the country, had failed to hear dur-

ing certainly eight months that the laws no longer permitted money to

be coined from silver, it must be true that the ignorance on the subject

was general and profoiind.

In a letter v.titten October 3, 1873, to Mr. Cowdrey, General Grant

said :

I wonder that silver is not already coming into the market to supply I lie deficiency

in the circiilatin^ mediiiiii. « • • Experience lias proved that il lakeM about

f4(i,(J(Mi, ()()() of f'ra(;tioiiiil currency to make tlie Minall ehanj^e nocesHary lor the trans-

action of the business of the country. Silver will gradually take Ihc iilaic of this

currency, anil, further, will become the standard of values, which will lio li(i.ir<l»<l iu

a small way. I estimate that this will coiihuiiio from $2(M),()0(),(tO(i to ,'i<:t(i(i.()(Mi,<MM) in

time of this speficH of our circulating mediiini. • • • • J confess to a deHir<' to

see a limited lioarding of money. IJiit I want to see a hoarding of something that is

a standard of value tin) world over. Silver is this. » • •

Our mines are tiow |)rodur-ing almost, iiiiliniiled amoiintH et Hilvci, and it is becom-

ing a <|ueHtion, " What shall we <lo with it ? " 1 suggest here a solution wliiib will

answer for some years, to put it in circulation, keeping it there until it is llxcd, and

then Wo will lind other markets.

90 SILVER LARGELY USED IN THE UNITED STATES.

The demonetizatiou of silver, coined and uncoined, was affirmatively

completed in June, 1874, by the following section (3586) of the Kevised

Statutes :

The silver coins of the United States shall be a legal tender at their nominal value

for any amount not exceeding five dollars in any one payment.

No law was ever passed by Congress of which this language can be

considered a revision.

The Kevised Statutes were enacted in bulk. They were intended to

be a revision merely of the existing laws, without change or introduc-

tion of new matter, and Congress was assured by its committee on re-

vision that no new matter had been introduced into them. It was not

possible for the members of the committee to have personally verified

the exact accuracy of the revision. They must necessarily have relied

upon assurances given to them by the persons actually engaged in the

work. Whoever may be responsible for this error in the Kevised Stat-

utes, the ancient money of the country, instead of being intentionally

legislated out of existence by Congress, was revised out of existence.

Great importance of silver in the monetary history of the country.

A very disingenuous and unworthy attempt is made to belittle the

importance of silver in the monetary history of the country, and to mis-

represent what is intended by its remonetizatiou, by iterating and reit-

erating the totally irrelevant fact, that one particular silver coin, the dol-

lar piece, was never coined at the mints in large numbers. This fact is

of no more importance than the other fact, which is equally true, that the

gold coin of the value of one dollar has been minted in only small num-

bers, and is now not permitted to be minted at all. It is not a particular

silver coin, the remonetization of which is demanded, but it is the metal

silver, in whatever denominations of coins the law maj'^ authorize and

depositors of silver bullion at the mints may choose to demand. The

reasons why they never did demand the dollar piece in large quantities is

pBt'fectly well known. It was the great abundance of the Spanish silver

dollars, when the mint was first established, and for forty or fifty years

afterward, followed by the great abundance of the Mexican silver dol-

lars, bdth of which were made a legal tender in this countsy, by tale or

count. But while the unnecessary expense was avoided of procuriu g the

coinage of a particular piece, which was already well supi)lied, it is still

true that for 54 years, from 1793, when the mint went into operation, to

1846, both inclusive, there was morefull-tendersilver coined than gold,

the figures being for silver $68,839,014, and for gold $52,344,522. And

even from 1834 to 1846, both inclusive, although silver was largely under-

valued by the coinage law of 1834, there was nearly as much full-tender

silver as gold coined, the figures being for silver $32,763,937 and for gold

$40,518,652. The preponderance of silver down to 1847 was even more

marked in the circulation than in the coinage. Prior to 1834, all gold

coins, domestic and foreign, had disappeared from the circulation in con-

sequence of the premium on gold, which, at the legal relation then ex-

isting of 15 of silver to 1 of gold, ranged between 5 and 7 per cent,

after 1821, when the Bank of England began gold payments. It was not

until after the California discoveries that gold was much used. Prior to

that time the reserves of the State banks were almost wholly in silver,

and largely in American half-dollars. This is well known to those whose

recollection goes so far back, and it is a flagrant perversion of history

to deny that silver performed a more important part than gold in the

monetary history of this country during the greater part of the time

SILVER NOT DEMONETIZED BEFORE 1873-74. 91

down to 1862, although no silver-mines had been until then discovered

and worked in the United States. Gold has predominated over silver

in the circulation for a short period only, commencing after 1846, from

the outflow of the Russian gold-fields, followed by the outflow from Cali-

fornia and Australia, and ending with 1862, when paper issues banished

metallic money. During the 84 years, from the opening of the mint to

the i»resent time, and during the 70 years from the opening of the mint

to the suspension of specie payments, silver predominated for 54 years

in the coinage, and still more decisively in use and eirculati<»n.

The dollar i)iece was little called for, not only because it was super-

seded by the Spanish and Mexican dollar pieces, but because the half-

dollar answered all the purposes of the dollar piece, and some ]>urposes

which it would not answer. To and including 1846, $58,964,673

were coined at the mint in half-dollars. The non-coinage of the silver

dollar piece is of no more imj)ortance that the non-coinage, now

made absolute and complete by law, of the gold dollar piece. It is no

such trifling question as that which now agitates this country; but it is

the demonetization of one of the two precious metals, and the striking

down of prices to the standard of the other metal alone. It is not the

silver dollar, but silver money, in whatever convenient forms the law

may authorize and the owners of silver bullion may elect, whose restor-

ation to its ancient and constitutional place is demanded.

It is urged by many that silver was practically demonetized by the

act of 1834, which undervalued it; by others, that it was practically

demonetized by the act of 1853, authorizing subsidiary silver coins.

Although these persons disagree as to dates and causes, they agree

in insisting that it was practically demonetized in some way, and at

some time before 1873, and that the legislation of 1873-'74 in respect

to silver merely gave legal expression to an existing fact. If silver

was then already demonetized, the persistency of the eiibrts to secure the

passage of a law to demonetize it appears remarkable. From June 9,

1868, when Mr. Sherman, chairman of the Committee on Finance,

made a report to the United States Senate in favor of '• a .single

standard, exclusively ofgold,^^ to February 12, 1873, no session of Congress

went by in which some bill relating to the coinage, to compass t Iiat ob-

ject, did not make its appearance. These efforts did not attract public

attention, but the records exiiibit them. Watchful and ])ersistent labors

are never undergone to accomplish what is already accomplished. The

manifest truth is that silver was demonetized in 187.')-'74, not ln'cause

it was already demonetized, but because it was still money and stood in

the way of the scheme to establish " a single standard, cxclusirelyofgokV^

As the essence of money in the Western World is the. iegal-tendei' func-

tion, it is only by law that anything can be monetize(l or demonetized,

and silver was as completely a money-metal in this country until l.s73-'74

as it had ever been. What is loosely spoken of as its |)ractical demone-

tization at that time, was its temporary disappearances from tlie <ircu-

lation, because its market- value happened to exceed its mint-value, its

legal demonetization had no practical eflect for tin' time being, and

there could have been no other r<'ason for it than tlu^ appreliensi()n,

since realized in fact, that the vicissitudes of mining, or flie legislation

of other countries, might again make silver rather than gold the more

available metal, and bring it again into circulation.

Alleged reasons for the law of February 1 2, 1 873, relating to silver. Effects

of the late on public and private rights.

No adequate or satisfactory reasons for the enactment of the laws of

1873--74, demonetizing silver, have ever been given. In the brief dia-

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cussioD on the bill in the House of Representatives the principal reason

assigned in favor of those sections which interdicted the future coin-

age ot the silver dollar was, that its value was 3 per cent, greater than

the value of the gold dollar, and that on this account it could not cir-

culate concurrently with the gold dollar, and that no silver was brought

to the mint to be coined for circulation. There certainly could not have

been any pressing necessity for legislation prohibiting a coinage which

was not asked for, and if it was wise to prohibit the coinage of silver

because it could not circulate, it would have been equally wise to have

prohibited the coinage of gold for the same reason. Paper money, to

the exclusion of both gold and silver, had been the sole circulating

medium for eleven years. It could not be urged that the business of

the country was subjected to any injury or inconvenience by the fluctu-

ations in the relative value of a metal which w-as not in use and whose

coinage was not demanded. I^or can it be easily comprehended how

any harm could have resulted from the retention of the option then un-

disputed of using either of the metals, neither of which was then in use.

Such an oj^tion, always valuable, has since become of the greatest im-

portance, and it seems strange that it should have been given away

without any consideration.

Nor could it have been a reason for the passage of the act, that in

consequence of constant fluctuations in the relative valuable of the

metals the money standard was frequently changing from one metal to

the other. Only one such change had ever occurred in the history of

the country, and that was not caused by a change in the relative market

value of the metals, but by a change in their legal relation by the coin-

age law of 1834, which, by reducing the weight of the gold dollar, un-

dervalued silver and caused it to be exported.

The law of 1873 was not needed to prevent the Secretary of the Treas-

ury from paying the interest or ijrincipal of the public debt in silver,

because, under the option which the United States reserved wheii those

debts were contracted, his duty to the country would require him to

continue to pay in gold as long as it continued to be the cheaper metal.

It cannot be supjjosed to have been the intention of the framers and

supporters of the law to discourage silver-mining, one of the great in-

dustries of the country, or to dej^rive the United States of the debt-pay-

ing resource which its newly-discovered silver-mines furnished.

The object of the framers of the law could not have been to strengthen

the public credit. The amount of credit which either a nation or an

individual can possess, depends upon the strength and extent of the

belief among lenders and capitalists that the borrower is both able and

willing to meet the exact terms of his obligations. An offer to do more

would subject the debtor to well merited suspicion and distrust. He

cannot improve his credit by promising to pay a larger amount of money,

or money of greater value, than the terms of the obligations held against

him require. The sufficient, best, and only means of improving credit,

public or private, is an exact i)erformance of contracts. The debtor that

insists upon all his rights and at the same time performs all his duties,

is the one most confided in. Credit can be strengthened by fulfilling

contracts but not by changing them ; by jjerforming old promises and

not by making new ones.

Nor could the object of the framers of the law have been to advance

the value of bonds already sold and in the hands of purchasers. It

would be of great public importance to enhance the value of bonds which

the Government was proposing to sell, but to overload the country with

additional burdens for the purpose of enhancing the value of outstanding

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bonds, would be to subserve gratuitously aud uu.iustly private interests

at the public expense. It would be very jrratilyinur to national pride

to have the bonds of the United States now in private hands command

the highest prices in the markets of the world, but it could scarcely be

deemed a wise financial policy in the present condition of the country

to obtain that gratification by a paying a i)remium for it. If, however,

it were deemed advisable to enhance the value of bonds already sold, it

should have been done by some plain and direct method, and in such a

way that the country might know exactly what it was going to cost — as,

for instance, by increasing the principal or rate of interest of outstand-

ing bonds. It should not have been done by the indirect method of

changing the medium of payment from gold or silver, at the option of

the Government, to gold alone. The additional burden which that might

impose, from a rise in the value of gold, is incalculable.

The wisdom of refunding the i)ublic debt before maturity, by retir-

ing old bonds with the proceeds of the sales of new ones bearing a lower

rate of interest, would be unquestionable, if the new bonds were issued

on the same conditions and terms as the old ones. But if the new bonds

are to run on a long time, and are to be ])ayable only in the rapidly-

appreciating metal, gold, instead of optionally in gold or silver as the

old bonds are payable, it would be wiser not to refund at all. The coun-

try can better endure the present rates of interest than an indefinite in-

crease in the value of the money in which the principal of its debts is

payable.

if the gold obtained by the issue of a bond payable only in gold was

used to ])urchase silver wherewith to pay oft" the 5-20 bonds, whieli can

be itaid legally and equitably in silver as well as in gold, the country

would gain the ])resent difierence between the currency prices of gold

and silver. Such a gain would not justify the great and uidcnown risk

of a long-time promise of gold, but it would be worth something. But

if the gold borrowed on gold bonds is to be applied directly to the pay-

ment of the 5-20 bonds, and the saving of converting it into silver for

their payment is gratuitously thrown away, the operation would be,

in all its aspects, a marvel of folly.

The defense most frequently made for the demonetizing act was, and

is, that the silver dollar had been substantially out of circulation for

twenty years. But those who make this defense forget that, until de-

monetized, it had always possessed all the functions of money and served

as a sure protection against any considerable rise in gold. It bore a pre-

mium of only 3 per cent, m 1873, and if coin payments had been resumed

then, gold could not have risen more than 3 per cent, without bringing

the silver dollar into immediate use. It was, when denu)netized, stand-

ing guard against a rise in gold. To divest either metal of the money

function because temporarily out of use would be reckless and unwise.

As well might the commander of an array while a battle was raging dis-

band and discharge his reserves because they were Jiot engaged at the

front. As well uiight the master of a ship cut loose and seutth^ his life-

boats because the sky was clear and the sea calm, or because the trans-

fer of passengers and crew from ship to boats might cause some incon-

venience.

DnHes and rights of the United States in respect to its coin obligations.

All the debts of the United States, when any special medium of the

payment of either interest or principal is expressed, are made payable

either in paper money or " w coin," but never in gold. Th«^ 5-20 bonds

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issued under the act of February 25, 1862, were made payable — the

principal in dollars, without specifyiug- the kind, and which might mean

dollars in i)aperor coin, and the interest in coin; and, in order to secure

the coin for paying the interest, the act specially appropriates the cus-

toms duties, and provides that they shall be collected " in coin''^ only,

which includes silver as well as gold coin. The latest and still contin-

uing law in respect to those duties, which is found in section 3473 of the

Revised Statutes of 1874, declares that they may be paid iu '■'■gold and

silver coin.''''

The act of March 3, 18G3, under which the 10 40 bonds were issued,

makes both the principal and interest of those bonds i)ayable '" in coin.''''

The well-known declaratory resolution of March 18, 18C9, to '•^ siren fjthen

the ptihlic credit,''^ makes no promise of gold, but expressly recognizes

'■'-gold or silver " as constituting the " coin " promised iu prior acts. The

special pledge of the law of March 18, 1869, is that all national obligations

shall be i^aid in " coin or its equivalent," except those in respect to which

it may have been " expressly provided that the same may be paid in

lawful money, or other currency than gold or silver.''''

The act of July 14, 1870, under which the national debt is now being

refunded, provides for payments, not in gold, but " in coin^''' and the

only new provision which it contains is that payments shall be made

" in coin of the present standard value.^^

Bonds issued under the act of July 14, 1870, have printed on them

the following words :

This bond is issued iu accordance with the provisions of an act of Confjcress entitled

"An act to authorize the refunding of the national debt," approved July 14, 1870,

amended by an act approved January 20, 1871, and is redeemable at the pleasure of

the United States after, &c., in coin of the standard value of the United States on said

July 14, 1870, with interest in such coin.

On the 14th of July, 1870, the silver dollar contained 412.5 grains of

standard silver, and was the legal equivalent of the gold dollar, which

then contained, as it does now, 25.8 grains of standard gold. Both the

silver and gold dollars were invested with the same function as money,

and were equally a legal tender for all debts, public and i)rivate, and

for all sums. Any person having either gold or silver bullion had the

right to deposit it at the mint, and have it coined for his account, iu the

order of its presentation, into full legal-tender money, and, being so

coined, it became coin of the '■^present standard value," as intended by

the act of July 14, 1870, and in which bonds issued under that act may

be legally paid.

The right to demonetize gold rests on the same foundation as the right

to demonetize silver, and the right to demonetize both is as well assured

as the right to demonetize either. It is not disputed that the United

States may change at will either the weight or the purity of the metal in

its coins. It might make its coins y^o instead of /^^ fine, (»r might make the

gold and silver dollar, or unit of value, contain more or less gold and

silver respectively than was contained iu the gold and silver dollar of the

standard value of July 14, 1870. But neither the demonetization ot one

or b6tli of the metals, nor a change of weight or intrity of m- tal in either

gold or silver dollars, could either deprive thecouutry of any of its rights

or relieve it of any of its obligations in respect to bonds issued under

the act of July 14, 1870. Nor could such legislation buihl up any new

rights or break down any old ones of the holders of boixls issued under

that act. The very terms, " coins of the present standard value,'''' used iu

that act to describe the medium in which bonds issued under it were

payable, implied not only the power of the Government to change the

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^' stan(1ard ralue^^ of its coius as existing: July 14, 1870, but tli«^ ])roba-

"bility that such changes might be made. What the act (h)es is to pro-

tect the holders of bonds issued under it from being atiected by such

changes. Those bonds hold the United States, not to i)ay doil.irs of

such weight, purity, and material as may constitute coin of the stiind-

ard value when the interest or the i)rincipal of the bonds falls due, Imt

to pay, at its option, in dolhirs of either gold or silver, of the weight and

purity of ^^ coin of the standa)-d ralne of the United States on said July

14, 1870." If the United States should make its money to consist of

paper, or of platinum coins, such as were formerly minted in Kussia, it

must still i)rovide gold or silver coins for the holders of bonds issued

under the act of July 14, 1870, and of the " standard value'''' existing on

that day. If the United States should hereafter diminish by one-half

the weight of pure metal in the gold and silver dollar respectively, the

rights of the holders of those bonds could not be i)iejudiced thereby;

neither could the rights of the Government be prejiuliced un<ler oppo-

site conditions. Under all circumstances the holders of those bonds

have the clear right to demand coin of the ^'■standard valne^^ of July 14,

1870; and equally clear is the right of the United States to pay in coin

of gold or silver, at its option, of that '■'• standard value.'''' These rights

are the correlatives of each other and must stand or fall together. If

the Government should refuse to pay bonds issued uuder the ac^of

July 14, 1870, in coin of the tlieu '■'■standard value " it would be a repu-

diation of the rights of the bondholder. If it should deny to the nation

its option of selecting for such payment either gold orsilvei- coin of the

\*' standard value^' of July 14, 1870, it would be a repudiation of the rights

of the people.

The object of the act of July 14, 1870, was to refund the ])ublic debt

at lower rates of interest, and the framers of the act naturally desired,

so far as they could properly do so, to make the terms of the bonds

authorized by it acceptable to the classes of persons most likely to sub-

scribe for them. It is a well settled rule of law in this country that pub-

lic and private contracts to i)ay dollars, without a specification of any

particular kind of dollars, are satisfied by the payment of whatever may

be legal dollars when the contracts mature. The principle of this rule

is recognized among all civilized nations. In view of this well known

rule, and in order that the rights and duties of both the Government

and the bondholder should be speciti(!ally defined, the ])romis(> of jjrior

acts to pay '■^in coin'''' was changed in the act of July 14, 1870, to a

r)romise to pay in " coin of the present standard valueP This change in-

sured the jiurchasers of bonds issued under it against being i)aid in

coins of a different standard value; but not less clearly did it insure to

the people of the United States the privilege of paying, at tlieii- option,

in any of such coins. If the new language holds the United States rig-

orously to i)ay in such coins, not less rigorously does it hold the owners

of the bonds to accei»t them.

The Utiite<l States owes no debt either contracted or ])ayable in TiU-

rojie, although its bonds, payable at lioine, are largely held there. It

h:is creat<Ml no fon igti debt since the revolntionary war. All its debts

and bonds are payable in this country and in <lolIars. The law gives

no advantage to the <'i'editors of the Unitc^d States who live in foieign

countries over (creditors who icside in this country. They oei npy ex-

actly the same position, e(jnital)ly and legally. Many attempts have

been made to indu<;e Congress to authorizes the issne of bonds jiayable in

foieign countries and in foreign money, but sncli attempts have never

succeeded, except in the single instance of'one small loan (United States

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Statutes, vol. 12, p. 260), which was authorized but never negotiated.

Europeans and all others who purchase United States bonds do so vol-

untarily, and exclusively for their own profit and advantage, and not for

the ])rofit or advantage of the United States. They purchase them with

a full knowledge of the laws which authorize their issue, and specifically

set forth their terms. The laws are open to the examination of all,

and no one has the right to plead ignorance of them as a reason tor

perverting in his interest tbeir plain meaning. JSTo bond has ever

been issued without having printed on its face a leference to the law

authorizing it, together with a substantial statement of its terms. It

is incredible that any bonds have been purchased without a full knowl-

edge of their terms on the part of the purchaser; and, be that as it may,

the United States, in dealing with its debts, must be governed strictly

by the laws authorizing them. These laws were intended not less scrup-

ulously to protect the rights of the nation than the rights of the bond-

holder, i^nd no safeguard of the interests of the nation can be lost because

it was overlooked by careless creditors.

The legal right of the United States to pay its bonds in gold or silver,

at its option, is so clear that no serious denial of it is made. The claim

that they should be paid only in gold is placed on vague and shadowy

grounds. So far as it is possible to apprehend these grounds, they are,

tlrat when these bonds were issued silver was out of use as money ;

that the larger part of those held abroad at the present time are held in

countries which do not recognize silver as money ; that whenever coin

has been paid for these bonds, it has been gold coin and not silver coin;

and that the purchasers expected to be paid in gold ; and that on

account of these considerations both equity and honor demand that they

should be so i^aid. The truth is, that gold has been as much out of

ordinary use in this country as silver during the whole period covered

by the negotiation and sale of these bonds, and that Germany, where the

earliest and largest purchases of them were made, did not recognize

gold as money until December, 1871, and has now quite as much silver

as gold in its circulation. Down to 1873 the coin purchasers of the bonds

did not forget that they had an option between silver and gold money,

nor did they fail to exercise that option by selecting gold, which was the

cheaper of the two metals, as their medium of purchase, nor should the

Government now forget that it has the same oi)tion, and that it would

be worse than weakness not to exercise it by selecting the cheaper of

the two metals as the medium of payment. Those who purchased bonds

with gold when it was the cheaper metal could hav^ expected to be

paid in gold only so long as it continued to be the cheaper metal. If

they have been disappointed in what has since happened, it is in the fact

that silver has become the cheaper metal. They always knew that the

United States had the same option of paying in the cheaj)er metal which

they had themselves exercised in purchasing. They may be somewhat

disappointed to find that this option cannot be taken away by any legis-

lation subsequent to the dates of the contracts which they hold, and

that the step from coin to gold is a more difficult one to take than the

step Irom currency to coin, for which the Congressional resolution of

March 18, 1869, seems to have been sufficient.

The attempt to frighten the Government from exercising its undoubted

right to pay its bonds in the cheaper metal, by proclaiming that if it

does so its honor will be tarnished and its credit impaired at home and

abroad, is unworthy of consideration. The punctual fulfillment to the

letter of all obligations is the surest and best support of the credit of

any country. Its honor can rest permanently, in peace and in war,

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only on the ])atriotism of its people, which is sure to be weakened if their

substance is taxed to pay i)reuiiums for the applause of its creditors. The

United States is the only nation that has never made a default in its

promises. It has never failed to meet punctually and fully all its obli-

gations. It is nearly a hundred years since its Government was formed

under the existing Constitution, and if it has not acquired a perfect

credit by the scrupulous fulfillment during that time of all its obligations,

it cannot h()i)e to acquire such a credit by anything that it can do here-

after. Within that time it has seen the strongest Governments in Eu-

rope make deJault in the payment of their obligations. Even Great

Britain, for many years during the present century, paid the interest of

its public debt, a large proportion of which had been contracted in

coin, in inconvertible bank notes, whose depreciation reached sometimes

as high as thirty per cent. While nearly all nations have on various

occasions met their obligations in a money less valuable than they

agreed to pay, the Government of the United States stands alone and

preeminent in the generosity and in the folly of paying in a money

more valuable than it agreed to pay. The only comjiensation which

it has Tcceived for the added burdens thrown upon its citizens by

an over-i)erformance of its contracts is the interested praise of those

benefited, which is as insincere as it is interested. Those who obtain

an unjust advantage have a real contempt, however concealed, for tDe

^veakness that concedes it. That sensitiveness, so morbidly niRnifested

by some in respect to the estimation in which this Government may be

held by its creditors here and abroad, and their indifference as to the

estimation in which it shall be held by the great mass of its own citi-

zens, instead of being evidence of proi)er national pride, is an exhibi-

tion of weak and puerile vanity. That sentimental idea of honor which

requires the abrogation of the plain terms of a written contract by one of

the parties to it, against its own interest and at the demand of the other

party, while suited to youthful fancy and refreshing in the pages of

cheap literature, should find no place in official interpretations defining

the rights and duties of a nation under contracts whose written terms

are so precise as to exclude implication.

A written contract must be construed in accordance with its expressed

terms. Any other method of interpretation would be the source of end-

less confusion and injustice. This is especially true of written contracts

between a Government and its creditors. As no tribunal exists to decide

the equities between them, the question of equity and honor cannot bo

safely opeued by a Government. Jt could only decide on such equities

as might be adverse to itself, while the creditor would insist on the

equities of the contract when in his favor, and on the terms when the

equities were against him. Suitors before chancery tribunals are bound

by the rule that those who seek equity must do equity. In tbis case,

there are many and strong equities on the side of the United States.

During the civil war its bonds were sold at i)ai- for ]»ai)er which was

worth as little as forty cents in gold or silver on the dollar, in respect

to the bonds sold since the civil war for metallic money, such money

greatly appreciated after the sales, and is still appreciating. If llie

United States, on account of either oil hesecinaiinslanceH, shouhl re(hice

the amounts nominally due on its bonds, it would be charged with dis-

lionor and repudiation. Tln-re is n<K;ouvtto which it <',an present these

equities, and it th(;refore cannot entertain the vague, doubl fill, and far

inlericjr equities urged in behalf of its criMlitors;

The honor of the (Jovernnient was no more sacredly pledged to the

bondholder, that the i)rineipal and interest of bonds issued under the

act of July 14, 1870, KJiouUl be paid in coin of the standartl value of

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that date, than it was to the peoijle that they shoukl have the optiou

and piivilege of paying the bonds issued under that act in either of the

classes of coin of the standard value of that date. There are two par-

ties to these contracts, the bondholder on the one side and the masses

of the people on the other. The rights of the one are as sacred as the

rights of the other.

In the case of the Government, the arguments against enlarging the

terms of its written contracts, to satisfy the claims of an imaginary

honor, are even stronger than in the case of individuals. The proposed

gratuities to bondholders are not to be paid by those who hope thereby

to obtain a meretricious applause, but are to be made at the expense

of posterity, the mortgage upon whose earnings is to be changed to their

prejudice after it has been recorded. The burdens thrown upon indi-

viduals are borne by them personally or by their existing ])roperty, but

the burden thrown upon a nation may be extended to an indefinite

future. To mortgage the labor of posterity' and coin it into money for

present wants is a doubtful right at best. Until lately it has been an

established canon of American political doctrine that no generation can

bind its successors, and that every public debt must be i:)aid off during

the generation which created it. At all events, no attempt should be

made to impose burdens on posterity, unless commensurate benefits are

conferred with them, and to increase gratuitously such burdens in order

to gratifygSublimated notions of honor is as indefensible in morals as it

is in law.

The United States reserved the optiou of paying its debts in either

metal, as a protection against any combination of circumstances, and

against any legislation of foreign Governments relative to the precious

metals which might cause a divergence in the relative value of gold and

silver. This option, always important, and doubly so when a diver-

gence exists, has always been exercised by the United States, and its

right and duty to exercise it is as clear to-day as it has ever been since

the formation of the Government. It was a powerful and persistent

creditor influence that caused the demonetization and consequent depre-

ciation of silver relatively to gold. The masses of the people, including

the debtors of all countries, were opposed to it. If it were true, as it is

not, that creditors would now suffer loss if paid in silver, they should

receive no sympathy, nor should they complain of the legitimate conse-

quences of their own acts. The bonds of the United States are supposed

to be more largely held in Germany than in any European country. Ger-

many had the single silver standard until 1871, and by discarding it and

adopting the gold standard became the principal cause of the recent

divergence between the metals. The subjects of the German Empire

cannot justly complain of a payment in silver depreciated by the action

of their own Government.

If individuals or syndicates, who have made contracts for the pur-

chase of bonds of the United States at fixed prices, and whose profits

and commissions depend upon the prices at which they make sales, have

made representations as to the tenor and meaning of the bonds not war-

ranted by law or by the language of the bonds, the United States cannot

be held responsible for such statements. That is a matter purely be-

tween them and their customers.

The only safe course for both parties to these bonds is to abide b^' their

plain letter and by the laws which alone give them any validity whatever.

Large national debts, contracted under the pressure of war, are gene-

rally contracted on hard terms. There is a temptation to scale them

down afterward to more equitable terms, and a provocation to that is

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given if the holders of such bonds attempt, by influeneiiic: h'<ii.sl:itioTi or

otherwise, to secure new and still better terms for themselves \ou'^ after

the loans are made. Their strongest and best position is to stand upon

the saereduess of eontraets, and they may lose a i)ortion of what is now

eonceded to them by seekiny more than their contracts entitle them to.

The act of July 14, 1870 pledged the Government of the United iStates

to pay the bonds issued under it in dollars eoined at its option out of

either gold or silver, and that the dollars coined of gold should each

contain 25.8 grains nine-tentiis fine, and that those of silver should each

contain 412.5 grains of the same purity, and that for the i)urpose of

such payment no other or different dolhir from those described should

be used. But that act did not, nor could it, bind the Government to

retain either kind of dollar, or either gold or silver, as money. It, in

effect, pledged the Government to i)ay those bonds at its option in one

or the othei' of the classesof dollars described, whatever its money might

be. The question of what its money shall be is a domestic question

always within the sovereign discretion of the United States, and in re-

spect to which it never did and never can give pledges for the future.

The United States might decide to demonetize gold as well as silver,

and to maintain and enlarge the circulation of paper. The effect of this

would be to lower the value of both metals, by withdrawing any de-

mand for them as money in this country, and by setting an example of

disusing them, which might be followed elsewhere. Just as a hirge de-

mand for gold here as money must raise its value and increase the

burden of debts payable in gold, so the disuse of the metals here would

cheapen them and diminish the burden of debts payable in them. The

Government of the United States has never come under obligation to

its creditors or anybody else to retain either of the metals as money.

After demonetizing them, however, it would still be its duty to coin

them for the purpose of complying with the terms of bonds issued under

the actof Juljl4, 1870. Of thestrikingof coins for special purposes, we

have examples in the subsidiary silver coins and in tihe trade dollar.

The question of remonetizing silver has no connection whatever with

the right or duty of using silver in payment of the coin obligations in-

curred under that act, but it does directly affect the interests of the

holdersof such obligations. The remonetization of silver in this country

would, by giving it a new and large use, cause it to increase in value,

which is of great importance to the holders of bonds whicli, according

to their conditions, are payable in either gold or silver, at tlie option of

the United States. The holders of such bonds are the last persons who

should oppose the remonetization of silver.

For even if silver is not remonetized, it can hardly be supposed that

tlie Government of this country will be so untrue to the interests of the

nation confided to its charge as to give up, or fail to exercise, the option

it has of i)aying the bonds in silver, or that authority will not be given

and exercised to coin silver for that, even if for no other purpose.

If positions were reversed and ifthe Government was the holder of these

bonds, it would be regarded as a violation of the letter and spirit of 1 lie

agreeuient,and a reimdiation of honorable obligation, if it should neglect

or refuse to coin, at the will of the debtor, eitlierof the metals in which

the bonds were i)ayable. A rule, to be equitable, must work both ways.

The promise of the United States to the imrchasers of bonds under

the act of July 14, 1870, is not to pa> money, but to pay "coin" of Ihe

then '■'■ Htandanl value,^^ meaning oi'tlie weight ami lineness of the gold

and siher dollars Ihen liciiig coined at the mini. Uolh parties took the

risk of the lluctuations of the metals. The L'liited Stales received no

100 UNITED STATES BONDS PAYABLE IN COIN, NOT GOLD.

guarautee against their rise, and gave no gnarantee against their fall.

The assumption that the agreement of the United States was to pay

coin of the then market or commercial value is to the last degree absurd.

The United States agreed to pay a specific thing, not a specific value.

There is no tribunal to determine what the changes are in the market

or commercial value of dollars. No prudent Government or individual

would give an obligation so shadowy and indefinite, and no prudent

capitalist would accept such an obligation.

In issuing bonds under the act of July 14, 1870, the United States took

the risk of a rise in the value of both the metals. The parties accepting

the bonds took the opposite risk of a fall in the value of either of them.

The chances against the United States were wars and political disturb-

ances in the mining countries, such as caused a decrease in the produc-

tion of gold and silver between 1809 and 1848, or that the mines would

be from any other cause less productive, or that countries not using gold

or silver might decree their use as money, and thus make a new demand

for then), or that a change of fashion might increase the consumption

of the metals in the arts. Either of these circumstances, or all com-

bined, might raise the value of the metals very materially. On their

part, those who accepted the bonds took the risks of an increased pro-

duction of either or both of the metals by the discovery of new gold and

silver mines or by the more vigorous working of old mines, or tljat com-

mercial countries might demonetize one or both of the metals, or that

great amounts of gold or silver miglit be liberated by the suspension of

specie payments in imi)ortant countries, or that the habits of the world

might be so changed that less amounts of gold and silver would be used

for other purposes than as money. Either of these circumstances, or

all combined, might depreciate the value of one or both of the metals

very materially.

One fact, not a matter of chance but of reasonable certainty, operates

steadily against the United States. This is the advance of the world in

population, wealth, and exchanges, and the consequent requirement of

more money, with no certainty that the mines will produce more.

The risks were and are mutual. Is it supposed that, upon the occur-

rence of any or all of the circumstances which would tend to raise the

value of both metals, and thereby increase the burden of obligations

payable in them, the United States would ask or that the bondholder

would agree to a corresponding scaling of the contract ? Has a bar-

gain been made where the creditors, under all vicissitudes, stand to win

and not to lose ? Is the United States bound to the obligations and

penalties of the contract, and debarred from all the advantages con-

ferred by its terms ? These interrogatories admit of but one reply.

There is no dispute about tlie facts of the case or the law. A contract

has been entered into between the Government and its creditors, involv-

ing contingencies which may favor either party, and both parties must

abide the issue, whatever it may be. It would be beneath the dignity

of the Government to demand any advantages which the law and the

contract made under it do not confer. It would be a violation of justice

and a betrayal of the great interests confided to its charge to accept

anything less. The Government is an agent and not a principal. It is

the trustee of the nation, and must find the charter and guide for the

administration of the afiairs intrusted to it in the law and not in senti-

mental emotions.

The creditor would have no reason to complain of either the law or the

fact if he were now paid in silver. The contingencies which have hap-

pened have not been favorable to the United States, but otherwise.

INDEBTEDNESS OF THE UNITED STATES IN EUROPE. 101

Not only has the value of both the metals risen, but a coiuparisou of gold

prices in 1870 ^vith silver prices in 1877 will show that the purchasing

power of silver is greater now than the purchasing power of gold was

then. Payment to-day in silver would not only give the creditor all that

he is entitled to under the law and the contract, but would mete out

to him more than equity alone would demand.

It is sometimes said that the more recently-issued bonds should be

paid in gold, because the United States receives gold for them. The

obligations of a bond are not governed by the price, or the species of

money, or the nature of the consideration received by those who issue

it. They are governed by the terms of the bond, and nut by what it is

sold for. A bond sold at 105 can have no other construction tlnin a

similar bond sold at 50, and a bond sold for gold can have no other con-

struction than a similar bond sold for silver or greenbacks, or given in

payment for supplies or services. The promise, and not the considera-

tion, governs. If it were really true that what is received for bonds

determines what they promise, the holders of a majority of the outstand-

ing bonds of the United States would be in a much less favorable posi-

tion than they now occupy.

Indebtedness of the United States to Europe and trade relations with

Europe.

We are largely the debtors of Europe, a relation we do not occupy

toward any other quarter of the globe. The aggregate of our indebt-

edness, ])ublic and corporate, held there, is estimated to exceed

$2,000,000,000, and is, on any computation, an immense sum. If it be

taken at $2,000,000,000, the annual interest must be fully $100,000,000.

This is the minimum of the current estimates. It isnot a tribute,

in the odious sense of a contribution exacted by a sovereign or imposed

by a conqueror, but in its financial effects does not differ from either,

and there has never been any parallel to it in history, ancient or

modern. In the recent and continuing discussions in Great Britain it is

treated as a capital and dominating fact relative to British India that

India is obliged to pay annually in London £15,000,000, or $75,000,000,

partly as interest upon loans and partly for expenditures of the Indian

administration in England. But Indiahasai)opulation five times greater

than that of the United States, and its London payments are in larger

proportion for interest on money expended in productive works than is

the foreign interest-account of this country. No part of our national

debt, which is so largely held abroad, arose from investments in produc-

tive works.

We occupy still another relation to Europe. It is the principal juir-

chaser of our agricultural staples, of our petroleum, and of the; raw i)rod-

ucts of our forests. So long as we export those articles Europe will bo

our chief customer. It has the manufacturers to bay our cotton, and a

dense [)opulatioii whose demand for food and raw i)rodiU'ts of various

kinds cinnot besui)i)lied at hotut;. For' a long luturt^ we. shall find there

the i)rincii)al foreign market for our timber, jx'troleuni, cotton, cereals,

tobacco, rice, beef, pork, and dairy products, and it is from tin\* j>roc<'edH

of these commodities that the inter(^st on our debts held in Miiropeniust

be and is really i)aid. And it is with those ('.onntries which now li.ivetho

gold standard, or have taken stejts in that <lirection, and pn'-eminently

with Great Britain, that we have these relations (»f ti'ade.

Tw(j medes of resuming coin payments in this ct)nnlry are propose\*!.

One is under the single standard of gold ; the other is under the optional

standard of gold and silver.

102 UNITED STATES EXPORTS FALL AS GOLD KISES.

If we resume specie payint'iits in <xo\d alone, the quantity u^eded will

be very great, and we must either withdraw it from Europe or intercept

gold that would otherwise reach Europe, which would amount practi-

cally to the same thing. To whatever extent coin payments in gold

require more gold than coin payments in gold and silver would require,

to that extent the competition for gold between the United States and

Europe will be made more severe, and the drain of gold from Europe

will be greater, with the unavoidable consequence of a fall in Europe of

the gold-prices of all commodities. This would be disastrous to the

masses of the people of this country, even if the merchandise imports

and exports in the European trade were equal. The producers of the

staples sent to Europe iuclnde the entire agricultural interest, and far

exceed in numbers the consumers of European goods. But merchandise

imports and exports in the European trade are not equal ; on the contrary,

the excess of exports is very large, and nnist be so as long as the United

States has a large annual interest-account to pay in Europe. Comparing

for the two last fiscal years, ending June 30, 1875 and 1876, the merchan-

dise imports and exports with all European countries, the following re-

sults are shown :

Tears. Imports fiom Exports- to

Europe. Europe.

1875 - •- $281,234,787 $452,432,255

1876 232, 133, 822 498, 558, 300

The trade with Great Britain, which is a gold-standard country, shows

the following even greater proportion of exports, exclusive of gold and

silver :

Tears. Imports from Exports to

Great Britain. Great Britain.

1875 $155, 297, 944 $371 , 745, 682

1876 123, 373, 281 368, 900, 324

Falling prices in Europe, and especially in Great Britain, imply di-

minished returns for the same quantities of our exports to that conti-

nent, and a corresi^onding increase of the real burden of paying the

principal and interest of our debts held there.

If the United States should resume specie payments under the op-

tional or double standard, silver would always constitute a part of our

currency. The channels of circulation would doubtless for a short

time, and until the new demand here for silver caused the legal and

market relations of the metals to coincide, be monopolized by silver

and by such paper as might be convertible into the metals. It would,

therefore, not be necessary to resumption to draw gold from Europe

or to intercept it on its way there. Even if the gold now in this coun-

try, or some portion of it, should be sent to Europe, it would be sent

where it would be of the greatest possible service to us, and where

it would have a direct influence in raising the prices of our exported

products. These prices are not regulated or controlled by the vol-

ume or kind of money in use in this country, but by the volume and

kind of money used in the countries to which our products are exported.

A gold standard here will force a fierce scramble with Europe for gold.

This would straiten our largest customers, diminish their means and dis-

position to make purchases, and lower the prices of our products in

European markets. Last year ourmerchandise exports to Europe (prin-

cipally agricultural staples) were $498,558,300, of which Great Britain

received $368,900,324. By retaining, instead of sending to Europe, any

given sum of gold, the United States wouhl be obliged to export that

additional amount of i)rodncts, and to sufier also whatever percentage

of diminution in the prices of $498,558,300 of products such a withdrawal

GOLD RESUMPTION RUINOUS. 103

of tbe gold supplies of Europe would occasion. On the other hand, to

whatever extent we employed silveras money under the double standard,

we could add to the gold supplies of Europe, and jiroportionally raise

the prices of $498,558,300 of our products sold there. It is indeed hardly

possible to conceive of a financial policj' more clearly and largely ruinous

for the United States than one which would raise the value of the money

in which our foreign debts must be paid, and decrease the prices in such

money of our exported products.

Before the British Eoyal Commission of 1868 on International Coin-

age, Jacob Behren, esq., an eminent British merchant and member of

the Associated Chambers of Commerce, after answering special and

technical questions, was asked, in conclusion, '■'• if there was anytliing else

lie ickhed to state." His reply was (p. 18) :

I would only state that, in my opinion, the general introduction of gold all overthe

world has been one of the greatest [lossible blessings to England. I believe that Eng-

land would be now the very poorest country in the world if the silver standaid abroad

had been kept up, and gold had not been generally introduced. Gold would otherwise

have been very much reduced in value, and we should have had allthe gold poured into

England. All the debts owing to us would have been paid in the depreciated currency ;

and, therefore, I believe that England ought to have taken the lead in the introduction

of a gold currency abroad. We ought to be very thankful that it has been introduced,

and we ought to give every facility to its circulation.

The activity of the advocates in this country of the gold standard has

relieved England from the necessity of openly taking " the lead in the

introduction of a gold currency" into the United States.

The resumption of coin payments.

A transition in this country from paper to coin involves a struggle for

the needed coin with other countries, no one of which has any that is

not all urgently needed for its own payments, prices, and necessities.

The United States will be at the disadvantage of struggling for the coin

of which other countries are in possession. It can be successful only

by a reduction of prices in this country, not merely to the i»resent level

of coin-prices throughout the world, but to that lower level to which

they must descend under such a new and great demand for coin as the

resumption of specie payment in this country would occasion. This

crash in i)rices cannot be avoided by confining our demand for the

metals to the product of our own mines. That product is a part of

the current su])ply of the world, and to subtract from that supply is the

same thing in its practical elfect as subtracting from the stocks of the

world, because the entire current supply is not more than sufficient to

keep the existing stocks unini])aived. It cannot be avoided by borrow-

ing coin abroad uj^on our bonds. No such borrowing will be permitted

to reach the gold of the great European banks, and inust be confined

to the small quantities floating in coiiimercial hands. But the decisive

<'onsid<'iation is, that even if gold should be obtained in that way, it

<;ould l)c k»'])t here upon no other con<lition than a re<biction of our

l>rices to oi- below the coin-prices of the world.

The (liflicnlty of olttainiiig gold in that way was ])ointed out in the

Senate of the i'nitecl States .January 21', IS74, by (lovernor F>()UTWKLL,

who had been recently at the head of the Treasuiy I)ei)artnient. lie

S(;oule(l the i)r()]»osit ion that it was jtossilile to obtain even .$100, 000, 000

in gold by the sale of ])oimIs Ibi- rt'snniption, or tor any other j)uiposes.

IN^ferring to a i)ro])osition to Iranslei' lothis eountvy iVoin London only

8lil,000,()0(»in gold, he vsaid:

Tlie J Sank of England, foiesecing Ilia I I here would lie an accnmnlat ion ol coin to the

credit of IIk^ United t5tal(;8 wliich ini;:lil, Ik; taken away liodily in specie, gave notice

to the offlcers of the Treasury Department of the Unitcil States that ilie power of that

104 GOLD RESUMPTION RUINOUS.

iustitutiou would bo arrayed against the whole proceeding unless we gave a pledge

that the coin should uot be removed and that we would reinvest it in the bonds of

the United States as they were offered in the markets of London. We were compelled

to comply. It was in the interest of the Government that we should do so, because

we did not want the coin, and we did want the bonds. But it shows the feeling that

animates that central financial power of Great Britain, and it shows a policy on the

part of that institution, and of every kindred institution on the continent of Europe,

sustained by all the banking and commercial classes, by which, if it were necessary,

and this proposition should become a law, the bonds of the United States would be

excluded from the stock markets of every financial city. There are in the nine great

banks of Europe only $600,000,000 in specie. That specie is held as a reserve with

reference to their local business and with reference to the great transactions that take

place between the countries of the continent of Europe and Great Britain. I may

say, without disparaging the authors of these propositions, that it is useless for Con-

gress to waste time upon legislation looking in that direction. There is another fact

known to all. We recovered at Geneva an award against Great Britain of $15,500,000.

When this claim was maturing the banking and commercial classes of Great Britain

induced the Government to interpose, and by diplomatic arrangements through the

State Department here, operating upon the Treasury Department, secured the trans-

fer of securities, and thus avoided the transfer of coin. In the presence of these facts,

is it to be assumed for a moment that we can go into the markets of the world and

purchase coin with which we can redeem four, three, two, or one hundred million

outstanding legal-tender notes ?

When a drain ot gold sets m, the Bank of England raises its rate of

discount until it makes money scarce enough, and reduces the prices of

commodities low enough to arrest the drain. This is a necessity for its

own preservation, to which it must sacrifice everything else, not except-

ing its own customers. It is unfortunately too plain how the United

States, depending upon the European prices of its commodities for the

means to pay its debts, must fare in a contest for gold with the banks

of London and Berlin.

And so far as it is true, as it doubtless is to some extent, that our in-

debtedness to Europe is paid from the sale of commodities elsewhere, the

United Slates, as a debtor country, is interested against such a diminu-

tion of the world's measure of values as would result from demonetiz-

ing silver, and ought to throw the weight of its example and influence

against it.

Every additional employment for gold increases its value, and it

must be an unwise policy for the United States, owing large d^bts held

in gold standard countries, and many of them specifically payable in gold,

to make a new demand for that metal, of from three to five hundred mill-

ions of dollars, by adopting an exclusive gold standard. The interests

to be subserved by such a policy are not American interests, but those

of the gold-standard countries of Western Europe, and especially of Eng-

land, which are to an enormous extent the creditors of the United States

and of other parts of the world.

Upon this general statement it is apparent that a struggle for a given

quantity of both the metals must be less severe than a straggle for the

same quantity of a single metal. The needed quantity is a less percent-

age of the stock of both metals than it is of the stock of either. The

whole world can be drawn upon for both, while only a part of the world

can be drawn upon for one ; and if the single metal sought for is gold,

it is only the smallest part of the world which can be drawn upon.

The actual and legal money of the Cnited States is now, and has been

since 18C2, paper issued by the Government. It owed its origin to ex-

igencies growing out of the civil war, and to the belief that it was neces-

sary for the preservation of the Government. The law authoriziug its

issue has been decided by the highest judicial tribunal to be warranted

by the Constitution. It owes its value to the demand of the population

of the country for money, and not to the indefinite promise to redeem

it in coin. The value of each unit or dollar, population and productive

GOLD RESUMPTION RUINOUS. 105

forces reuiainiug the same, depeuds upou the number of such dollars

issued and occupying the channels of circulation. It is not disguised

that it will be an extreme hardship to compel those who have borrowed

paper, or have become indebted by purchases at paper prices, to liqui-

date their obligations in coin. It is not a good answer to this to say

that if debtors suffer in this way now, creditors suffered in an inverse

way fifteen years ago. The answer would be a better one if it could be

truly said, as it cannot be, that the debtors who are now to suffer are

the same persons who made a corresponding gain fifteen years ago, and

that the creditors who are now to gain are the same persons who then

suffered a corresponding loss. An injustice to one class of persons is

neither remedied nor compensated by inflicting an injustice upon another

class. The ouly ground upon which a resumption of coin payments can

be justified is that it is absolutely essential to the public welfare. If

resumption is demanded, it is by policy, and not by equity. No man's

equities are impaired by a continuance of the present state of things.

There is no holder of greenbacks who cannot get as much as he gave

for them. If prices have been inflated in this country, it was caused

by an excessive issue of legal-tender paper, resulting from the real or

supposed necessities of the Government. No particular class can be

charged with being responsible for it. Those who now find themselves

crushed beneath a load of debts through falling prices brought about

by a contraction of the currency cannot be justly taunted with previous

recklessness, because they transacted business in prices regulated by

forces over which they had no control. As the debtors of the country

are not more responsible than the creditors for the suspension of specie

payments, the burdens of resumption should not be imposed on them

alone. It is claimed that resumption is necessary for the welfare of all.

Whatever sacrifices may be necessarily attendant upon it should there-

fore be, as nearly as possible, equitably shared by all.

Under any plan of resumption there will be hardships and benefits,

and they will be unequally distributed. But the plan selected should

be such a one only as would subject existing equities and interests to

the least possible disturbance. A transition from a standard of

paper to one of gold will hardly be claimed to be such a method of

returning to coin payments as would best mitigate the unavoidable

hardships incident thereto. And so far as it aggravates them, it is

an aggravation called for by neither honor nor duty. When the sus-

pension of specie payments took place all obligations were payable

in either of the two metals, gold or silver, at the option of the debtor.

It would be manifestly inequitable to resume without an option

and in one metal. Eesumption of specie payments under the double

standard is the utmost that can be claimed by creditors at home or

abroad. Even such a resumption would not preserve existing equities,

but would inii)air them less than a resumption in the more straightened

standard of gold. Even if it were conceded that a gold standard is

abstractly the best, and ought ultimately to be ado])ted, the present

time is luost badly chosen lor such a measure. The sulliciiuitly dilfifidt

step from i)aper to coin should be first taken, to be followed by the stei)

froin (join to gold, at soine opportune moment to be indicated by subse-

quent events.

The restoration of the double standard seems to be the most efficacious,

and, for the present, the indispensal»lc measure to bring about a re.snnip-

tion of specie payments. To convert all the vast and ranii(i(!d p;iper

debts of this country into gold debts, and to do this when a similar

<ihange in the monetary system of Germany is still uncompleted and in

106 GOLD RESUMPTION RUINOUS.

prog-rep's, so that we must be forced into a contest for gold with that

rich and poi)n]oas empire, will involve such ruinous hardships when

it is seriously attem])ted, that it is impracticable under institutions

that rest upon the poi)ular will. England was able to do it fifty-

six years ago, but the Government of that country was then far less a

representative one than it is now ; and strong as it was, it was substan-

tially revolutionized by the reform bill of 1832, which was forced upon

the Government by the people, made desperate by the suffering and

misery inflicted on them by the gold policy of 1821. The Government

of Germany, essentially military, and flushed and strengthened by suc-

cesses in many respects without a parallel in a recent war, seems equal

to the task, but even there popular discontents are threatening and

portentous. Neither the English nor the German experience justifies

the belief that the i^olicy of an arbitrary and uncalled-for contraction

of the currency is practicable in this country. When the law of Janu-

ary 14, 1875. was enacted, requiring coin payments on the 1st day of

January, 1879, it was known to but few persons in the United States

that silver had been demonetized. The general knowledge of that fact

is, indeed, much more recent than January 14, 1875. The people of

this country were in no way consulted in respect to this transcendent

measure of making debts solvable only in a single metal, the control of

the value of which rests substantially with the three banks of England,

France, and Germany, which possess nearly the whole of the disposable

stock of that metal.

Notwithstanding the extraordinary supplies of gold since 1848 from

California and Australia, supplemented more recently by new sup-

plies of silver from Nevada, a majority of the commercial nations,

which were all paying coin in 1848, have since been obliged to sus-

pend such payments. During this time, the metals exported from

the suspending countries, together with current supplies, have barely

maintained the level of prices in the lew countries still paying specie.

Supplies from suspending countries havenearly come to an end, as there

are but three or four commercial countries left which now maintain

specie payments. The question, therefore, seems to be a serious one,

whether both the metals together are not inadequate for the advancing

wants of the world.

During this time, only one important country, Great Britain, has been

able to maintain payments in gold. Such is still the scarcity of that metal,

notwithstanding a production since 1848 amounting to $3,215,000,000,

that the pending effort of one other important country, Germany, to es-

tablish a gold standard, has precipitated a monetary convulsion through-

out the world without exam]>le in its extent and intensity, and the final

results of which it is impossible to foresee, and has inflicted upon Ger-

many itself an industrial prostration which menaces the most serious

social and political disturbances.

The attempt of a third country, of the importance of the Uuited States,

to establish a gold standard, while the production of that metal is still

stationary or declining, will be a ruinous failure, or, if it succeeds, can

only do so temporarily and through the destruction of all the produc-

tive interests of the country. A detailed statement cannot be made

which will show that there is now more than $1,000,000,000 in gold coin

and bars in the western world. That the current supply-is not more

than the current consumption, is shown by the fact that no increase of

the aggregate stock since 1805 is anywhere visible. Onthe3dof August,

1872, the London Economist published tables proving that the annual ex-

cess of gold imports into Great Britain over exi)orts, from 1858 to 1871,

GOLD RESUMPTION RUINOUS. 107

averaged five millious sterling, showiug that amount to be needed an-

nually to keep up the British stock. On the 16th of January, 1875, the

Economist reiterated its convictions:

The annual supjily necessary for England alone is £5,000,000.

Five millions sterling for that single country is one fourth part of the

present total gold production of the world.

At the lowest calculation $300,000,000 in gold would be required to

enable the Government and banks of this country to resume and main-

tain specie payments in gold. This amount is about 20 per cent, of the

entire stock of the western world\* No such draught can be successfully

made ui)on that stock without causing a ruinous fall in gold prices

everywhere. These considerations should call a halt in the attempt to

chain this country to a metal whose supply, without any demand from

this country, has been insufficient to ijreveut the general decline in

gold prices which has been a continuing one for several years and is still

unchecked.

The resumption of specie payments in gold is said to be an easy task,

because the premium on gold is now reduced to a small percentage. It

■would be easy if resumption involved only a reduction of commodities from

their present valuation in greenbacks to their present valuation in gold.

But what is really involved is a reduction from present prices in green-

backs to the i)ricesin gold, which would prevail after gold was enormou.sly

enhanced in value by the new demand and competition for it with other

countries, which gold resumption in this country would inevitably cause.

The premium on gold in greenbacks is small, but the premium on gold

in Bank of England notes was still smaller in 1821, when the British

resumption of specie payments in gold resulted in a most ruinous reduc-

tion of the prices of property and of the wages of labor. The value of

gold is not at all the same thing before and after a sudden and new de-

mand for it to the extent of hundreds of millions of dollars.

With the history yet fresh of the British gold resumption, which

brought ruin upon a generation, there can be no excuse for repeating

the fatal error of David Eicardo, the leader in that disastrous work,

that resumjition means onlj' an ai)preciation of paper equal to the differ-

ence between paper and gold before the resumption.

In the debates in the British House of Commons on gold resumption,

May 24, 1819, Mr. llicardo said :

The question is not deserving hall" an hour's consideration of tlie house. The dif-

ficulty is only that r,f raising the currency fhrec per cent, iu value. And who can

donht that, even in those states in which the currency is entirely metallic, it often

sutFered a variation equal to this without inconvenience to the public?

William Waid (Remarks on the Commercial Legislation of 1846),

quoted in iJoubleday's Life ol" tSir Kobert Peel (vol. 1, page 245), says :

Mr. Ricardo lived to change his opinion, and shortly before he died (182:5) expressed

that he had done so. The late Sir W. Hoygate was with him, and he said : "Ay! iley-

gatc, you and the few others who opposed us on the cash payments have proved right.

I sai<l the dillerence at most would lie only /('cc/xT cent, and you said that, at liic least,

it would be tieeutji-jive jxr cent." This is stated on the authority of the Iat(< Alderman

Heygate. It is a |tity that, Mr. Kicardo did not, as some atonement to his count ry for

the tremeufloiis misciiii-f he tlicn, past doubt, occasioned, publish this recantation

nndt^r his own hand.

If, however, what is intended is not an actual resumi)tiou of specie

I>ayments in gold, and the a(;tual and constant convertibility of green-

backs and bank notes into gold, but only tlieappreciation oCgicciibackH

toanominal parity with gohl, and if green backs are tocontinuc to be the

ordinary currency of the jieople and gold is still to be used only for the

108 SILVER-PRODUCING CAPACITY OF THE UNITED STATES.

payment of import duties, an immense injury will have been inflicted

upon the country without any commensurate benefit. There woukl still

be fluctuations, depending upon the course of foreign trade in the rela-

tive value of gold and greenbacks, and calculations of the greenback

price of gold would be no easier at lOOi than at 105. Any resumption

not based upon a large and adequate supply of gold would be a delusion

and a snare, leaving the country exposed to the changes and chances of

commercial and political events abroad. The business of the country

would be always disturbed by the fear or fact of suspension. A merely

nominal resumption would be a baseless air- built castle, liable to be

toppled over by every breeze.

If a parity of the national currency with specie is to be treated as re-

sumption, that currency has already reached not merely a parity with, but

a premium of 3 per cent, above a specie (silver) dollar, which was a

full legal tender when specie payments were suspended. To that re-

sumption, the only one that law or equity could demand, there is no

present impediment except the interdiction of the coinage of that dollar.

The United States a silver-producing country.

The United States is the largest silver-producing country in the world,

furnishing, in fact, rather more than one-half of the total supply. Al-

though there is no good reason to expect any great and sudden enlarge-

mellt of the silver yield of this country, our argentiferous territory is

wide and is being vigorously explored, and the facilities of all kinds for

that species of mining are being constantly enlarged. From the nature

of things, silver production rises and falls more slowly than that of gold,

but we may expect the occasional discovery of rich veins, and a steady

increase of the capital invested in silver mining, unless the value of silver

be depreciated by demonetization. And the first impression, at any

rate, must be that it is a singular policy for the greatest silver-produc-

ing country in the world to co-operate in movements to depreciate the

value of the product.

In a report made to the United States Senate, June, 1868, recommend-

ing " a single standard exclusively of gold,^^ and assigning four reasons

therefor, Mr. Sherman, of Ohio, gave the first place to the following :

The United States is the great gold-prodiiciug country of the world, now producing

more than all other nations combined, and with a capacity for future production

almost without limit.

Mr, Sherman was misinformed as to the facts. The United States

have not produced as much gold as all other nations combined in any

year since 1850. Its production in 1868 was $48,000,000, and that of

all other nations $72,000,000. But iff the supposed fact in 1868, that

the United States i)roduced more gold than all other nations, was a good

reason for making gold the sole money standard, the real fact that the

United States now produce more silver than all other nations seems

to be at least as good a reason for retaining that metal in its old place

in the double standard.

It is said that, although we produce silver largely, we produce gold

quite as largely, and that it may be some time before there is such an

excess of silver-production as to cause a material depreciation in its

value.

The suggestion made is, in substance, that if we lose by the depreci-

ation of silver resulting from its demonetization, we shall gain as much

or more, or at any rate, some considerable offsetting advantage by the

TRADE WITH THE EAST. 109

appreciation of gold. That seems to be true if we do not look beyond

the direct gain of the rise in the value of the gold that we produce. But,

as, in the case supposed, gold is to be the measure of the value of every-

thing else, a, rise in the value of gold means a fall in the prices of all

commodities and all forms of property. And as gold measures commod-

ities and property so immeasurably exceeding itself in value, no rise in

its value can be a compensation for the losses it must cause. If no better

indemnification is proposed for the ruin of our silver-mines than such an

appreciation of gokl as will reduce the prices of property of every de-

scription, to a ruinous level, aggravate the burden of debts, and arrest

the industrial progress of the human race, the indemnification is an im-

measurably greater calamity than the loss for which it is proposed as a

compensation.

The trade relations of the United States with Europe and with other parts

of the world compared.

It is often said that we should conform our money standard to that of

the commercial nations — that is to say, of England and Western Europe—

rather than to that of Asia, Africa, and Central and South America ;

and that we should have the gold standard because England and Grer-

many have it, and because the same standard will, it is predicted, be

adopted by the other nations of Western Europe.

This suggestion involves two ideas, both erroneous ; first., that trade

with commercial nations is specially advantageous and more worthy of

cultivation than trade with noncommercial nations; and, second, that

trade between commercial nations is facilitated by unilormity in their

money standards.

The traditional ideas of mankind have certainly always been that it

is the greater or less degree of commerce with the East which deter-

mines the commercial position of nations. It is a familiar and general

belief that it was the control of the trade of the Orient which aggran-

dized Tyre and Alexandria in ancient times, the Italian cities of the

Middle Ages, and, after a change of the route to the East by the doub-

ling of the Cape of Good Hope, first Portugal, then Holland, and fiually,

an(l to the present days, England.

It was in pursuit of the prize of the oriental trade, to be reached by a

new route to the Indies, that Columbus discovered America, which he

did not seek. It was the control of the oklest route to tiie Indies that

fired the ambition of Napoleon and suggested his Egyptian campaign.

It is because England knows that its commercial supremacy depends

upon Asiatic trade and upon keeping open the road to India, that it

made the sudden purchase, a lew months ago, of an interest in the Suez

Canal, at a cost of $20,000,000. The danger that the threatened war

between Russia and TuIk(^y will not be confined to those two coun-

tries, is the certainty that Enland will defend its connections with

Asia against all comers, and especially against any territorial advance

of Itussia which may menace them. When that vital point is assailed,

England will bristle with war, to be waged with all its forces by land

and by sea, with or without allies, tooth and nail, to the last man and

to the lasti)Ound sterling.

J^>eing in the same gener.d climate, on the same i)lane of civilization,

and with a near equality in the perfection of the industrial arts, the

western nations of Europe seem to be naturally our commercial rivals

rather than our customers. And. this is so, with the large exception

110 TRADE WITH THE EAST.

which arises from our ability to supply certain raw products and agri-

cultural staples.

Describing our situation summarily, it may be said that our commer-

cial intercourse with Western Europe consists of two parts :

First, the export of articles indispensable to Europe, such as cotton,

the cereals, tobacco, and the products of animals, a trade which needs

no stimulation or favor of any kind.

Second, the import from Europe of manufactures. This is a trade

which all parties and the representatives of all shades of economical

opinion in this country wish, to see steadily diminished and eventually

terminated. The reasons which conduce to this uniformity of desire

are very diverse, as also are the modes proposed to accomplish the

object sought. Some propose protective tariffs and high duties as the

best means. Others maintain that the better if not the only way to

keep out European manufacturers is by the production in this country

of superior articles at lower prices, and that this is onlj^ possible with

free trade or simply a revenue tariff" and cheap raw material. But, by

whatever way it may be reached, a diminution, tending always to an

extinction of imports from Europe, is universally desired in this country.

It is in trade with other parts of the world, in less advanced stages of

civilization, or with essentially different systems of civilization, or with

essentially different raw products resulting from marked diversity of

climates, that we find the natural outlets for our manufactures, and in

many cases the opportunity for a mutually advantageous exchange of

native productions. It is not perceived that that trade can become too

large. All interests and opinions favor its expansion, and, unlike the

trade with Western Europe, its existence and extent depend upon the

wisdom and vigor of our efforts to secure and increase it. Our trade

with England would be but little affected if we should be entirely pas-

sive in relation to it. With Ohina, on the other hand, we have no trade

which we do not actively seek. Commercial nations will seek after our

trade. We must ourselves seek after trade with the non-commercial

nations.

It is by no means clear that trade between nations is either increased

or facilitated by a concurrence in their standards of money. But even

if it were so, the double standard would meet all requirements better

than the single standard. It would tend to keep constantly available a

sufficient stock of both metals for the trade of either gold or silver

standard countries.

However it may be in respect to trade with non- commercial coun-

tries, it has never been shown that diversities of money, however aris-

ing, whether from single standards of a different metal, or from systems

of irredeemable paper currency, are any hindrance to trade between

commercial countries. Whatever the moneys of such countries may be,

they are always interconvertible at known and not widely- variant rates.

There is no property on sale in London for which the holder would re-

fuse payment in silver or in greenbacks at the current rates of exchange;

and there is no property on sale in New York for which the holder would

refuse payment in Bank of England notes at the current rates of ex-

change. Greenbacks are not a legal tender in London. Silver is not a

tender there. ISfeither are American gold eagles, and both greenbacks

and silver are as readily convertible into sterling money as gold eagles

are. The irredeemable paper currency existing in this country since

1862 has not obstructed its European trade in any degree whatever.

The trade of England with commercial countries was not obstructed when

it had an inconvertible paper currency from 1797 to 1831. The paper

MONEY STANDARDS OVER FOREIGN TRADE. Ill

moneys of Eiissia, Austria, Italy, France, and Brazil, altbouj;h differing

greatly in their value relatively to gold and silver, are no hindrances to

their trade with each other, with the United States, or with European

countries having metallic standards. Various nations in Europe, in

close proximity to each other, or having large intercourse with each

other, have had different single metallic standards, without experienc-

ing any inconvenience from that circumstance. The single silver stand-

ard existed in Holland from 1847 to 1875, and in Germany from 1857 to

1871, but the large trade of both with England, having, a single gold

standard, was carried on during those periods with undiminished facility.

The long and still contiuuingdifferenceof currency between England

and its greatest dependency, India, is a striking illustration of the fact

that trade between distinct peoples is not obstructed by the difference

in their money standards. Both are parts of one empire, and the coin-

ages of both are impressed with the head of the same ruler, but the

British sovereign is not a good tender for a debt in Calcutta, nor is the

Indian rupee a good tender lor a debt in Loudon. Oases are said to have

occurred of such extreme financial pressure in both those cities that

loans of money, that is to say, silver, have been refused at Calcutta on

a pledge of sovereigns, and that loans of money, that is to say, gold,

have been refused in London on a pledge of rupees. No difficulty has

ever arisen in the immense trade between Great Britain and India

from this difference of currencies, although this is doubtless due in

part to the exceptional circumstances which have given to England a

large and constant supply of silver, notwithstanding that its standard

money is gold.

A fact, less striking in some aspects, but more so in others, is the

difference in the actual currencies of the Atlantic and Pacific States of

this Union. The difference is not made by law, but is a matter of choice

on the part of the iieople of the Pacific slope. They judge that it has

advantages for them, and both they and the people on the Atlantic i)er-

ceive that it is not in the least degree obstructive to theii' mutual inter-

course. There is no more difficulty in -ranslating the greenback prices

of New York into the gold prices of San Francisco, than there is in

translating pounds avoirdupois into French kilogi-ams.

A distinguished writer, J. E. Cairnes, professor in the University

College of London, in a recent work (1874) on Political Economy, says:

" It appears to me that the influence attributed by many able writers

in the United States to the depreciation of the pai)er currency, as re-

gards its effects on the foreign trade of the country, is, in a great <legree,

purely imaginary. An advance in the scale of prices, measured in gold,

in a country, if not shared by other countries, will at once aftoct its

foreign trade, giving an im])ulse to importations, and checking the ex-

portation of all commodities other than gold. A similar effect is very

generally attributed bj'^ American writers to the action on prices of the

greenback inconvertible currency. But it may easily be shown that

this is a comi)lete illusion. Foreigners do not s(Mid their i)ro(lucts to

the United States to take l)ack greenbacks in exchange. The return

which tliey look for is either gold or the commodities of the country ;

and if these havc^ risen in j)rice in i)rop()rti()n as the [)aper money has

been depreciatCMl, how should the advance in i)ai)er prices constitute au

induceii.ent tor them to send tlu^ir goods thillier '! The nominal ii.iiii in

greenbacks on the importation is exactly l)alanet'<l by tht; n()iiiiii;ii loss

when those greenbacks came to be converted into gold or <;ommodities.

The gain may, in pai-ticular cases, exceed the loss, but, if it does, the

loss will also, in other cases, exceed the gain. On the whole, and on au

average, they cannot but be the equivalents of each other."

112 SILVER USEFUL IN ASIATIC TRADE.

Tlie trade between commercial countries is an exchange of commodi-

ties, made directly or indirectly. Tlie settlements in money are trifling,

temporary, alternating, and are always made in the money of the country

which has the balance of trade for the time being in its favor. The

ofl&ce of money in the intercourse of commercial countries is merely that

of measure, description, and reckoning. Diversities of moneys can occa-

sion only trifling inconveniences, similar to those arising from diversi-

ties of weights and measures, and of length and capacity. The incon-

veniences arising from a diversity of languages are very much greater.

All these diversities exist, and are likely to exist, and none of them

produce any direct and material effect upon commerce. The trade ot

this country with Europe is not affected by the money in use here, any

more than the foreign trade in cotton cloths would be affected by an

elongation of the yard from three to six feet, which would simply re-

duce the number of yards and increase the price per yard, in an in-

voice of that commodity. It is not in its relation to European trade

that the question of the money of the United States is of any import-

ance. It is in its internal and domestic effects, in its effects u|)on the

equity of contracts, and upon the real burden of an incomputable mass

of debts, and upon productive interests and the wages of labor, that

the money question becomes overshadowing and transcendent.

Trade with the non-commercial nations whose money-metal is silver,

and especially with China and India, whose exports always exceed their

imports, presents somewhat different conditions. It has been claimed

by very high authorities, as an advantage of the double standard, that

it tends to keep on hand an available stock of silver, and thereby facili-

tates trade with such nations.

The French Baron Eothschild insisted strenuously upon this point in

his evidence before a French monetary commission in 1869. He said

that France frequently needed silver, as to pay Eussia for wheat when

the home crop failed, and always had it, because the double standard

kept it in the monetary stock, but would not have it if the gold standard

should be adopted. His language was:

If the coiuage of silver was suppressed iu France, less would come here, as it would

no longer be attracted by the facility which commerce now has of converting it into

money. It is this power of converting the bullion into money which attracts silver

to France, and causes it to remain, even when the price is for the moment too high

to admit of its being coined.

The circulation of silver serves as a reserve, when, by reason of the failure of the

harvests, it is necessary to buy corn iu countries in which, as in Russia, the curreiH

money is silver. If that metal should be reduced to merchandise in France, as it is in

England, commerce would have less facility in procuring it, and the reserve of it in

the country would disappear.

And the event has shown that now, only a few months having elapsed

since the coinage of silver was suspended in France, not a single ounce

of bar silver can be purchased in Paris.

It is only from peculiar circumstances that England has suffered so

little from this difficulty. It is said of Loudon that it is such a great

commercial center that everything may be found there at any and all

times. The demand in London for silver for transmission to the East is

large and constant, and, as a consequence, nearly all the silver supplies

of the world have been, until quite recently, sent there for sale. Silver is,

generally, in sufficient stock there to meet all demands, although at ex-

ceptional periods, as when large amounts were required to balance the

large English imports of cotton from India during our civil war, con-

siderable difficulty was experienced in obtaining it. But, with all these

special facilities of England, Sir Robert Peel, in framing the law of 1844,

SILVER USEFUL IN ASIATIC TRADE. 113

which still governs the Bank of England, provided that one-fifth of its

bullion might be kept in silver, his langnage being that this " teas a

proper remedy for the inconrenience of our standard difering from that of

other nations. "

The first impression might be that the United States, producing silv^er

so largely, would always have it on hand in sufficient stock, even if the

gold standard should be adopted. But miners, of course, sell it as fast

as they produce it, and as nobody can keep it as money it would ])ass at

once to foreign purchasers. A remarkuble proof of this is the st atement

in the recent report of the Director ot the Mint, that there is not now in

this country, exclusive of ])late, manufactured articles, and subsidiary

coinage, more than the insignificant sum of three millions of dollars of

silver.

Our trade with what are called the non-commercial countries, and

especially with Asia, all of them using silver, and most of them using it

as a sole currency, considered with reference to either its actual or pos-

sible magnitude, presents aspects of prime interest. It is in that trade

mainly that we must look for outlets for our manufactures. It is on the

field of that trade that we must contend for the palm of commercial

supremacy with our European rivals, and the contest is too close to

admit of the heedless throwing away of any advantage. We must

favor intercourse with Mexico and South ximerica, by being in a con-

dition to give them the best prices for all the results of their mining

industry, and with Asia, by the abundant and constant iiossession of

the metal which will command its products.

All the known great deposits of silver in the world are found on this

continent. It cannot be obtained without an outlay of capital and labor,

but on this continent, like the fruits of Agriculture, it can only be had

when capital and labor are applied to its production. This is not true

of gohl, either on this continent or elsewhere. Everywhere along the

vast range of the Cordilleras, from Cape Horn to Alaska, are to be found

deposits of silver-ores. Nature has thus placed in American hands

an everlasting supply of the metal which Asia has always required. To

demonetize silver ourselves, and thereby to use the weight of our in-

fluence in the direction of demonetizing it everywhere, is to throw away

gratuitously one of the special and distinguishing commercial resources

of the iSTew World.

The comparative effects of the double and simile standards upon the

stability of the money-market in the United States.

It is important to consider whether the steadiness of the money-

market in this country will be best secured by the exclusive use of the

money of England, or by using a money of which one of the constituent

elements is the currency of thenoncommercial nations.

England has been conspiciuous, certainly for two generations, for the

frequency and violence of its coinmercial, banking, and monetary

panics. The rate of interest of the Bank of England was changed two

hundred and twenty-three times in the twentysciven years beginning

with 1847, and the range of llu(;tuation was from 2^ to 10 [>er cent.

It is now 2 per cent. In the one humlred and twenty-two years pre-

ceding ISIG, when the gold standaid was adopted, Ihei-e were only six-

teen clianges, and the rate never fell below 4 or rose above (> per cent.

The frequently re(;urring crises in the Lon<lou money-markeit have

been ascribed by high authorities to the existence of the narrow basis of

gold.

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114 FLUCTUATING VALUE OF GOLD.

In testimony given before a parliamentary committee in 1828 Alex-

ander Baring said :

A suddeu change from peace to war, a bad harvest, or a panic year arising from

overtrading and other causes, i.miuediately impose upon the Bank of England, which

is the heart of all our circulation, for the purpose of protecting itself, to stop the egress

of specie; sometimes even to bring largo quantities into the country. These indis-

pensable remedies are always applied with more or less of restriction of the currency and

consequent distress. \* \* » jjo care or prudence can enable the great bank to avoid

occasional 7-esort to those measures of defense. » \* » It is evident that the bank,

wishing to re-enforce the supply of specie, can do so with infinitely increased facility

with the power of drawing gold and silver, than if it were confined to one of the

metals. \* » \* The greater the facility of the bank to right itself, the less frequent

will be those suddeu ji rks and changes so fatal to credit and commerce.

Similar views were expressed in a pamphlet issued by Lord Aslibur-

ton (of the house of Baring) after the crisis of 184G.

A more general reason for the instability of the London money market

is, that as the English surpass all other people iu opulence and com-

merce, so do they surpass all other people in the magnitude of their com-

mercial and banking credits. The credit system, which is a part of

modern civilization, and which has grown with its growth and strength-

ened with its strength and is one of its glories and necessities, like most

other beneficent agencies, brings with it some disadvantages. One of

the greatest of these is its tendency to produce commercial and financial

crises, which the wit of man has as yet found no sufficient means to

prevent.

In contrast with the violent monetary fluctuations of England and

the less violent fluctuations of the other highly-civilized nations of

Western, Europe are thp stationary conditions and the repose of the

non commercial nations, and especially of Eastern Asia. There may be

nothing praiseworthy iu this quietude, but it is none the less an existing

condition, and it is one of the consequences of this condition that Asia

never disturbs the world with bank panics, or with any '■'■jerlcs and

changes''^ m its demand for silver, which is its money. It takes more or

less of it, only as the moderate fluctuations of actual commerce enable it

to command more or less.

Of all the reasons for adopting the gold standard, this reason, to per-

suade that it is the standard of England and may become that of all

Western Europe, should dissuade us most. We have causes enough of

fluctuations in our own internal condition, and in the sanguine and en-

terprising character of our i^eople, without adding to them, if we can

possibly avoid it, that of an identity of currency with a quarter of the

globe most subject from the nature of things to currency crises and dis-

orders.

It was this view which governed the statesmen of Holland when they

adopted the single standard of silver in 1847. Their reasons, as given

in a letter of S. Vissering, professor of political economy in the Univer-

sity of Leyden, published in the Journal des Economists (January,

1876), were—

Because England, which then almost alone had the standard of gold, was subject

to frequent monetary crises, and that by adopting the same rule we should run the

risk of b ing involved in those crises.

Because the mass ot silver in circulation, and the conditions of the production of

that metal, give it a fixity of value to which gold could not pretend.

The views thus held iu Holland were expressed in 1871 in the follow-

ing more energetic language of an English economist (London Statisti-

cal Society, vol. 34, page 352):

England is the peculiar seat of monetary crises, just as Egypt is of the plague and

IndisTof the cholera. The monetary plagues are the bane and opprobrium of our

country.

FLUCTUATING VALUE OF GOLD. 115

In addition to the irrejjularities of its production, gold lacks sufficiency

of mass to give it steadiness. It is necessarily so subject to '\jcrks and

chancies,''^ that to use it as an exclusive standard must reduce all business

to gambling. No merchant can buy goods with gold to be sold for gohl

a year afterward, or even a few mouths afterward, without being sub-

jected to a heavy risk. If he covers the risk by extra profits in the na-

ture of insurance, he must impose a heavy tax upon those who deal

with him. Whoever euters into a contract to pay goUl in one, two, or

three years cannot, by any possibility, foresee what its value may be

when the contract matures. Gold, when unsteadied by silver, is as un-

stable as water. The long experience of Eugland has shown it to be

one of the most fluctuating, treacherous, and dangerous currencies ever

devised. The present head of the British ministry said, three years

ago, that England did not become rich by adopting gold, but adopted

gold because it was already rich. He might have added that it was

only the great wealth acquired by England under a sounder and better

system which has enabled it to endure the mischiefs of a currency which

has made it " the peculiar seat of monetary crises, just as Egypt is of the

plague and India of the choleraP If England was not the creditor of all

the world on gold contracts, and if that cousideratiou did not really

dominate over everything else in determining its policy, it would aban-

don a system which is its '■'•bane and opprobrium.^''

It is oue of the admitted advantages of our present system of irre-

deemable paper, that it shelters us from the recurring demands lor gold

by the Bank of England. The London revulsion of 1800, when one bank-

ing-house (Overeud &> Gurney) went down with liabilities of ninety

millions of dollars, was scarcely felt here. With a currencj' of gold, or

of paper convertible into gold, we should feel instantly every change in

Europe, and especially in England. We should not altogether escape

that influence with the double standard of gold and silver, but at any

rate, with such a standard, one part of our currency would be secure

from European perturbations.

The dollar and the pound.

It was suggested in various forms of language by some of the wit-

nesses examined by the commission that the British gold sovereign, or

pound sterling, is for the world the generally accepted monetary unit of

value, and is the best known and most widely used torin of money, and

that this is a reason for the adoi)tion of the single gold standard l)y the

United States. And in this connection it is said that even our pur-

chases in the East, when made with money, are not made by sending

silver, but by sending bills of exchange, drawn on, accepted in, and pay-

able in London, and in the money of London. And the inference is

drawn that such bdls have a world-wide acceptability, in cons^ecpience

of the particular currency in which they are payable. But, manifestly,

the availability in distant regions of such acceptances depends wholly

upon the credit of the acceptors, and in no degree upon the money in

which the bills acce])ted are expressed.

Such acceptances were equally available when pounds sterling signi-

■ fled Bank ot England notes, as they did from 1707 to 1S2I, as at present,

when they signify gold sovereigns. The availability of such ac(;ept;inees

depends upon tlic fact that London became early the central |)()int of

the wealth, banking, and commerce of the world, and has banks, bank-

ers, and commercial houses, the solidity of whose credit is everywhere

116 DOLLAR AND POUND STERLING COMPARED.

known. The pre-eminence of London in tliese pa-rticulars, fairly won

and fairly maintained by solid traits of national character, must be

admitted to still exist, but it is weakened sensibly by the advancing

rivalry of New York, and may soon be by that of San Francisco. " Who

shall say," to quote the words of Governor Morgan (report to United

States Senate, June 9, 1868), "that the course of trade may not make

an American city, New York or San Francisco, the center of exchange,

and confer upon us the advantages so long enjoyed by European capi-

tal?"

In the United States Senate, March 9, 1870, the pending proposition

being to authorize the refunding of the national debt in bonds payable

in Loudon, Paris, Amsterdam, and Berlin, in pounds, francs, and thalers,

the late Mr. Sumner opposed it, exclaiming:

1 cannot forget my own country, nor can I forget that great primacy which I hope

to see her assume in the money-markets of the world. New York is our natural money-

center. Why should we revolve about European money-centers? Let us keep our

own center here at home.

There may be merchants, wedded to an accustomed routine, who be-

lieve that it is only through the circuitous and clumsy expedient of

a bill of exchange on Loudon that America can pay silver in China.

But this will not be credited by the active men of the present generation,

who can better realize that we have now a great and opulent city on

the Pacific, within thirty days' steaming of Japan and China, which is

the gateway of our silver mines, and which would hold their products

always in large stock if silver were remonetized. London, at any rate,

realizes it, and it is stated in a recent number of the Economist, of that

city, that "London merchants now pay for their tea and spices by tele-

graphing to San Francisco orders for the shipment of American silver."

And if it is not true to day, the time is not distant when it will be true,

that to whatever extent commercial and hankers' acceptances are used

by us in the East in lieu of coin, they can be obtained in San Francisco

more advantageously than in London. Some of the greatest banking-

houses in Europe, including the Messrs. Rothschild, are already repre-

sented by agencies in San Francisco.

It is no disparagement to the pound sterling, which represents the opu-

lence and good faith of English merchants and the unvarying integrity

of the English coinage, to say that the silver dollar has been longer

known, is more widely used, and is more familiar to mankind than any

other coin of either metal. It was in common use in 1785, when the

American Congress adopted it as the unit of account. The credit of

our decimal money is due to Mr. Morris, but it was Mr. Jefferson who

proposed the dollar as the unit of account, and, in his paper addressed

to Congress, he assigns as the reason, that the Spanish silver dollar was

^^ familiar to the minds of the people, and already as much referred to as a

measure of value as the respective provincial pounds,''^ although our British

connection had been so recently severed. We had come by the dollar

naturally, from our proximity to and growing trade with Spanish Amer-

ica. It was through Spain, as the sovereign of the silver-mining regions

of this continent, that the world received its metallic supplies for centu-

ries, and that the silver dollar became everywhere known. But it is said,

and appears to be true, that Spain received the dollar from Austria during

their union under Charles V,and that it was first coined from the silver

of the Bohemian mines as the " thaler," which name it yet bears in

Geimanic countries.

If there are Americans who are gratified to coacede that the pound

sterling is and must remain the world's unit of monetary value, there

DOLLAR AND POUND STERLING COMPARED. 117

are Englishmen who reluctantly .yield the palm to the silver dollar. Jev-

ons, discussing the question of the probable international unit of the

future, says (Money and Exchange, page 170) of the Spanish and Mexican

silver dollars, that "these coins have for a hundred years past been

received by tale almost without question in most parts of the world."

On page 172, he says that "the Americans might have much to say in

favor of the dollar. It corresponds to the coins which have for two or

three centuries been most widely circulated and treated as units of ac-

count, so that there is much weight of experience in its favor." And

again, on page 179, he says that "the fact that the dollar is already the

monetary unit of many parts of the world gives it large odds.

For us, this question was settled by our revolutionary ancestors in

1785, and by the mint act of 1792, which bears the approving signature

of Geneial Washington. And it is a noteworthy fact that General

Washington is connected with the silver dollar, not only bj' his approval

of the act of 1792, but by his indorsement of the memoir of Mr. Jeffer-

son which led to the adoption of the silver dollar unit in 1785. (Wash-

ington's letter to Grayson, in Sparks' Life of Washington, vol. 9, page

125.) The silver dollar has thus the sanction of the solid and practical

sense of General Washington, added to that of the learning, genius,

and i)hilosophy of Mr. Jefferson. It is as much a tradition of the

United States as their national military air, or their national flag, and

it is a i^olicy as well as a tradition.

Money in shrinMng volume the primal cause of the present universal com-

mercial a7id industrial depression.

The real cause of the present universal derangement of commerce

and industry must be ascertained before the proper remedy can be de-

vised. The causes assigned are various and contradictory. Many of

them never had any existence in fact. Others are inadequate or absurd

in themselves, or by reason of being coniined to narrow localities or

special interests, cannot have produced a mischief which reaches all

places and all productive interests.

Overproduction is one of these alleged causes, although food, clothing,

houses, and everything useful to mankind, are and probably always will

be in deficiency, ascompared with the needsof them. The constant effort

of the human race is and ought to be to multiply production. The ag-

gregate effective demand for products, that is to say, the aggregate de-

mand accompanied by an ability to purchase, always increases with pro-

duction. Supply and demand mean substantially the same thing, and

are nothing but two faces of the same fact. Every new supply of any

product is the effective basis of a new demand for some other product.

The cai)acity to buy is measured exactly by the extent of production,

and there is practically no other limit to consumption than the limit

of the means of. payment. Overproduction of particular things may

occur, but that is soon corrected by the loss of i)rolits in producing

them. Overproduction in the general and in the aggregate is impos-

sible. The contrary opinion will be held only by those who regret the

discovery of the steam-engine, the spinning-Jt'iiny, and the sewing and

thrashing machines, and who believe that while mankind iiave tli«' skill

to devise methods of increased production th(!y have no (tapacnly to

provide for the distribution of the products of industry. Production

is the sole and only source of wealth, and in fact is but another name

for wealth. Ov('ri)ru<luction must therefore mean superabundant

wealth, and the idea that either superabundant wealth or superabun-

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daot facilities for i)rocluciiig it can be the inciting cause of rapidly

spreading poverty is repugnant to the common sense of mankind. All

reputable authorities concur in treating the idea of a general overpro-

duction as the idlest of fancies, and wholly unworthy of serious notice.

Too many railroads are said to have been built, when it is clear that

there is an urgent need for more. Undoubtedly a too rapid construction

may create an abnormal demand for and rise in the price of the special

materials required in railroad building and may possibly cause an

abnormal advance in the interest on money by absorbing too much

floating capital in a fixed form, but such evils are self-corrective.

Bailroadbuilding will always halt under such circumstances until the

cost of materials and of capital ceases to be excessive. The tendency

of industry and enterprise to take profitable directions, and to withdraw

from those which are found to be unprofitable, needs no other regula-

tion than to be let alone.

Money sunk in railroads prematurely built and at present unproduc-

tive is another cause assigned for the existing condition of things. But

the loss resulting from labor misdirected is no greater than the loss

resulting from the non-employment of labor. One single year of the

loss now sustained through the stagnation of industry, caused by fall-

ing prices, is a calamity of greater proportions than the total loss

from all the badly-planned or unfortunate railroad enterprises of a

decade. If it were really true that the labor lost in unproductive

works is the cause, or one of the principal causes, of the present distress,

the future must be dark indeed for this country, which has had an

army of unemployed laborers since 1873, that is still being recruited as

industries break down, one after another, under a shrinking volume of

money and falling prices. If a tew years of the misdirected labor of one

hundred, or even five hundred thousand men, has brought on condi-

tions under which three millions are forced to be idle, the evils to come

hereafter from the present idleness of that vast number must be incal-

culable and self- perpetuating. They must prove an endless chain

freighted with a constantly accumulating volume of disaster, a Pan-

dora's box with hope left out.

That species of speculation in property and securities which is de-

scribed as reckless and unsound is said to be one of the causes of the pres-

ent distress. But even in gambling there can be no more lost than there

is won, and the material damage to the community cannot exceed the

■worth of the time of those engaged in it. The rating of property at

higher or lower prices could not result in a destruction of the property,

or even in the impairment of its productiveness. It would be deplor-

able if it were true, but happily it is wholly untrue, that the i)ros-

perity of the i)rudent and industrious is at the mercy of gamblers, of

whatever species or degree.

A condition which is universal cannot be explained by local facts, such

as the American civil war, the Prusso-French war, or the sudden and

great rise in the price ot English coal and iron in 1872-'73. The last

fact, and the commercial and financial speculations in England connected

with it, are much insii^ted on by English writers as the causes of the

present state of things. They forget that the panic and depression in

England in 186G-'07-'68 revealed the existence there of an amount of

reckless financiering, of Irauds in railroads, and of rottenness among

bankers and merchants far greater than existed either in England or

elsewhere in 1872-'73. The measure of comparison is accurately enough

indicated bv the Collie faUure of 1875 for $9,000,000, and the Overeud

& Gurney "failure of 186G for $90,000,000. That the British financial

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collapse of 1866 was not felt in the United States is a matter of familiar

knowledge in this country. But it was not even felt in Continental

Europe. There is British authority (Journal of Statistical Society of

Loudon, vol. 34, page 243) for saying that " not even a tremor of the

crisis of 1866, so terrible for England^ imssed across the British Channel.^

The mischief was confined to England, because there was not then as

now everywhere at work the di\y-rot of a contracting money.

Devastations of war in the years immediately i)receding 1873 are

assigned as one of the conspicuous causes of the depression, and often-

times by the same philosophers who\_, by a contraiy process of reasoning,

assign overproduction as the principal cause. These devastations are

described as great enough to have arrested the production and pre-

vented the accumulation and distribution of wealth. In truth, from

the French campaign in Italy, terminating (1859) at Solferino, to 1873,

there was no warof serious magnitude except the American civil war, and

even this war scarcely retarded the increase of national wealth in the

United States. The peace of^Europe during that entire period was sub-

stantially unbroken, and its unprecedented advance in prosperity, fol-

lowing the California and Australian discoveries, was checkered by no

pause. The Prusso- Austrian war was an aflair of days. The Franco-

German war was an affair of weeks, and was only protracted to months

by a siege. The war between Austria and Italy consisted on the land of

one single day's fightiug, and on the sea of one naval skirmish. These

several events had political consequences that were momentous, but

were so confined in space and time that their effects on commerce and

industry were obscure and unimportant, indeed much less important in

these particulars ihan were the effects of the revolutionary struggles la

Euroi)e in 1848-'49. The assignment of the devastations of war as a

cause of the present distress is as absurd in its logic as it is erroneous

in its assumptions of fact. The financial catastrophe of 1873 came, not

because the progress of mankind had been previously checked either by

war, or other causes, but on account of the precisely contrary fact, that

this progress had continued unchecked after the supply of metallic

money had become stationary or declining.

It is sometimes said that what is being witnessed is a coming down

to solid bottom in prices. But the question of prices is a question of

the standard in which they are measured. Wages at $2 per day, with

a currency of gold and silver, are as much on solid bottom as they

would be at a lower range with a currency of gold alone, and what are

called bottom or bed rock prices when the standard is gold would in

their turn be described as inflated if a new policy should decree that

money should consist only of diamonds. Prices are nothing but the

exj)iession of the relation between money and other things, and in the

end can never express it otherwise than correctly, and when so ex-

pressed prices are on the bottom wherever that may be, the range

of prices, whether higher or hnvei', dei>ending on the relation between

the volume of money and other tilings.

It is maintained by many that existing evils are the results of a loss

and lack of confidence, and that the sufficient remedy would be found

in its restoration. Cn all occasions they ]»oitiay in glowing ])hrase

the abounding i)rosperity which would follow if moneyed and other

capitalists would freely exhibit confidence by inauguiating industrial

and commercial enterpiises. IJnt it is to be observed that they con-

tent themselves with recommending confidence to others, while they are

careful not to make a practical exhibition of any on their own part.

They seem, in short, to be unconsciously influenced by the view that

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while they might profit by the confidence of others, confidence on their

own part might involve them in losses. The real mischief is not the

lack of confidence, but the lack of any legitimate grounds for confidence,

and there neither will be, nor ought to be, any revival or extension

of confidence so long as the volume of money continues to shrink and

prices continue to fall.

Under existing conditions, if by any possibility confidence could be

inspired, the conseq^uences would be baneful rather than beneficial.

Similar conditions to those which i)receded the panic of 1873 exist in

the main to-day. The volume of money is shrinking absolutely and

relatively to other things, although perhaps not as ra])idly as between

1865 and 1873, and the prices of property are gradually shriveling.

The principal difference is that since 1873 the credits extended by mon-

eyed institutions have been largely curtailed or cut off altogether, and

consequently the material of which panics are made is not in as great

abundance as then. The collapses which are constantly occurring do

not make as much noise nor attract as much attention as the explosion

of 1873, because they do not occur simultaneously nor conspicuously with

public institutions, such as banks, as in 1873, but nevertheless they are

constantly takingplace in all parts of the country in increasing numbers.

All that is necessary to change this monotonous rattle of isolated

collajjses into a general crash is to restore confidence and credit. As

the collapse of 1873 is generally attributed to an overextension of con-

fidence and credit, a restoration of confidence now, when the conditions

are the same, must pave the way to a new collapse, and would be

placing a dynamite for luture explosions under the foundations of busi-

ness.

It is very necessary to understand in what particulars confidence has

been lost belbre deciding that its restoration is either possible or, under

existing conditions, even desirable. It has not been lost in the intrin-

sic value of real estate or of any useful thing. It has not been lostin the

fruitfulness of the soil, or in the ingenuity, industry, or integrity of the

people, the stability of the Government, or in the productive powers of

labor and machinery. Confidence has not been lost in anything except

the possibility of maintaining prices while the volume of money is being

shiunk by existing legislation. Confidence has been lost that capital

invested in productive enterprises can be returned with a profit, or even

intact, to the investors. Its restoration while present conditions remain

is impossible, and would woik mischief if it were jjossible.

It is stoutly affirmed by many that the present stagnation is the result

of uncertainty as to the luture value of the paper money of the country.

If there were any such uncertainty, and if there were, consequently, pos-

sibilities of a rise as well as of a fall in prices, the adventurous temper of

the businessmen and the people generally would cause active investments

and purchases, as was illustrated during and immediately after the civil

war, when such an nnceitainty really existed. The true cause of the stag-

nation is to be found in the opposite fact. Instead of it being an uncer-

tainty as to the future value of paper money, it is the absolute certainty

that, under present legislation, paper money must still increase in value

and that prices must continue to fall.

The statement that there was any general rise of piices during the

two or three years prior to the crisis of 1873 is wide of the mark. The

highest range of prices attained was in or about 18G5. From tiiat year

on to 1873 there was a general tendency to a fall, but such was the

momentum which extraordinary metallic supplies had previously given

to them that they continued comparatively firm for seven or eight years

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after their metallic snpi)ort had become insufficient, and after they were

left to stand in part npon the treacherous foundations of credit. In 1873

those foundations suddenly gave way, and prices, property, banks, and

business houses went down with a crash. In this country, as is famil-

iarly known, it was only by mortgages that the nominal prices of real

estate, the largest and princijial description of property, were sustained

during 1871-'7L'-'73. Even by this means it was only in ra])idly grow-

ing cities and towns that real estate prices were kept up, while during

the same period, and for several years immediately prior thereto, the

prices of agricultural lands were abnormally low. Without doubt, the

prices of a few commodities were high in 1871-'72-'73, but only from

exceptional causes. Iron was abnormally high in those years from a

sudden expansion of railroad building', and this led to great specula-

tions, notably in England, in iron and coal. But the high i)rices of

these articles do not ])rove a high level of general prices in those years

any more than the high prices of cotton proved a high level of general

prices during and immediately after the American civil war. The ten-

dency of prices was already downward in 1873 when their fall was has-

tened and intensified by the demonetizations of silver by Germany and

the United States.

The true and only cause of the stagnation in industry and commerce now

everywhere felt is the fact everywhere existing of falling prices, caused

by a shrinkage in the volume of money. This is in part the misfor-

tune of mankind, as the mines have failed for several years, under ener-

getic working, to yield the precious metals in quantity sufficient to keep

jjace with the increasing needs of the world for money. But it is in part

due to the lolly of mankind in throwing away a benefaction of nature by

discarding one of the precious metals. Existing evils date with that

folly, which precipitated and now enormously aggravates them.

Many learned and excellent persons and associations of persons in all

paits of the world, whose instruments of observation seem to have

been adjusted for the examination of remote objects, and, consequently,

unfitted for and a hindrance to the inspection and examination of any-

thing near at hand, have furnished many far-fetched, incom])rehensible,

and impossible causes for existing evils, which agree in nothing except

their remoteness. They have seen through a glass darkly or they would

have discovered that the cause was all around and about them ; that it

is the same cause that has invariably i)receded and accompanied similar

evils. They would have seen that money in shrinking volume was en-

gaged in its legitimate work of ruin. This is the great cause. All

others are collateral, cumulative, or really the efl'ects of that primal

cause. Practical men see what tlie mischief is and the^' all see it alike,

and, without formulating their ideas in set words and i)hrases, they all

state it alike. Capitalists, large and small, give one, and only one,

reason for refusing to invest in ])roductive enterprises. Uniformly and

universally the reason given is that i)rice8 are failing and may contiiuie

to fall, and that money is the best thing to get and hold while that state

of thing continues. All can see that prices have fallen and are fall-

ing, although they may disagree, or may not trouble themselves to

form any oi)iiiion, as to the cause of the fall. And all (;an see, and do

see, that it is tailing prices which cause the stagnation of business,

with all its necessarily attendant circumstances of an increasing press-

ure of debts, of de(;rcasing employjufMit ami wages of labor, and of

diminishing consumption. Ealliug prices is only another expressiou

for an increasing value of money, and those who desire still further

to appreciate the value of money by contracting its volume, desire

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still further to reduce prices, and still further to widen and deepen the

gulf between monej^-capital and labor. Money-capital is the fund out

of which wages are paid. Capital can only fructify through the

employment of labor, and labor is helpless without capital. It is in

vain to advise those who depend upon their daily wages for their

support, and who possess no capital but their willing hands, to change

their places of residence and engage in agricultmal pursuits. Even

had they the means to emigrate, which most of them have not, they

would still have to be supplied with seed, implements, and animals,

and with support from seed-time to harvest. It is still more plainly

idle to advise them to engage in any species of handicraft or manu-

facture on their own account. In modern times human labor is avail-

able only in connection with machinery and appliances. A policy

which tends to a constant fall of prices, and therefore compels capital

from the justifiable instinct of self-preservation to withdraw from pro-

duction, is a policy which reduces laborers to a worse condition than if

money were wholly abandoned and the system of barter were re es-

tablished. The condition of the laborer is as bad when money-capital

is not employed as if it did not exist. The effect of falling prices is the

same upon the smallest capitalist as upon the largest. The hope of

gain is for all of them the only inducement to take the risks and labor

of enterprises, and they will all prefer to consume their accumulations

rather than to invest with the certainty of losing them. They will, of

course, consume them as slowly as possible, and to that end will re-

duce their expenditures within the smallest possible limits. Laborers

thrown out of employment must in some way have a bare subsistence,

but there can be no other sources for it than the scanty earnings of

such as are employed, and the capital in existence, which cannot refuse

food to the starving.

That shrinking money and falling prices are the cause of existing

evils, was pointed out eight years ago by the London Economist, in its

review (18G9) of the previous financial year. It then said :

It may be safely affirmed that the present annual supply of thirty millions sterling,

of gold is no more than sufficient to meet the requirements of the expanding com-

merce of the world, and prevent that pressure of transactions and commodities on the

precious metals which means in practice prices and wages constantly tending totvard

decline. » # » The real danger is that the present supplies should fall off,

and among the greatest and most salutary events that could now occur would be the

discovery of rich gold deposits in three or four remote and neglected regions of the

earth.

Instead of the discovery of new gold-fields, that which has actually

happened since 1869 has been a declining production in old ones. The

annual supply of $150,000,000, then considered barely sufficient to meet

the demand, has dwindled to $101,000,000, while during the same

period the demand and necessities for money have been constantly and

largely increasing. This increasing demand, crowding upon a failing

supply, was of itself a great misfortune; but, as if to change unavoid-

able evils into deliberate ruin, several commercial countries, including

our own, demonetized silver. In its review of the financial year 1872

(published March 15, 1873), the London Economist predicted the inev-

itable consequences in the following language:

At the end of 1872, the (German) gold coinage amounted to twenty-one millions ster-

ling. The following paragraphs from the well-informed city writer of the Daily News

gives the latest facts, and properly draws attention to their important character:

" By the present bill, the German Government is certainly paying Englaud the com-

pliment of adopting its single gold standard, but the cost of the measure to the Loudon

and other money markets cannot but be great. As the annual money supply of gold

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throughout the world is reckoned at little more thau £20,000,000, and the usual de-

mand lor miscellaneous purposes is very large, it follows that, if the German Govern-

ment perseveres in its policy, the strain upon existing stocks and currencies will be

most severe. Unless the annual production of gold should suddenly increase, the

money markets of the world are likely to be perturbed by this bullion scarcity."

These inevitable cousequences of the policy of Germany, and of the

United Statesaud othercoautries co-operating with Germany, have been

and are now being realized as predicted. But, strange to say, many of

those who foresaw and predicted them now deny what tlie wliole world

knows to be true, that i)aralyzed trade and stagnant industry, the neces-

sary accompaniments of '■'•prices and wages constantly tending toicard de-

cline,'^ are the natural results of the demonetization of silver, which began

in injustice and is culminating in disaster. The folly of that policy is

only equaled by the folly of hoping that prosperity can be restored while

that main and principal cause of existing evils is still at work. What

is doubtful is whether even with the use of both gold and silver there

may not be a most injurious ^^ pressure of transactions and commodities on

the precious metals^ The fatal effects of discarding either of them are

only too clear, and those who adv^ocate it are, wittingly o'r unwittingly,

the enemies of the human race.

A general view of the industrial prostration in Europe, dating with

1873, is i)resented in the annual tables of the Moniteur des Interels Ma-

teriels of Brussels, a very high authority, of the ofterings in the Euro-

pean markets of new shares and new bonds in industrial undertakings,

8uch as mines, railroads, and manufactures. These figures, which, if

not absolutely correct, are likely to exhibit accurately the proportions

between different years, are as follows:

1872 $9fi8,362,500

lb73 897, 4:iO, 000

1874 4:52, 450 000

1875 147,(i'37,500

The United States, even if its paper currencies had been left undis-

turbed, could not have escaped grievous injury from the demonetization

of silver. The heavy interest account on its indebtedness held in Eu-

rope must be i)aid by the export of products and their sale at metallic

prices, which were certain to fall, and have fallen, through the pressure

brought upon European gold markets by the adoi)tion of the single gold

standard in Germany and other countries. But the i)aper currencies of

this country were not left undisturbed. On the contrary, they had been

constantly and largely contracted from the close of the civil war down

to 1873, and a shrinkage in the volume of accepted i)aper currencies has

the same effect upon prices, productive industry, and i)ios])erity as a

shrinkage in the volume of metallic money. Between 18G4 and 1875 the

population of the country using the national currency was nearly doubled

by the addition of the people of the Confederate States in 18G5, and by

the natural increase of both the sections afterward. As a consequence,

theproductiveforcesof the country and the demand for money to meas-

ure and exchange the fruits of its augmented industry w'ere increased, if

not in as great a ratio, at any rate xery larjiely. But during this period

the volume of i)aper currencies was steadily shrinlving in the United

States, while the metallic money of the specie-paying countries of Eu-

rope was undergoing the sanu; ])r()(!ess.

Later on, the specie-resumption act (January 14, 1875) wasj)asse(l. Its

true character, as now interpreted, was neither avowed in Congress nor

nnderstood by the counti-y at the time of its i)assage. The plivjiscology

of the act created the imi)resNion that there was t(> be no redact ion of the

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aggregate of paper money, but that legal-tender notes were to be dimin-

isbed only as bank-notes were increased. As tbe act is administered in

l>ractice, both classes of notes are being reduced at tbe same time, wbile

the po])ulation of the country is expanding. The words of the act may

justify this method of administration, but it was not with that under-

standing that it was sanctioned by Congress.

A more fatal misconception grew out of the ignorance that pre-

vailed almost universally until after the passage of the resumi)tion act,

that silver had been demonetized, and hence, that a law providing for

specie payments \vas really a law for gold payments. The people were

not aware that coin then meant gold, and that coin payments involved

the shriveling of all values to the measure of a single metal. They

were in favor of resumption but not confiscation, and they were not

aware that resumption as proposed was but another name for spoliation.

Although theperiod fixed for this spoliation was nominally in the future,

it actually commenced at once and is now proceeding day by day. It

having been made certain, so far as tbe law could make it certain, that

each dollar of the actual money of the country would, on a given day

in the near future, be raised to the value of a gold dollar, the universal

tendency was, and has continued to be, to change all forms of property

into money, and to refuse investment in either property or productive

enterprises. Moneyed capitalists, knowing the disastrous effects which

the impending fall in prices would have on the financial condition of

borrowers, prudeutially withdrew or diminished all credits and hastened

to realize on securities. They have never been deceived for one moment

by the idle fallacy that resumption in gold involved an appreciation in

the value of the legal-tender notes and a fall in prices only to the extent

of the present difference between the value of those notes and gold.

They know that the ai)preciation of legal tender notes must reach that

vastly higher level which the value of gold must reach when hundreds

of millions of it are demanded for resumption, and that prices will sink

to a corresponding point: of depression.

It is through these plain processes, that he who runs may read and

understand, that the crushing effect of the demonetization of silver is

already felt, although practically and legally the money of the United

States is still paper. It is through these iilain processes, although real

resumption in gold is neither possible January 1, 1879, nor on any other

day, except through a great and improbable increase of (the world's stock

of gold or on the basis of universal ruin, that every effort made to reach

such resumption by locking up paper or gold is a disastrous step toward

bankruptcy. It is through these plain processes that the stagnation and

paralysis in commerce and industry everywhere visible, which had already

been brought about by a contraction in the volume of money, are being-

aggravated and intensified as the time approaches for that unknown

measure of contraction which will be absolutely necessary to render the

paper money of the country constantly convertible into a stock of gold

that must be ruinously meager, unless some great commercial country

shall consent to suspend specie payments for our especial benefit.

CONCLUSIONS.

Upon the facts and considerations hereinbefore set forth, and after

carefully weighing the views presented to them orally and in writing

by various jiersons, the commission submitthefoUowinganswers to the

questions referred to them by Congress :

1. The first question relates to the causes of the recent change in the

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relative value of gold and silver, aud to the effect of that change upon

" trade, commerce, ti nance, and productive interests of the country."

This commission concur in the following opinion of the British silver

commission (1876) :

Notwitlistandingc the late rise in the production of silver as compared Tvitb gold, its

proportion to<iold is still considerably below wLat it was in 1848, to say nothing of the

period when the proportion was 3 to 1; and the conclusion seems justified, that a

review of the relations of the metals in times past shows that the fall in the price of

silver is not due to any excessive production as compared with gold.

It is not now seriously maintained anywhere that any recent fact in

the production of silver is among the causes of its decline relatively to

gold.

The causes of the recent change in the relative value of gold and silver

are mainly the demonetization of silver by Germany, the United States,

and the Scandinavian states, and the closure of all the mints in Europe

against its coinage. These piincii>al causes were aided by a contempo-

raneous diminution of the Asiatic demand ftir ^'ilvcr, and by enormous

exaggerations of the actual and prospective yield of the Xevada silver-

mines. The effect of all these causes, principal and accessory, reached

its culminating point in the panic of July, 187G, in the London silver

market. Many of these causes are essentially temporary. The Asiatic

demand for silver has already recovered its accustomed force, and the

delusions in respect to the Nevada mines no longer exist. In the opinion

of the commission, if the United States restore the double standard, the

spread of the movement in favor of a single standard of gold will be de-

cisively checked. The effects of the demonetizations so far accom])lished,

and of the resulting disturbance of the relative value of gold and silver

upon trade, commerce, finance, and productive interests in this coun-

try and throughout the commercial world, have been signally disastrous,

and especially to the countries which have recently demonetized silver or

in which the gold standard was already established. In all comineicial

countries the same phenomena are simultaneously presented, of falling

prices of commodities and real estate, diminishing public revenues, starv-

ing, poorly-i)aid,and unemployed laborers, aud rapidly-multiplying bank-

ruptcies. These facts, existing everywhere, must aris<^ from some cause

operating everywhere, and no such cause is or can be i)ointed out except

the decrease of the metallic supi)lies from the mines, and consequently the

decrease of metallic mon<^y relatively to population and commerce since

about 1865, and the larger and more sudden decrease of njetallic money

caused by the partial destruction of the money functions of one of the

precious metals. This distress dates with the law of the United States

of February 12, 1873, and the law of Germany of July, 1873, giving

practical effect to a previous decree of that empire of December 4, 1871,

for the establishment of a single gold standard. The stationary or de-

clining production of the metals had already i)roduced a stringency in

the metallic money markets of the world, and as money stringency and

panic are near neighbors, the demonetization of one of the metals broke

down the partition between them. The demonstration of the nature of

the mischief seems com])U\*tc. What the world has witnessed immedi-

ately following a concerted movement to demonetize silver is that fall in

prices, ruin of jiroductive interests, and increase in the absorbing power

of moneyed capital which could not tail to attend a sudden narrowing

of the measure of values. Prior to 1873 i)rices were regulated l>y the

general existence of a measure of values consisting of the two metals

of aboutequal])roportionsin the world's stock. To annihilate the mone-

tary function of one must greatly increase the purchasing [)ower of the

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other, and greatly reduce prices. As all debts, public and private, in

Europe aud America had been contracted while the double standard

was in practical operation, their weight, always burdensome, became

crushing when made solvable exclusively in one metal. Silver, to the

amount of three thousand million dollars in coin, the accumulation of

filty centuries, is so worked into the web and woof of the world's com-

merce, that it cannot be discarded without entailing the most serious

consequences, social, industrial, political, and commercial. The evil is

enormously aggravated by selecting gold as the metal to be retained,

and silver as the metal to be rejected.

The supply of gold is diminishing, being now but little more than

half what it was in 1852, and is always so titful and irregular from the

method of its production that it is ill suited to be a sole measure

of values. Placer- washings require little or no capital, and are soon

exhausted. Silver, on the other hand, is found in veins which extend

to great depths, the development of which can neither be commenced

without capital nor abjiudoued without the loss of heavy investments.

Its production is, therefore, comparatively steady and permanent, and

it is this steadiness in the production of silver, together with the vast

stock in use as money throughout the world, which is the moderator of

the fluctuations of gold, aud which, during the sudden and enormous ad-

ditional supplies of gold since 1848, saved the commercial world from

ruinous disaster. The Oalifornian and Australian placers would have

inflicted practical confiscation upon the creditor classes if the silver,

which many of them now seek to discard, had not protected them.

The exchanges of the world, and especially of this country, are continu-

ally and largely increasing, while the supplies of both the precious metals,

taken together, if not diminishing are at least stationary, and the sup-

ply of gold, taken by itself, is falling oft". To submit the vast and in-

creasing exchanges of this country and the world to be measured by a

metal never reliable in its supply, and now actually diminishing in its

supply, would make crisis chronic and business paralysis perpetual.

2. The second question covers the two points of the restoration of

the double standard in this country, and of the best legal relation be-

tween gold and silv^er. The commission recommend the restoration of

the double standard and the unrestricted coinage of both metals, but are

unable to agree upon the legal relation which should be established be-

tween them. The views of individual members of the commission upon

this last point are hereto appended.

3. The third question relates to "the policy of continuing legal-tender

notes concurrently with the metallic standards, and the effects thereof

upon the labor, industries, and wealth of the country." The commis-

sion do not suppose that it is possible to maintain paper in actual con-

current circulation with coin, unless the i^aperismade equaliu market

value to coin, by actual convertibility into it, and that the answer to

this question may be embraced in the answer to the fourth and last

question, which relates to the resumption of specie payments.

4. Thefourth question covers " the best means for providing for facili-

tating the resumption of specie payments. " The opinions of the witnesses

examined upon this ])Oiut, and the views ujjou it which arecontaiued in

written communications addressed to the commission, are various and

contradictory. The experience of other countries furnishes little aid in

reachingconclusions which can command confidence. The fact in regard

to paper money issued directly by governments and having a forced cur-

rency seems to be, that it has seldom been redeemed in coin. To re-

deem the paper issues of a country and keep the coin in circulation has

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al\fays beeu regarded as a very delicate aud difficult operation. In the

two empires of the preseut day, covering the greatest extent of territorial

area, Hussia and Brazil, such paper money has existed, in the tirst for

a century, aud in the second for about half that time. In Russia there

have been large issues and occasional redemptions at a percentage. In

Brazil tiie paper seems to have been maintained at a close and steady

approximation to the value of coin. The only conspicuous exami)le of a

government resumption is that of England in 1821. The suspension of

coin payments in that case was not in form that of the government, but

in substance it was so, from the intimacy of the relationsbetweeu the gov-

ernment and the suspending Bank of England.' The government itself

gave up coin payments aud tendered nothing to the holders of national

obligations but depreciated bank-notes. Nothing seems to be certain,

except that the British resumption of 1821, as it was actually accom-

plished, was followed by an unexampled commercial and industrial de-

liression, covering nearly the period of a generation. The economical

writers and authorities of that country do not agree that the resump-

tion was finally efiected iu the most judicious mode, and still less do they

agree as to what would have been a better mode.

It is uot possible, therefore, to draw from that historical example much

to enlighten us as to the proper policy to be now pursed by the United.

States. The commission have been ab'e to arrive at only the one single

conclusion, that resumption in this country is uot practicable under the

circumstances, until the existing laws making gold the sole metallic

legal tender are repealed. Besumption, while those laws remain iu force,

is the establishment of an exclusive gold standard iu the United States,"

just as English resumption in 1821 gave eftect to the English gold-law

of 181G. That the two precious metals together are adequate to main-

tain existing prices is made at least doubtful by the fact that so many

countries have abandoned coin payments within recent years, and have

resorted to paper money. The total inadequacy of gold alone is appa-

rent. Germany, Great Britain, and France are the only countries in the

world which have any considerable quantity of it, and the maximum esti-

mates of the aggregate amount they have in coin aud bars will not ex-

ceed $1,300,000,000. It is uot suggested that there are any available

aud disposable quantities elsewhere. In the opinion of the commission,

the total quantities iu the Western World are much exaggerated iu the

average estimates of statisticians.

Germany commenced its march (not yet completed) to a single gold

standard unembarrassed l)y national debt or foreign debt of any kind,

and with a tribute exacted from France of $1,000,000,000. If the Ger-

man movement, under these favoring circun)stances, has resulted in

such great commercial disturbance and such general distrcvss, it can

scarcely be estimated what linaneial disasters wdl befall this country if

it shall persist in a sin)ilar uiovement under the weight of enormous

debts, public and jtrivate. In the opinion of the commission, the re-

moneti/ation of silver is a n)easure essential to s])ecic jtaymeiits and

may make such ])ayments practicable. Both gold and silver are found

in our own territory, and their jtioductiou is among tlie most important

of our industries, and both are needed and in tiie lullest measure to ren-

der the resumption of specie payments jmssible. The i)rol»lem of re-

sumi)tiou is uot an easy one undei- any <;on(iiti()ns, but the encigics of

the American jieojjle may be ibund e(pial to it, if tliey are uot deprived

of one-half of tiieir ancient and constilulional money.

Tlic commission believe that the remouetization of silver in this couu-

try will have a powerful intlueuce iu preventing, aud probably wdl pre-

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vent, the demonetization of silver in France and in other Enropean

countries in which the double standard is still legally and theoretically

maintained. But if, notwithstanding remonetizatiou here, further Eu-

ropean demonetization shall tate place, the result for us will be an ad-

vantageous exchange of commodities which we can spare, for money

■which we need. The silver of Europe, disposable in the event of fur-

ther demonetizations of it on that continent, will come to us, if at all,

in payment for commodities, and in transactions which will be free and

voluntary on the part of our citizens, who may be trusted to take care

of their own interests.

Such transactions will give a much-nreded stimulus to our commerce,

and cannot fail to be made on terms which will be advantageous to us.

Nations cannot suddenly dispose of a considerable mass ot either metal

without a loss from the temporary fall in its price, and this loss becomes

the profit of the purchasers when the old price is recovered. Being

flooded with the silver of Europe — now treated by many persons as an

alarming danger — is being flooded with one of the precious metals and

with money, if silver is remonetized in this country. Silver is the same

thing, whether obtained by commerce with Europe or from the mines of

America, and those who oppose our receiving it from abroad must wish

to see our mines closed at home.

If the states of the Latin Union, or other countries in Europe, abandon

the double standard after we readopt it, or because we readopt it, it will

be a policy on their part through which great advantages will inure to

us and great disasters will befall them. It would inaugurate in the

United States an era of prosperity, based upon solid money, obtaiued

on profitable terms, and under circumstances necessarily stimulating to

our industry and commerce.

Finally, the commission believe that the facts that Germany and the

Scandinavian states have adopted the single gold standard, and that

some other European nations may possibly adopt it, instead of being

reasons for perseverance in the attempt to establish it in the United

States, are precisely the facts which make such an attempt entire ly im-

practicable and ruinous. If the nations on the continent of Europe

had the double standard, a gold standard would be possible here, be-

cause, in that condition, they would freely exchange gold for silver. It

was that condition which enabled England to resume specie payments

in gold in 1821. The attainment of such a standard becomes diflicult

precisely in proportion to the number and importance of the countries

engaged in striving after it ; and it is precisely in the same proportion

that the ruinous effects of striving after it are aggravated. To propose

to this country a contest lor a gold standard with the European nations,

is to propose to it a disastrous race, in reducing the prices of labor and

commodities, in aggravating the burdens of debt, and in the diminution

and concentration of wealth, in which all the contestants will sufl'er im-

measurably, and the victors even more than the vanquished.

JOOJT P. JONES.

LEWIS V. BOGY.

GEORGE WILLAED.

E. P. BLAND.

WM. S. GEOESBECK.

Opinions of Messrs. Jones, ^ogi/, and Willard concerning the Jegal rela-

tion of value which should be established between the metals.

In the opinion of the undersigned, the proper legal relation of value to

be established in the United States between silver and gold is 15.5 to 1.

OPINIONS OF MESSRS. JONES, BOGY, AND WILLARD. 129

That is the legal relation in all the double-standard countries of Europe,

with the single exception of Holland, where the double standard has

been provisionally established with a relation of 15.0 to 1. It would be

unreasonable to expect France, whose legal relations between the metals

of 15.5 to 1 has existed since 1803, and whose actual metallic circulation

ap])roximates 81,000,000,000, to assent to a change of the relation, which

would compel the recoiuage of either the gold or silver ])ortion of that vast

stock. The states of the Latin Union, including- France, are, in fact, re-

strained by treaty until 1880 from changing the relation. Indeed,

it is not suggested by anybody that it is probable or reasonably possi-

ble that a double standard will be maintained in Europe upon any

other relation than 15.5 to 1. It is certain, therefore, that when the

mints of Europe are again opened to the unrestricted coinage of silver,

the London ])rice of silver uiust again become 00.87 pence in gold i)er

ounce, or substantially that.

If we resume the coinage of the silver dollar with a weight of 412.5

grains, and the gold dollar remains unchanged, it will give a relation

between the metals of 15.98 to 1, and a legalValuation to silver of 59

pence per ounce in gold. This would make the market or bullion value

of silver 3 per cent, greater tljan its mint or legal value. The result

would be, that no silver would be coined in this country, and even if it

were coined could not be kei)t in circulation, but would be sure to be

exported. This is just what happened after the relation of 15.98 to 1

was established here by the acts of 1834 and 1837, and is certain to

happen again if we reestablish that relation, and if the double stand-

ard with unrestricted coinage is maintained in Europe.

A law of the United States remonetizing silver, but on a relation

which would prevent its circulation if the mints of the double-standard

countries of Europe were reopened to the coinage of silver, would tend to

keep those mints iiermanently closed to silver. We cannot expect

France to coin it, if we practically refuse to coin it in concert with

Europe, by fixing a relation under which coinage here would be practi-

cally suspended.

If the gold dollar is not changed, the bullion value of a silver dollar

of 412.5 grains must again be 103 cents in gold whenever the double-

standard countries of Europe oi)en their mints to the free coinage of

both metals, and our silver would flow away and would not return unless

through some extraordinary demand in gold standard countries, arising

from commercial or financial revulsions the value of gold should ad-

vance to a- parity with it. The effect of such a demand would be, of

course, to drain away the gold of this country, but we could not obtain

any relief through its replacement by silveruntil the drain had i)rocecded

far enough to raise the value of gold fully three per cent. On the con-

trary, if our relation should (•orres])ond with the general relation of

double-standard countries, silver would tiow into or out of the United

States upon the slightest change in the relative value of the two metals.

Upon the first call upon us for gold to meet extraordinary <len)ands

from gold-standard countries, silver would How in to fake its])lace, and

under like circumstances, upon the first call upon us for silver from sil-

ver-standard countries, gold would flow in to take itsi)lace. Theecpii-

librium of value between the mcitals woidd be thus maintained, and the

steadiness of our money markets would be protected fiom shocks, arising

from the special demands of foreign countries for a particular metal.

This is an iiu'stimable advantage which the United States has not en-

joyed since the acts of 18.34 and 1837, and not fully since 1803. The

equivalency thus established in the market value of gold and silver

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coins, would enable the country to avail itself of both at the commence-

ment of financial difficulties, instead of being compelled to wait until

those difficulties had worked great hardshijis.

"When the coinage of silver is resumed in this country, it should be

at such a relation with gold as would be most likely to insure stabil-

ity and permanency, as these qualities are of prime importance in

every monetary system. The immense sum of silver already coined in

Europe at the relation of 15.5 to 1 is the strongest ijossible guarantee

that this relation, if once established in the United States, would be

sustained without change.

The policy x)roposed by some, of the resumption of coinage at the re-

lation of 15.98 to 1 for the present, with a view to a change of that re-

lation hereafter by an international conference, the undersigned believe

to be unwise, not only because such change would involve the cost and

inconvenience of the recoinage of the silver which had already passed

into circulation and become the practical measure of value, but because

it would impair the public confidence in a monetary standard, the sta-

bility of which would be discredited in advance by the impression that

the coinage relation of the metals was merely temporary and soon to be

subjected to revision.

The relation of 15.5 to 1 may be established here, either by reducing

the weight of the silver dollar from 412.5 to 399.9 grains, or by increas-

ing the weight of the gold dollar from 25.8 to 26.6 grains. The under-

eigned are not insensible to the diificulties attending either mode of

accomijlishing the object.

If the weight of the gold dollar is increased, it will involve the incon-

venience and expense of reminting a very large amount of gold coin.

While the undersigned are firmly convinced that the parity of gold

and silver coins at the relation of 15.5 to 1 would be assured and perma-

nently maintained ; yet, should any difficulty arise from the coinage of

a silver dollar of 399.9 grains, in the adjustment of contracts to make

payments in coin of the weight and fineness existing at the date of such

contracts, it may easily be remedied by appropriate legislation.

On a full consideration of the advantages and disadvantages of the

two modes of reaching the relation of 15.5 to 1, the undersigned are of

opinion that the weight of the silver dollar should be reduced to 399.9

grains.

It may be added that a legislative remonetization of silver on the

relation to gold of 15.5 to 1 accomplishes without delay all the objects

of the proposition for an international conference, which is urged from

various quarters. If such a conference resulted in anything, it would be

in the agreement of the United States to adopt this European relation

of 15.5 to 1, as it neither can be nor is expected that Europe could be

persuaded by any conference to give up that relation and adopt the old

American relation of 15.98 to 1. The adoption here of the relation of

15.5 to 1 by an act of legislation, would be the most authentic and de-

cisive offer of accord with the European countries of the double standard

which could possibly be made. It would be not merely the offer of an

accord, but the actual establishment of one.

An international conference can only be an advisory body. Under

our Constitution, this country cannot be represented in it by any

functionary having any greater power than that of recommendation.

The relation of the metals can be regulated only by Congress. It is not

within the treaty powers of the President and Senate, and it is only by

the enactment of a law that an effective proposition can be made to

OPINIONS OF MR. GROESBECK. 131

Europe of the double standard ou a uuiform relation of the two precious

metals.

As already indicated, the undersigned believe that the United States

should remonetize silver, whatever the future policy of Europe may be.

At the same time they believe it to be wise to make to Europe the ofier

of au accord upon the relation of the metals, and that this offer can be

best made hy the enactment of a law fixing 15.5 to 1 as the relation here.

But diversities of opinion as to the proper relation between the metals^

and as to the one most likely to secure permanency and steadiness of

value, should not be insisted upon to the extent of endangering- the

passage of a bill remonetiziug silver at any relation which has been pro-

posed. The great object is the remonetization of silver. Its precise

legal relation of value to gold is of far less importance.

JOHN^ P. JONES.

LEWIS V. BOGY.

GEORGE WILLARD.

Opinions of Mr. GroesbecTc, concerning the legal relation of value which

should he established beticeen the metals.

In the foregoing report we have recommended that silver be restored

to equal rank in our currency with gold, and made a legal tender for all

debts, public and private. The wisdom and safety and necessity of such

a course, in order to do exact justice between creditors and debtors, to

encourage and sustain industry and enterprise, and aid and prepare for

resumption of specie payments, cannot be too strongly urged. We have

had the single standard of gold for the last three years, but having been

in suspension during that time, it is as yet untried. We had the double

standard during all else of our national life. It was long and well tried,

and I have not been able to find that we ever suffered the least harm

from the use of both gohl and silver as legal-tender money. On the con-

trary, we greatly prospered with them. They are the currency contem-

plated by the Constitution of the United States ; the currency named in

our State constitutions ; and the currency to which our people are accus-

tomed and with which they have been always satisfied. It was upon no

demand of theirs that silver was demonetized, and we have recommended

that it be restored to them.

While we have agreed on this, we have differed as to the relation which

should be established between the two metals. Some of the commission

recommend that the old silver dollar be reduced from four hundred and

twelve grains and a half to three hundred and ninety-nine grains and

nine-tenths.

The gold dollar and the old silver dollar stood to each other in the

relation of 1 in weight of gold to 15,2^^- in weight of silver, say 1 to 16.

The gold dollar and the silver one now recommended by a i)art of the

commission, would stand to each other in the relation of 1 to 15J. In a

word, the proposed new silver dollar would be three per cent, in value be-

low the old one.

I cannot concur in recommending this change, but adhere to the old

dollar.

It is objected that it contained too mu(;h silver, and by reason of this

was at a constant premium in the market over the gold dollar, and

therefore would not circulate here, but left the country as bullion. This

may be so; but it sent back to us in exchange for itself, its full value

13^ OPINIONS OF MR. GROESBECK.

iu gold and merchandise. We are ricli in silver, and can afford to repeat

such transactions in the future.

It is not to be overl<ioked that quite recently silver was greatly de-

preciated, and that it is yet a little below ijar iu comparison with gold.

Some still doubt the stability of silver, and many are partial to gold,

and the history of these metals will show there has been a slight widen-

ing in their relative value. Law can do much to control this tendency,

and to fix and hold them, when both are used as money, iu a steady

relation to each other ; but no statute law can make the relation un-

changeable. A great abundance or a great scarcity of one or the other,

and the extent of its use, will in some degree affect its value. In view

of this tendency, and in the present condition of the metals, we are not

called upon to narrow their relation to each other, but should keep our

silver dollar as rich iu silver as it was before its demonetization. It may

be that its remouetization at the relation between it and gold of 1 to 15J,

the European or French relation, would bring it abreast with gold, and

keep it there ; but I must insist that remouetization, at our old relation

of 1 to 16, would be quite as certain in its results, and, in view of the

apprehension yet lingering in the minds of many, morejust and accept-

able.

It is urged that we should adopt the relation of 3 to 15 J, because it is

the relation of the Latin Union, audits adoption by us v\^ould strengthen

France and her associates in their position, and so strengthen ourselves

also. It is admitted that the utmost attainable steadiness should be se-

cured iu the relation that may be adopted for the two metals, and this

result is best secured when different. nations using the double standard

adopt the same relation. Such a policy may be indispensable iu the

Latin Union, composed of nations adjoining each other, though Holland,

which lies in contact with the Latin Union, maintains a slightly differ-

ent relation without serious embarrassment. We are so far removed,

that this policy would seeui to be secondary to other considerations es-

pecially applicable to our own case. And I venture to add, that if the

United States and the leading nations of Europe, including the Latin

Union, were now assembled in a convention to consider this subject,

they would, in view of the present market value of the two metals, pre-

fer our own relation, as being the more accurate and just.

Until a convention as largely attended as the one just suggested

shall take this matter into consideration, we may safely remain on our

own relation. It answered in the past; it will answer iu the future,

and we are strong enough to maintain it. About all we should under-

take at the present time is to undo the recent legislation demonetizing

silver and restore it to its exact former position. This course is very

simple and avoids all embarrassments. In a bill recently passed in the

House by an overwhelming majority the work is already half done, and

the shortest way to the restoration of silver is to complete that work.

A proposition to reduce the size of the dollar throws that work aside,

and by offering a new scheme invites discussion, division, and delay,

and may in the end endanger remonetization of any kind.

Another plan suggested by one of the commission is to do nothing for

the present, and remit the subject to the consideration of some interna-

tional convention that may never be held, and wait for its doubtful and

distant recommendations. There has been an international convention

not unlikethe one now proposed. It was held in Paris in 1867. Not less

than twenty nations attended it, including all the leading nations of

Europe and the United States. Its deliberations were careful, its dis-

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cussious able, its results practically nothino-. Siicli a plan for disposing

of a subject of local urgency and pressing for settlement niaj' be re-

garded as tantamount to its indetinite postponement.

A word more about resumption of specie payments. Much testimony

was taken on this inquiry, and we present with the report the views of

able and experienced gentlemen. There is wide diversity in these views,

and it seemed to a majority of the commission that the true and best

method of resumption had not yet developed itself enough to come into

clear view. In one opinion tliey heartily concurred: Resumption must

wait upon remonetizatiou.

W. S. GROESBEOK.

Opinions of Mr. Bland concerning the legal relation of value ivMch should

he established hetioeen the metals.

While I appreciate the importance of conforming our monetary system

to that of other countries in so far as to adopt the relation of \bh to 1,

as recommended by some other members of the commission, yet for rea-

sons so ably presented in Mr. Groes beck's paper, in wLiich for the most

part I concur, I fear we would endanger the success of the movement

to remonetize silver in this country, should we now attempt to change

the relation existing when so many of our debts, public and private,

were contracted ; for whatever silver dollar we authorize should, in all

respects, in law, be equal to the gold dollar in the discharge of all debts

public and private, past and future. Otherwise the bimetallic system

would prove a failure.

R. P. BLAND.

134 MINORITY REPORT OF MR. BOUTWELL.

MINORITY REPORT OF MR. BOUTWELL.

The undersigned, a member of the commission appointed "to inquire

into the change whicli has taken place in the relative value of gold and

silver, and the causes thereof, the policy of restoring the double stand-

ard in this country, and of continuing greenbacks concurrently with the

metallic standards," having been unable to agree to the conclusions

reached by the majority of his associates upon that commission, respect-

fully submits to the Senate the following statement of his views:

The attention of the commission has been directed chietly to three

subjects of inquiry :

First. To the expediency of authorizing the coinage of a silver dollar,

and making it a legal tender in the United States for all purposes except

such as are otherwise specially provided for by law or by contract.

Secondly. To the expediency of inviting the governments of countries

with which we are in intimate commercial relations to join us in an in-

ternational convention for the purpose of considering whether gold and

silver should be adopted as a standard in all such countries upon a fixed

relative value of the two metals.

Thirdly. To the probable influence of the first and second proj^ositions

respectively upon the abitity of the Government to resume and maintain

specie payments.

The undersigned entertains the opinion that it is not now expedient

for the Government of the United States to authorize the coinage

of the silver dollar in the manner and for the uses stated in the first

proposition.

The undersigned is also of opinion that it is expedient for this Gov-

ernment to extend an invitation to the commercial nations of the world

to join in convention for the purpose of considering whether it is wise

to provide by treaties and concurrent legislation for the use of both sil-

ver and gold in all such nations upon a fixed relative valuation of the

two metals; and, finally, that until such an agreement between this Gov-

ernment and other commercial nations can be effected, the United States

should pursue the existing policy in regard to the resumption of specie

payments.

It is not material in the present inquiry to search for the reasons

which control mankind and lead them to the conclusion very generally

entertained that gold and silver are better adapted than any other arti-

cles for use as measures of value. The existence of this opinion must

be admitted ; and, proceeding one step further, it is equally true, if not

generally so accepted, that gold is everywhere a standard of value,

while in many countries silver has been rejected. It follows, therefore,

that the theory of its equality with gold in this respect cannot be main-

tained. Even in countries where silver is used as a coin and endowed

with the quality of being a legal tender, it is yet an article of commerce,

and its value in all foreign transactions is measured by gold and tested

by the gold standard. During the last three years there have been

great variations in the commercial value of silver, but it is useless to

inquire whether such variations are due to a fall in the value of silver

or to a rise in the value of gold. Gold being the only universal standard

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or measure of value, all other articles are tested by it, and however tbe

staudard may chanjie, yet so Ion"- as it is accepted as the standard, the

relation which other articles, including silver, bear to it is one of fact,

and all theories in regard to values must conform to the fiict.

Human experience furnishes uniform testimony in support of the

proposition that thus far no country has been able to maintain two

standards of value in actual use at the same period of time; and in

every country which has adopted a bimetallic standard, that metal

has been used, to the exclusion of the other, which was overvalued as

a coin as compared with the value of the bullion contained in the coin

when tested by its market-]irice in other countries of the world.

The consequence has been that in every country where the bimetallic

standard has been adopted the overvalued metal as coin has been used

to the exclusion of the other.

At present the gold dollar of the United States, which contains 25^%

grains of standard gold, will purchase a larger quantity of pure silver

than is contained in the dollar of 41l!fo grains standard silver.

The suiierior value of the gold <lollar would prevent its use, and the

gold coin and gold bullion of the country would at once be exported to

other countries and silver in exchange would be returned, and, when

coined, it would be introduced into the circulation of the United States,

Thedemonetized anddiscarded silverof everyothercouutry would ilow

to the United States, and there can be no doubt that after the first effect

of its remouetization here had passed away it would steadily depreciate

in value. Nor can there be a doubt that our unfortunate experience

would furnish an argument against the remonetization of silver by the

commercial nations of the world. It is contended by those who advo-

cate a bimetallic standard for the United States without regard to the

policy of other countries that its use by us would so advance its value

in the markets of the world that it would be at par with gold. It can

only be said in answer to this assumption, that there is no evidence

that such would be the result, while, on the contrary, it is reasonable

to anticipate that the demonetization of silver in Germany, the limita-

tion of its coinage by the nations of the Latin Union, its reduced value

in India, and the large production in America, would counteract the

effect of an increased demand for coinage in the United States, and that

in a period of ten years its relative value to gold would be less than it

now is.

In the present age, with the existing facilities for communication be-

tween the different parts of the world, it is the first necessity of a com-

mercial people that their standard of value should be of itself accepted

by other commercial nations.

The utility of either of the precious metals as a standard of value is

chiefiy, if not altogether, in two particulars: first, for the purpose of

redeeming the pa])er currency of the country, whatever it may be; and,

secondly, and mainly, for the purpose of liquidating b;dan(;es with other

countries.

It is to be observed, in connection with this statement, that when the

paper currency of a country is redeemable in (toin at the demand of the

holder, tiic occasion for such redemption arises almost entirely from the

circumstance that coin is wanted for the settlement of foreign bal-

ances, and, therefore, it may be said that the great advantage to be de-

rived fr(jin the resumption of specie payments is to be found in the fa-

cility which will be thus afforded for the transaction of business be-

tween citizensof the United States and the subjects and eiti/ensof other

countries, and, that any scheme of iesuiii[>tiou which does not i)roduco

this result, fails altogether to meet the demand of the times.

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As loii.fi: as silver is merely an article of commerce in Great Britain,

where our bills due to other countries are finally adjusted, the use of

silver as a standard in this country will fail to produce any of the im-

portant results which ought to flow from the resumption of specie pay-

ments.

The resumption of specie payments means, or should mean, that the

paper currency of the country is redeemable at the will of the holder in

coin, which will be received in payment of debts due toother countries,

and at its nominal value. To say that the holder of a D nited States note

can obtain silver for the note, and that with the silver he can purchase

gold and pay a debt due in London, is, in fact, a statement that he could

then do what can now be done. The holder of a United States note can

purchase gold, and with the gold he can pay his foreign debts.

London is the financial center of the world, and while there are two

theories as to the sources of its power in this ])aiticular, neither theory

affords any support to the i)olicy of using silver as the standard of

value in the LTuited States. One theory is that the act of tbe British

Pailiamentof 1810, by which gold alone was made the standard of value,

was the foundation of the commercial and financial i)re-eminence of

England.

While the undersigned does not concur m this opinion, he thinks it

proper to state that if Great Britain is indebted for her commercial and

financial sui^iemacy to that act, the success of her policy would justify

and require its imitation by the United States at the present time.

The undersigned, however, is of opinion that the financial supremacy

of England is due largely, if not entirely, to her policy in encouraging

manufactures and fostering and extending her maritime power.

Jt remains, however, to be said that the accumulations of capital are

grenter in England than with us ; that credits for commercial transac-

tions over the whole world ciin be obtained more cheaply there than

elsewhere ; and that while her pre-eminence in these particulars remains

London will continue to be the clearing- house for other countries. In-

asmuch as balances there must be settled in gold, it would seem wise

for other commercial nations to make that metal the sole standard of

value, or by a general agreement, to which England should be a party,

secure the adoption of the bimeti^;llic standard.

In addition to the results which will follow the introduction and use

of silver coin in the United States, to which reference has already been

made, the undersigned cannot omit to notice the effect of the measure

upon the pubhc faith and credit of the country.

By the act of the i'5th of February, 1862, it was provided that all

duties on imported goods should be paid in coin, and tbafthe coin so

received should be set apart as a special fund and applied to certain

pui])oses. These were, first, to the j^ayment in coin of the interest on

the bonds of the United States ; and, secondly, to the purchase or pay-

ment of one per centum of the entire debt of the United States, the

same to be set apart as a sinking-fund, the interest on which in a like

manner should be apphed to the purchase or payment of the public

debt, as the Secretary of the Treasury should from time to time direct.

After the passage of the act of 1834, by which an increased value was

given to gold as compared with silver, the standard of value practically

was gold, the only use for silver being in the circulation of subsidiary

coins, which were in fact tokens, after the act of 1853, the weight then

being so light as to preclude their purchase and use as bullion.

At the time of the passage of the act of 1802 gold was the only coin

in circulation and the only standard of values in the country. Customs

receipts were in gold exclusively, and they have been so collected from

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that time to the present. The interest upou the public debt has beea

paid uniformly iu gold coin. Although there was authority for the

coinage and use of the silver dollar containing 4Il2j^p grains of standard

silver, yet, as a matter of fact, its coinage had been suspended, and the

overvalued gold coin had been substituted universally in its place.

Public creditors may very well claim that they are entitled to receive

in payment of the interest and principal of the public debt the gold

coin of the standard value authorized and in circulation at the time

that the act of ISOU was passed.

The undersigned is of opinion that the adoption of silver as the stand-

ard would be followed by a loss, in the depreciation of the ])ublic credit,

far greater than any gain to the Government by the payment of the

interest and principal of the public debt in a coin less valuable than

gold. Indeed, the depreciation of the public credit proceeding from

acts of imputed bad faith, whether properly so imputed or not, cannot

be compensated by any pecuniary gain, however large.

It is to be observed, further, that the duties on goods imported, if

collected in silver, would be subject to the variations attending the

market price of silver as compared with gold in other countries, and

especially in England, where gold is the standard of value. The con-

sequence of such a fluctuation to the manufacturers of the country and

to merchants engaged in importing goods can be easily foreseen.

One of the chief objections to the irredeemable paper currency of the

country is in the fact that the importer can never be assured that the

price at which he sells his goods will be equal, when converted into

gold, to their (;ost with the duties in gold added. But this condition

of tilings docs not aliect materially the domestic manufacturer. The

substitution of silver, however, and its use iu payment of duties, would

leave the domestic manufacturer constantly exjwsed to the effect u[)ou

business and profits produced by the changes that would certainly take

pla(;e in the value of silver when measured by the gold standard.

There can be but one standard of value in any country at the same

time, and a safe and successful use of gold and silver simultaneously

can be effected only by their consolidation upon an agreed ratio of value

and by the con(;urrence of the commercial nations of the world.

While, in the o]>inion of the undersigned, it is desirable to secure the

use of the two metals by the concurrent a(;tion of the commercial

nations, he does not entertain the opinion that any serious evils will

come to us from maintaining the existing i)()licy in regard to gold and

silver. We are now upon a gold standard, and although the i»aper

currency of the country is depreciated to the extent of tive or six per

cent., there has been, upon the whole, a constant imi)rovement in its

value since the close of the war.

Diuing th(! last thre(; years there has been a dei)ression in business,

but that depression is not due to the currency of the country, the evi-

dence of which is found in the ftu;t that a like dt^])ression in kin<l ami

degree has occurred in Great Britain. Germany, and in parts of Asia.

It is to l»e said, further, tliat recently a considerable iinprovetnent in

business has taken place in tliis country vvithont any (change in our

])()li(;y toiu'hiug the currency. That impi-ovement will no donljt go on,

and should tlie balance of trade between this and other countries con-

tinue in our favor, there will be a constant appreciatitui in the value of

our i)ai)er uioiu'v as compared with gold.

During the last year the i)aper cniiem-y of the. ('((untry, as compared

with gold, has been as valuable for commercial purposes as .silver of (he

standard propos(Ml ; and the substitution of silver for paper would in-

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crease the cost of the currency of the country for domestic purposes,

impair our credit, disturb the confidence of the world in the faith of the

Government, diminish the value of our securities in the markets, and in

the end leave us in a less favorable condition to compete with Great

Britain for commercial and financial supremacy.

It should be borne in mind that a metallic currency is more expensive

than paper, and that the chief use of the metals, whether one or both

are employed, is to measure the value of the paper, which is and ever

should be' the chief instrument for the transaction of business.

Therefore, if it be desij^ned to substitute silver for paper as the actual

currency of the country, the measure will be more expensive to the ex-

tent of many million dollars a year ; and, if it is the purpose of the friends

of a silver currency to merely provide silver for the redemption of the

paper, no advantages will arise that will compensate in any considera-

ble degree for the loss inevitably incident to or consequent upon the

measure.

In the views heretofore presented the undersigned has indicated his

opinion that it will be wise for the commercial nations of the world to

agree upon the use of silver and gold as a standard and for all the pur-

poses, the coinage to be free in each country, and unlimited in amount.

The testimony taken by the commission tends strongly to show that

the annual product of the two metals combined is for a series of years

more uniform than the annual product of either of the metals. This

fact justifies the conclusion that the use of the two metals in the man-

ner indicated will furnish a more unvarying basis for business than can

be obtained by the use of either only.

It is no doubt true, also, that the demonetization of either metal adds

to the purchasing power of the metal retained for use, by diminishing

the price of every article of merchandise, while it increases the burden

of debts, both public and private.

It is also true that thecommon use of the two metals furnishes a bet-

ter basis for the paper currency of the respective countries, thereby ren-

dering the transaction of business more safe, not only in the respective

countries but between them, and diminishing the danger of revulsions

and the suspension of specie payments.

In fine, every consideration which justifies and requires the use of a

precious metal as a basis of business and a means of redeeming the

promises of governments, corporations, and individuals seems also to

justify the use of both metals for the same purposes, provided always

that the use is universal or nearly so and upon an agreed relative value

of the two metals.

The evidence taken before the committee tends to show that there is

a larger public sentiment in Europe in favor of the remonetization of

silver than has heretofore existed, and that a proposition from the Gov-

ernment of the United States looking to a convention will be accepted

by the governments of Europe, and that the result of the deliberations

of such a convention will be favorable to the plan suggested.

On the other side, it is to be apprehended that the remonetization of

silver by the United States at the present time would be followed by

such a depreciation in its value as to furnish a reason against the adop-

tion of the plan by the rest of the world ; and that an independent move-

ment on our part would increase the difficulties rather than diminish

them. However that may be, the undersigned is of opinion that the

introduction of silver as a currency should be postponed until the efibrt

to secure the co-operation of other nations has been faithfully tried.

GEO. S. BOUTWELL.

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MINOEITY REPORT OF MR. BOWEN, CONCURRED IN BY

MR. GIBSON.

Unable to accept the conclusions at which a majority of the commis-

sion have arrived, the nudersigned respectfully submits what follows

as a minority report :

From the tables showing the monthly fluctuations in the London mar-

ket-price of English standard silver (925 thousandths fine) per ounce, it

appears that during a period of forty-one years, from January, 1833,

to January, 1874, this price oscillated around (JOfZ. per ounce, never

falling below oS^d., and never rising to 6od. xissuming the average

price to have been 60<Z., we find the ratio of value between silver and

gold to have been as 1 to 15.7.\* In 1871 the pi ice of silver began to

fall, though the decline did not become considerable till May, 1875, from

which time, though with some fluctuations, the depreciation rapidly

increased, till in July, 187G, the price touched 17f?., being a fall of 21

per cent., the ratio being then as 1 to 20. After July the price advanced

again, till in December, 1876, it was about as high as at the beginning

of the year.

Are these great and sudden changes in the relative value of the two

precious metals attributable to a fluctuation in the value of silver, or in

that of gold, or partly in both"? This is the flrst question which it is

the dlity of the present commission to consider.

In the opinion of the undersigned, formed after a careful examination

of the evidence i^resented to this commission, and to the select commit-

tee of the English House of Commons on the same subject, wiiich made

its report through Mr. Goscheu last July, these changes must be at-

.tributed exclusively to a depreciation of silver, the fluctuations being

such only as often accompany, at the outset, any considerable rise or fall

in the market-price" of a single commodity, before the realitj' and the

precise amount of the alteration are definitely established.

Speaking generally, the value of anything is its purchasing power,

or, in other words, its ratio of exchangeablehess with other commodi-

ties. Whenever gold is the onl.y standard, the average prices of com-

modities in general, after allowing for special causes of fluctuation in

particular cases, indicate with sufficient precision the average value of

gold. In fact, they do not merely indicate; they arc that value. If tiiero

has been no recent panic in the market, no special cause of general de-

pression of trade, a general fall of prices expresses a rise in the value of

gold ; and, conversely, if a fever of speculation has not for a time un-

duly stimulated the market, a general advance of prices is a fall in the

value of gold. Now, during the fourteen months ending July, 187<>,

there was no general fall of i)rices in the London market corresponding

to the great depreciation which then took place in the price of silver.

In July, 1870, an ounce of standard silver would not purchase, either in

London or New York, by about 17 per cent., so large a share of <!()in-

modities generally as could have been obtained for it fourteen months

• Au ounce of Euglish nlandurd silver contains 444 grains of the j^urc motal ; and a

sovereign contains almost exactly WW grains <>i' pure gold. Then iJOd., or ono-foiirtliof

a sovereign, contains i!8.25 grains of pure golil, and the ratio of value between the two

metals is as 28.25 to 444, or as 1 to 15.71(34-.

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before. But gold had not risen. An ounce of standard gold could have

been exchanged for v^ery little, if any, more of other commodities gener-

ally, excepting silver, than in May, 1875. Even if general prices were

somewhat depressed during these fourteen months, they certainly did

not then immediately undergo a far more rapid change in the opposite

direction, reaching their former level in December of the same year.

In all its essential features, the fluctuation in the prif e of silver was an

isolated phenomenon, having nothing corresponding to it in the general

course of trade.

If we look at the circumstances affecting the relative demand and

supply in the case of the two precious metals, we shall arrive at the

same conclusion. During the last quarter of a century the annual prod-

uct of gold from the placers and mines has been so much in excess of

the demand as to render it exceedingly ])robable that the value of that

metal has been steadily, thongh slowly, falling, and that this decline is

not even yet arrested. It is matter of the commonest observation, that

the necessary expenses of living and maintaining a family have been con-

stantly on the increase since 1<S51 ; the i>rices of commodities generally,

reckoned in gold, have risen very considerably both in Europe and

America. i^To one expects that they will recede again to what was their

level before the discoveries of gold in California and Australia. The

total annual product of gold in the world had risen from about 'J7 mill-

ions of dollars in 1849, to an average of more than 105 millions for the

five years beginning with 1850, and to 13G millions as the average for

the next five years ending with 1859.\* What was the consequence of

this enormous increase of the supply ?

From the price-lists of the Economist newspaper, and from other

sources. Professor Jevons, in his work on the Fall of Gold, published

in 1863, compiled tables of the monthly prices of 39 of those chief

articles of commerce, which may properly be regarded as necessa-

ries of civilized life, and thus ascei'tained the average annual jirice of

each of them for the whole period from 1845 to 1863, both inclusive.

He thus proved that their prices had, " on an average, risen between

1845-'50 and 18G0-'62 in the ratio of 100 to 110.2, which is equivalent, to

a depreciation of gold in the ratio 100 to 80, or by. 14 per cent." He

then took 79 minor commodities, less generally in use, the prices of

which advance more slowly, since, as they are chiefly articles of luxury,

an enchauced price diminishes their consumption ; and taking the aver-

age of the whole 118 articles, the rise of prices, comparing the same

two periods, was " found to be in the ratio of 100 to 110.25, corresponding

to a depreciation of gold in the ratio of 100 to 90.70, or by about 9^ per

cent." He adds as the final result, " the lowest estimate of the fall that

I arrive at is 9 jjer cent., and I shall be satisfied if my readers accept

this. At the same time, in my own opinion, the fall is nearer 15 per

cent."

Is there any good reason to believe that this fall in the value of gold

has stopped, or has been materially retarded, since 1862? I think not.

Taking the three periods of five years each which elapsed between

1859-74, we find the average annual product of gold throughout the

world in each of them to be respectively, using the nearest round num-

bers, 102 millions, 103 millions, and 100 millions of dollars. In 1875, the

same authorityt puts the product for the year at 101 millions of dollars.

\* Tooke & Newmarch's History of Prices, aad the Economist newspaper, cited in

Goscheu's parliamentary report on the Depreciation of Silver,

t Goschen's parliamentary report, as before.

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There is nothing in these figures which would lead us to suppose that

the fall was much impeded ; certainly it could not have changed to a

rise. Again, while over 310 millions of pounds sterling were added to

the stock of gold in the world during the fourteen years l«49-'62, during

the thirteen subsequent years, up to the end of 1875, there was a fur-

ther addition to this stock amounting to 2G3 miliionsof pounds sterling.

We are justified, then, in concludiug that a rise in the value of gold dur-

ing the latter period was impossible.

While the fall of gold has been so slow and gradual as to be with dif-

ficulty detected, except when we regard its aggregate result after the

lapse of a number of years, the depreciation of silver has been sudden

and very great. It took place, as we have seen, in less than two years,

and it amounted to 20 per cent. Its causes are easily discovered.

Chiefly through the discovery and the rapid development of the silver-

miues'in the United States, there was a sudden and immense increase

of the supply, and that was soon followed by an indei)eudeut but con-

siderable diminution of the demand. These two causes united created

something like a panic, and several of the Governments of Europe made

haste to get rid, so fVir as was possible, of a commodity which, as it

seemed, must rapidly decline in value, and to preserve their standard

of value by demonetizing silver. Their action, 'of course, only enhanced

the evil for others, against which it was intended to guard themselves.

The stock of silver no longer needed for use as money in Germany, or

for additional coinage by the States constituting the Latin Monetary

Union, was thrown ujion the market, where it operated to increase and

accelerate the decline which had previously become inevitable.

The Comstock lode has been lor our own times what Potosi was for

the sixteenth century, though its eiiects have been developed much more

raj)idly.

The'great increase in the supply ot the precious metals from America,

which took place during the latter half ot the sixteenth century, was

mainly owing to the discovery of the mines of Potosi, which were first

systematically worked in 1545. Before that year, as we learn from

Humboldt, the annual i)roduct of both the precious metals from Amer-

ica was only about 3 millions of dollars. Before 1000, Potosi had nearly

quadrupled this amount, having raised it to 11 millions; and the conse-

quence was, within a quarter of a century, that silver fell to about one-

third of its former value. Before 1570, a quarter (eight bushels) of

wheat of middle quality was sold in England, on an average of a long-

period of years, for about two ounces of pure silver; about IGOO (still

taking an average of many years, so that the exceptionally good and

exceptionally bad croi)S may offset each other) the price had advanced

to a little over six ounces, a i)oint from which it has not receded from

that day to this.

is'ow i)ass over about three centuries, and we come to the effect ])ro-

duc<id by the ('omstock lode in our own day. The product of the Ne-

vada mines hrst became coiisiderable in 1801, when the amount of silver

raised, according to Dr. Linderman, the Director of the Mint, was about

2 millions of dollars. It rose rapidly till 1804, in which year the total

])roduct of silver in the United States, according to the same autliority,

was about 11 millions. In 1870 theannual product became 10 millions,

and then raj)idly bounded upwar<l, till, in 1875, it had become 32 mill-

ions. iJuring the last year it was i»robably near 10 million.s. ('()nd)in-

ing this product from the United States with that obtained from otiu^r

sources throughout the world, we find tliat, u^ to 1801, the total annual

yield of silver had been very steady for about ten years at a little over 40

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millious of dollars, and that it rapidly increased from that date till 1875^

in which year it became double its former amount, or almost exactly 86

millions.

In itself alone, this increase, though vast, might not seriously have

affected the market for some years to come, since changes affecting the

value of either of the i^recious metals are usually produced with great

slowness, much time being required for equalizing prices throughout the

world. During this intervening time, large quantities of the metals are,

as it were, in transitu, or wandering about the world in search of the

best market. But at about the same time, with the most rapid increase

of supply, the demand for silver to be exported to British India suddenly

fell off'. During the four years 1862-'GG, cotton was largely exported

from India, and it was ])aid for by heavy remittances in silver, which is

the money of that country. Within those four years, India absorbed

silver to the enormous amount of 270 millious of dollars, this being the

excess of the imports over the exports of that metal. Of course, when

American cotton came again into the market after the close of the war,

the price of India cotton rapidly fell off'; it was no longer exported in

large quantities, and the drain of silver for its purchase ceased. But

another cause then came into operation, which prevented this drain from

being at once and entirely checked. English capital was needed in large

amounts to aid the construction of Indian railways, canals, and other

costly public works ; and the remittances on this account kept up the

excess of the imports of silver over the exports, for another period of four

years, to the average amount of 35 millions of dollars annually. At the

end of this second period, the construction of these works practically

came to an end, and the drain of silver, so far as this cause was concerned,

not only ceased, but was turned the other way. India was then, and still

is, heavily in debt to England for these supplies of capital; and the re-

mittances home for interest and dividends became so large that India

had but little to receive in merchandise or silver. The effect was, in

1870-^1, that the demand for silver to be sent to India suddenly fell oft"

to less than 5 millious of dollars ; and though it partially recovered the

next year, the average for the last four years, ending in 1875, has been

only about 10 millions annually, against an average of 67 millions a year

during the four years of the American war, and of 35 millions a year for

the four years following the close of that war. As it is improbable that

the debt of India to England will be sensibly diminished for many years

to come, it cannot be expected that the drain of silver to the East will

be resumed to anything like its former extent within the life time of the

present generation.

The general result is, that, within the last fifteen years, the Comstock

lode has added to the world's annual supply of silver about 40 millions

of dollars, and the demand for that metal, to be exported to India, has

fallen off, on an average, almost j)recisely to the same extent. No won-

der, then, that the depreciation of silver should have been as sudden and

great as that which we have witnessed, or that the principal states of

Europe should have made haste to get rid, as far as possible, of their

large stocks of this metal, and to substitute gold for silver as their

standard of value. In the opinion of the undersigned, it will be wise

for the United States, as far as may be, to follow their example.

England has had no occasion to change her action or her policy.

Sixty years ago she adopted gold as her only standard of value, and de-

monetized silver, which has ever since been used in that country solely

for purposes of small change, and is legal tender to the amount only of

forty shillings. The quantity of silver in circulation being strictly lim-

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ited, and beiug- iuteutionally overvalued from the outset about G per

cent., any depreciation of its value in the market does not at all irajiair

its usefulness as subsidiary currency. Foreign silver coins cannot enter

into circulation, but if introduced into the country, can only be sold by

weight at their bullion value. The consequence is, that English gold

coins are now more generally received at their full value in all the mar-

kets of the world than any other form of money, and are a generally

recognized medium for the settlement of international balances.

In order to secure the advantages of this English system, and to avoid

the heavy loss which seemed imijendiug over her currency through the

depreciation of silver, Germany took the lirst step toward the abandon-

ment of her silver standard by a law passed in December, 1871.

The Mark was then established as the unit of value, and the gold coins

to be issued of the denominations of twenty and ten Marks were made

legal tender. The value of the twenty-mark ijiece being made only five-

pence less than that of the English sovereign, and three-pence less than

that of twenty-live francs, the new coins became easily interchangeable

with the gold currency both of France and England. Powei' was also given

for withdrawing silver coins, and the coinage of large silver ])ieces was

stop])ed. The next step was taken in July, 1873, by a law which caused

this imperial gold currency to take the place of the various currencies

previously in use in the separate States of Germany, and established a

subsidiary silver coinage, issued ata little more than 11 percent, belowits

nominal value, and made legal tender to an amount not exceeding twenty

Marks ; but to avoid any inconvenience which might arise from too large

an issue of these subsidiary silver coins, they were made re(;eivable by

the imperial and state treasuries up to any amount. The old silver

coins were but slowly withdrawn, the one-thaler piece being continued

in use at least up to July last. All bank-notes were withdrawn which

were not made payable in imi)erial currency, and none can remain in

circulation, or be issued in future, of a lower denomination than one

hundred Marks, or about five pounds sterling. This was an im])ortant

feature of the law, as bank-notes had previously been issued of as low

a denomination as one thaler, and the withdrawal of all of them beUnc

five pounds must greatly increase the use of coin in small transactions.

Under these laws, u]) to June last, new gold coins had been struck to

the amount of 70 millions of pounds sterling. Of the old silver with-

drawn, and not replaced by the new silver coinage, up to the liOth of

April last, sales had been made to the extent only of about millions

sterling, which is too small an amount to have had much direct infiu-

ence on the depreciation of silver before that date. It is ]nobable, how-

ever, that a much larger quantity remains to be melted down and sold,

though even an a])])i<»ximate calculation of its amount is stated by the

German authorities themselves to be impossible.

Most of the other countries of Euro])e, exce])tiiig those which have in

use a dei)reciated paper cuirency, have imitated the exami)le thus set

through ])reventing the further coinage of silver except for i)iirposes of

small change, and thus limiting the amount of it in circulation. None

have gone so far, however, in this re8i)ect as Germany, but they have

only done enough to prevent the inlhix of the now cheapened silver from

driving g(jld out of circulation, and thereby depreciating their standaid

of value. Denmark, Norway, and Sweden virtually adopted the gold

standard in 187L'-'7.'>, and have sinc(^ largely imported gold, and have

sold silver amounting to over JO millions of dollars. Holland I'or some

time pursued a vacillating policy, though attempts to alter her laws

respecting coinage were made as early as October, 187L'. But at last, in

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June, 1875, her parliament passed an act prohibiting the coinage of

silver, indefinitely, and allowing the coinage of gold. Under this law,

a gold 10-florin piece has been struck, and during the next nine months,

56 millions of florins in gold were issued, and have taken the place of

an equivalent amount of silver, which has been discharged from circula-

tion. France and the other states (Belgium, Switzerland, Italy, and

Greece) constituting the Latin Monetary Union, have adopted an ex-

pectant policy, merely restricting within narrow limits the further coin-

age of silver, though the French minister of finance recently proposed

a law authorizing the Government to prohibit entirely the issue of any

more silver 5-franc pieces. France, which had previously \)e<^n almost

drained of silver, first through purchasing cotton from India during the

American war, and next by the payment of the German indemnity, has

replenished her stock of that metal through the natural laws of trade,

without any special legislation, but merely by contracting her paper

currency, which for a time took the place of the exported silver money.

She is probably deterred from adopting exclusively a gokl standard,

through her apprehension of the effect which would be produced in low-

ering the i^rice of silver by throwing her large stock of it upon the

market, in which case the cost of filling up the circulation with gold

would be very considerable.

As already remarked, this action of the European Governments in

partially discarding silver from circulation as money has tended in two

ways to increase the depreciation in value of that metal ; first, by

throwing large quantities of it upon the already burdened bullion-

market, and secondly, by narrowing the field for its employment, and

thereby lessening the demand. But to suppose that its depression in

price oriffinatcd in their action on the currency, and is entirely attribu-

table to the measures which they adopted, would be to invert the rela-

tion of cause and efl'ect. Eather its previous fall in value, and appre-

hended farther decline, caused them suddenly to demonetize it, as other-

wise their general and nearly simultaneous action in regard to it would

have been arbitrary and motiveless. There is no conceivable reason

why they should all, within a brief period, have made haste to get rid of

silver, if it had not appeared to them to be rapidly sinking in value while

on their hands.

We have next to consider whether the causes Mhich have produced

the recent changes in the relative value of gold and silver are "perma-

nent or otherwise." The question herein indicated does not admit at

present of a determinate answer. We may form a somewhat loose esti-

mate of the probabilities affecting the immediate future, perhaps for the

next six or eight years ; but if we attempt to look farther, or to arrive at

more definite results, events as unexpected and as vast in their influence

as the gold discoveries in California and Australia, or the finding of

silver ore in the Comstock lode, may falsify all our calculations. Of all

human industries, mining the precious metals is the most precarious

and uncertain. Legislation which is to effect interests and industries

so large and complicated as those which depend upon the state of the

currency in the United States, and upon the preservation of the standard

of value, cannot be safely based upon vague estimates, or upon the inter-

ested statements and valuations made by large holders of stock in silver-

mines; but explorations recently made upon the spot by the Director

of the United States Mint, by Prof. R. E. Rogers, and other eminent

geologists and mineralogists, and by mining engineers, leave little doubt

that the quantity of silver-ore already partially exposed to view and

measurement in the Comstock lode is enough to keep up the average

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product of that metal at least to its pre.seut amount for some years to

come. It is not probable, then, that the supi)ly will soon fall off, and

there are no indications that the demand for the employment of silver,

either in the arts, for monetary purposes, or for exportation to the East,

will again become as extensive within the next Ave years as it was five

years ago. On the contrary, the evidence goes to show that electro-

plated forks, spoons, and ornaments are already to some extent taking

the place of the corresponding articles, far more costly, which contain a

larger proportion of pure silver. ISTo one expects that England, Ger-

many, Denmark, Sweden, and Norway will soon reverse what is now

their established policy, by again bringing silver into circulation as

money, except for the very limited ])urposes of a subsidiary currency;

and if not, then all these countries, excepting England, must continue

for some time to be sellers rather than buyers of this metal. Moreover,

the facts already mentioned make it highly probable that France, Hol-

land, and Belgium\* may soon adopt entirely the monetary policy of

Germany, as they have already adopted it to some extent ; and neither

British India nor China seems likely soon to have again so large an

excess of exports over imports as will enable either of them once more

to exercise its extraordinary power of absorbing silver currency. There

may be some farther reaction from the sort of panic in the market which

recently depressed the price of standard silver to less than 50d. per

ounce; but the fluctuations of value in the markets of the world caused

by speculative movements or panics are of short duration and, very

limited extent. Silver may not again fall as low as it was in July,

1870 ; but it would be unreasonable to expect that it will soon recover

and permanently maintain the price which it commanded in 1870.

Thenextsubjectof inquiry referred to this Commission concerns the

policy of a " restoration of the double standard in this country, and, if

restored, what the legal relation between the two metals, silver and

gold, should be."

AS the value of any commodity whatever depends primarily upon its

cost of production, which is constantly varying, and secondarily upon

its supply and demand, which are also extremely variable, as is shown

by the incessant fluctuations of market-prices, it is obvious that there

cannot be an absolute standard of value. Such a standard means some-

thing fixed and unchangeable, by their relation to which all othc^r valu-

ables may be measured. Now, there is no such commodity known ;

everything varies in value from one week to another, both from intrinsic

causes peculiar to itself, such as its inherent difSculty of attainment,

and from extrinsic causes affecting those agents, labor and capital, by

which alone this diflaculty can be overcome. The best that can be done

is to select an approximate standard, tiiat is, some one commodity which

seems more stable tlian any other, and estaV)lish that by law as the stand-

ard by which the values of all other commodities are to be measured.

liCgislation is competent to do this, and practically has done it both in

England and Germany, by estal)lishing a certain i!umher of grains of

l>ure gold, coined into either a sovereign or a matk, and declaring that

this sliall be tlie common measure of value. But legislation is not (;om-

jietent to select two such (joininodities, and to dedans that they siiall both

l»e the standard or (M)mmon measure; or in other words, that tliero shall

be a double standard. To attempt to do so is as absurd as it would be

to dcr^lare by law that two (blocks should both be the standard for

measuring time, though, as everybody knows, no two clocks can be

made which shall keep perfect time with each other.

\*Accordin<5 to the latest accounts, Belgium has done so already.

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This iheoretical view of the matter is amply coutirmed by experience.

Every attempt to establish the so-called "double standard" has been a

failure. The first step toward causing any commodity to become a

standard of value is to make it a legal tender for the payment of debts.

But though the law may declare that either of two commodities shall

be legal tender, only one of them, and that the cheaper one, is actually

adopted as a medium of payment. If gold and silver be the two com-

modities chosen, and the legal relation between them be made to con-

form to the ratio of their market-prices at the time of the enactment,

the fluctuations of the market will speedily change that ratio ; and

then the overvalued one speedily pushes the other out of circulation,

and becomes itself the sole standard of value. It appears from the

table already referred to, showing the monthly fluctuations in London of

the gold-price of standard silver per ounce, that this price remained un-

altered for as long a period as four months only once in forty -three years.

Usually it varied every month, and but seldom remained fixed for two

successive months. But any such departure of the market-price from

the relative value of the two metals as established by law must cause

that one which is overvalued, or of which the nominal exceeds the real

value, to displace the other and take the whole circulation to itself.

Always the bad money pushes out the good, as every one will adopt the

easiest and cheapest means of paying his debts.

Thus France attempted, as early as 1803, to establish a double stand-

ard, and fixed by law the relative value of the two metals at 1 to 15.5.

This ratio made the legal price of pure silver to be 28.64 grains of pure

gold i)er ounce. But for over forty years the market-price of silver

did not on an average exceed 28.25 grains of pure gold per ounce, so

that the law overvalued it more than one per cent. To this extent,

then, in France, silver was worth more as coin than as bullion, while

gold was worth more as bullion than as coin. There was a profit

of about one per cent, in carrying silver to the mint to be coined,

and in melting up or exporting gold. Of course, silver flowed into

France and filled up the circulation, while gold coins disappeared, or

could be obtained only at a premium. In those times, when one was

paid even so small a sum as 1,000 francs, he received his bulky and

heavy money in a canvas bag, and had to hire a porter or a cab to con-

vey it home. During the six years before 1852, the excess of the imports

of silver into France over the exports was more than 28 millions sterling.

The discoveries of gold in Caliiornia and Australia about 1850 re-

versed this state of things, as it was foreseen that gold must fall in

relative value. Hence the market-price of silver rose above its mint

valuation, and consequently the amount of gold presented for coinage

in France became immense, and there was a drain of silver, vast quan-

tities of which were melted down and shipped to India. The incon-

venience which resulted from the want of small change had to be met

by reducing the small coinage to the state of a subsidiary or token-

currency, all pieces of two francs and under being much overvalued, so

that they could not be exported or melted up without considerable loss.

But the silver five-franc piece was nominally retained at its old valu-

ation, and to fill the gap caused by its practical disappearance, gold five-

franc pieces were coined to a large amount. Like our own gold one-

dollar coins, however, these were found to be inconveniently small, and

the coinage of them ceased even before the recent depreciation of silver

brought the silver five-franc pieces again into circulation. During the

six years, beginning with 1852, the excess of the exports of silver from

France over the imports was more than 45 millions sterling.

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Hence it appears that the French attempt to establish a double

standard has been a total taihne. France bad silver for her only

standard from 1803 till about IS.IO, and g:old for her only standard ever

since. Even now, since the recent great depreciation of silver, restrict-

ing the coinage of that metal within very narrow limits is a virtual

adherence to the single standard of gold. The corresponding sittempt

to establish a double standard in the United States resulted in a

similar exjierience of loss, inconvenience, and failure.

A law of Congress passed in 1792 established the United States Mint,

and so regulated the coinage that both 24.75 grains of pure gold and

371.25 grains of pure silver were made legal tender for a dollar. This

was an attempt to establish the double standard on the ratio of 1 to

15, which was probably the actual ratio of the market-prices of the two

metals at that epoch. But silver immediately began to decline in price,

andbefore 1800 it had reached the ratioof 15.42; while in 1803,aswehave

seen, even the French ratio of 15.5 had become too small. Of course,

the overvalued silver filled up the circulation almost entirely ; the

whole coinage of gold for forty years was less than twelve millions of

dollars; and this little was for the most part either preserved as a

curiosity, or melted up and exported. A gold coin was seldom seen,

and silver was virtually the only standard. This was not the worst.

As the silver dollar had been made to conform almost precisely in

weight and fineness to the Spanish milled dollar, Spanish quarters,

eighths, and sixteenths, usually much debased by abrasion and clip-

ping, poured into the country through our trade with the Spanish West

Indies and South America, and soon formed almost our whole fractional

currency. A small Spanish coin called a pistareeji, so much worn as

hardly to be worth 17, passed current for 20 cents. Vainly did the United

Stated Mint issue American fractional coins of full weight and value,

as these were soon melted uj), and the bullion sold at a high profit for

the worn Spanish coins which were equally current. Never was there

a better illustration of the principle that bad money invariably dis-

places the good.

The law of 1834 remedied these evils by actually lowering the stand-

ard more than 6 per cent., and thereby establishing the relative value

of the two metals at 1 to 16. Instead of 24.75, only 23.2 grains of pure

gold were coined into a dollar, and thereby the par of exchange with

England, which had been about $4.50, was raised to $4.87, for the pound

sterling. Moreover, as by the ratio thus established, silver was under-

valued about 3 per cent., gold began to be issued in large quantities

and came into general use, while silver pieces of the denomination of

$1 were almost entirely thrown out of circulation, and the silver frac-

tions of a dollar were kept in use only through the necessity of having

some small change, and because, being much handled, they soon lost a

portion of their weight by abrasion. The nuisance of the much worn

Si>anish coins was gradually abated by a general refusal to accept them

as more than four-fifths of their nominal value. Practically, then, the

attempt to establish a double standard had resulted in lowering the

whole standard more than G per cent., and in establishing first silver,

and then gold, as the whole measure of value.

In less than twenty years, the fluctuations of price in the market again

created a necessity of tinkering the so-called ''double-standard" cur-

rency. Soon after 1850, silver rose so much in price thateven the smaller

silver coins began to be melted up and sold as l)ullion. It became diffi-

cult to efiect small purchases, or to obtain " change" for a dollar. Con-

gress had now to undo what it had done in 1834. But its action was

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reversed, not by restoriug the gold dollar to its former full weight and

value, but by diuiinishing the quantity of silver which represented a dol-

lar just about as much as it had lessened the quantity of gold in the dol-

lar nineteen years before. The law of 1853 virtually surrendered the

double standard, and made gold coin the only available legal tender for

any debt over five dollars; for though the former one-dollar piece, con-

taining 371.25 grains of pure silver, was not expressly demonetized, it

had gone out of use, and practically remained out of use, in the domestic

currency, because its value as bullion had come to exceed by about three

per cent, its value as coiu. But the silver fractional deuominations, from

half a dollar downward, were reduced to the state of a subsidiary or

token currency, by so far diminishing their weight that a dollar's worth

of them contained only 345.6 grains of pure silver, aud by making them

legal tender only for an amount not exceeding five dollars.

Thus gold was maintained as the single available standard for nine

years longer, when, in 1862, the issue of an inconvertible paper cur-

rency, and making it legal tender, practically abolished every standard

of value, and introduced the state of uncertainty, of wild fluctuations of

prices, and consequent reckless speculation, from the evil effects of which

the country has not recovered up to the present day. In 1873, however,

probably as a precaution against the great depreciation of silver which

was even then foreseen, Congress took the last step toward the legal

establishment of the single gold standard by demonetizing silver alto-

gether, making all our silver coins legal tender only for an amount not

exceeding five dollars. The gain which would accrue from manufactur-

ing silver bullion into coius at a nominal value largely exceeding its cost

was constituted a special fund for making good the " wastage; " it might

properly be used to meet the heavj^ loss to which a silver currency is

always subject from abrasion and clipping.

In the opinion of the undersigned, it is expedient to take one more step

toward assimilating our system of metallic currency to that of England

and the commercial world generally. By diminishing the quantity of

pure gold in the dollar only three fifths of one grain, or considerably

less than half of what the law of 1834 subtracted from it without pro-

ducing injury or complaint, our American half-eagle or five-dollar piece

would become almost the exact equivalent of one pound sterling, and

would differ only by a very small fraction from the value of twenty-five

(gold) francs in France and the other States of the Latin Monetary Union,

and from twenty (gold) marks in Germany. Already the English sov-

ereign or one pound sterling is a recognized portion of the actual cur-

rency of such countries as Portugal, Brazil, and Egypt, and is practi-

cally current at its full value in every civilized country. Austria has

recently coined and issued gold four-florin aud eight-florin pieces, which,

as practical equivalents respectively of the French ten franc and twenty-

franc coins, are easily expressed as definite portions of the pound ster-

ling. Hence the slight change here recommended would be attended

with the following imj^ortant advantages:

1. It would be a long step toward establishing one monetary unit,

denomination of account, and standard of value for the whole commer-

cial world.

2. It would greatly facilitate the computation and settlement of in-

ternational balances, accounts, and exchanges.

3. It would be the strongest possible safeguard for the future sta-

bility of the standard of value, as all nations would be interested in its

preservation, and it could not be effectively altered without their unani-

mous consent.

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4. In making remittances to other conutries, it would no longer be

necessary to melt the coins and have the bullion recoined at considera-

ble charge in a foreign mint. The Government would no louger be put

to the heavy expense of coining and recoiuing the same bullion, which

had been first sent abroad, and then returned, through fluctuations in

the balance of trade.

5. As American gold coins would be equally current everywhere with

English sovereigns, x^Tew York would share at least one of the advan-

tages which have made London the banking-house and commercial cen-

ter of the civilized world.

6. In the language of Professor Jevons, " a world-wide gold currency

of unimpeachal3le fidelity and excellence would be obtained " alike from

British, French, German, and American mints.

7. It would much facilitate our return to specie payments, the present

premium on gold, 5i, being reduced immediately to about 3 per cent.

Justice, however, requires that ail debts and contracts expressly made

payable in gold, and outstanding on the date of the law authorizing

this change in the coinage, shoiild be discharged only by tender of dol-

lars each containing 23.2 grains of pure gold, or by their equivalent.

After what now has been said, it is hardly necessary to consider the

third subject proposed by Congress to this commission, namely, " the

policy of continuing legal-tender\* notes concurrently with the metallic

standards." As it has been proved both by theory and experience that

a double standard is an illusion and a failure, every attempt to establish

it having led to frequent changes of legislation and to great inconveni-

ence and uncertainty in commercial affairs, any project for creating a

tri])Ie standard ought to be summarily rejected as impracticable and

absurd. The law may say that either a gold dollar, a silver dollar, or a

l)aper dollar shall be indiscriminately legal tender ; but the only actual

tender ever made for the payment of a debt will be that one which, at

the time, is the cheapest of the three. Hence the most effectual means

of rapidly debasing the standard, that is, of depreciating the value of

a dollar, will be to authorize any one to cancel debts outstanding against

him by proffering in payment that one out of three different kinds of

dollars which happens at the moment to be of the smallest value, espe-

cially when, as during the last year, the three are rapidly and largely

changing their relative values. Only last July, the so-called " trade-

dollar," the heaviest and most valuable one ever coined, was worth

about .86, and the " greenback " paper dollar about .89, of a gold dollar.

Five months later these proportions were reversed ; the trade-dollar had

risen in value to .94^, and the greenback to .92J, in gold. What sort of

a standard Mould they have been, either separately or together, when

they are liable to such fluctuations both in their relative and absolute

values in less than six months ? As there was no apparent change in

the average price of commodities in general between July and Decem-

ber, 187G, we may be sure that the value of the gold dollar during that

interval remained without alteration. Yet, under the attempt to create

a triple standard, it is certain that the gold dollar would have been the

only one which, during those five months, could not have come into use.

Whatever, then, might be the intention of Congress in attempting to

create a double or triple standard, it is certain that the actual conse-

quence of such attempt must be to exclude gold altogether, and to make

either silver or the legal-tender note the only measure of value and the

only medium for the payment of debts. We have, tlKUcfoic, merely to

consider whether it is expedient and just to establish either of these

two forms of money, in preference to gold, as the sole standard.

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Money, properly so called, has two perfectly distinct functions to per-

form. It must be capable of use both as a standard of value and as a

medium of exchange. It is obvious that the former of these functions

is by far the more important. As to the latter, almost any commodity,

even any ticket of transfer or token of debt, though without any in-

trinsic value, may be made to serve perfectly well as a medium of ex-

change, the question which of them is to be preferred for this purpose

being determined solely by considering which is the most couvenient.

Silver, copper, nickel, bank-checks, railroad-tickets, postage-stamps, ac-

counts-current, or offsets of sales against ])urchases, and the like, may

serve as media to facilitate the transfer of those commodities which are

the only real objects of barter and sale. What is called a subsidiary or

token currency, whether it be silver, copper, or nickel, is of this nature,

the law affixing a definite limit both to the amount of it in use, and to

the extent to which it shall be a legal tender, and also giving it a con-

ventional, often differing from its intrinsic, relation to the real measure

of value.

Far otherwise is it with the other function of money, that of serving

as a standard of value, as on the proper execution of this office some

of the most momentous interests of the whole community are entirely

dependent. The very life of trade, and of confidence between man and

man, depends on the due performanoe of contracts, on the successful

maintenance of a system of credits, and on the anticipation of what will

be the relative value of money and commodities at some future day.

Very few mercantile transactions are really completed at the time when

tbe bargains are first made, or when the commodities affected first change

hands. Nearly all of them, either directly, or in their necessary and in

tended consequences, extend into a more or less remote future. The

trader buys onlj'^ in order to sell again, it may be the next week, the next

month, or the next year. In every commercial community, far the larger

portion of the sales which are effected are made on credit ; that is, on

promises of payment at some future day. And the debt thus contracted,

through the agency of banks and other financial instruments, becomss

itself an object of barter and sale, which are again dependent on trust

in the future. Even in the case of cash-sales of commodities for speedy

consumption, the purchaser's choice of the time and place for the trans-

action usually depends on his estimate of what prices are, or will be,

elsewhere or on some other day. All such bargains, expectations, and

promises must be expressed, and, if necessary, registered, in the common

denomination of account — in francs, pounds sterling, or dollars j and

any uncertainty as to the future value of this denomination of account

must discourage individuals from engaging in the transaction, or, if not

foreseen, must work hardship and injustice to them in the result. And

these evils may all be caused, not only by any actual alteration of the

standard within the period of time belonging to the transaction or the

contract, but by any reasonable grounds of fear that within that time

it may fluctuate in value. Any depreciation of the currency, if foreseen

a few weeks before its occurrence, may be so lar anticipated and exag-

gerated in its effects upon the market, that a very considerable rise of

prices may take place some time before the currency is depreciated at

all ; and then, owing to the reaction of disappointed hopes and fears,

the real depreciation, when it comes, may be contemporaneous with a

considerable fall in prices. Trade thus becomes a lottery, and legiti-

mate enterprises in commerce and manufactures must either be aban-

doned altogether, or kept ui) under a heavy cost of insurance against

the uncertainty of the returns. The enhancement of prices produced

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by such insurance takes i>lace without any of that compensation to the

consumers, embracinji: tlie whole laboring- class in the community, which

arises from a corresponding increase in their income or wages.

In the opinion of the undersigned, to adopt silver for tlie standard

dollar would be a greater discouragement to manufactures and trade, and

would do more harm to all the great industrial interests of the country,

than even the continuance of the i)resent wretched system of an inconverti-

ble paper currency. ]S^ot only during the last year has silver undergone

greater and more rai)id tlu(;tuations in price than paper, but the causes

of its fluctuation are more difficult to be discovered, and less controllable,

because wholly out of reach by legislation. By a very moderate and

gradual contraction of the legal-tender currency, it is certain that Con-

gress can prevent the ])ai)er dollar from sinking below its present value,

and, by a few other well-considered measures, can steadily raise its value

to par without spreuding alarm, or creating any disturbance in the

markets, or perilling any interest but those of the stockjobbers, even

before the time now fixed by law for the resuuiption of si)e(ne payments.

But in view of recent experience, who can tell what the price of silver

"will be six mouths hence, or what legislative enactment can increase or

diminish that ])rice a single penny? As well might a legislator attempt

by taking" thought to add one cubic to his stature. Yet the only appar-

ent motive for urging the adoption of a silver standard in the United

States, at the very time when all Europe seems to be on the point of

discarding it, is the vain expectation that an act of Congress may have

the effect, in the stock-jobbers' phrase, of bulling the price of silver

throughout the markets of the world. Granted that such an act might

create a market for the silver which still remains to be sold by Germany

and other European countries, it certainly could not restrict the pro-

ductiveness of the mines in the Comstock lode, or restore to British

India and China their former power of absorbing the surplus silver of

the civilized portions of the globe. It would not be becoming for the

dignity, as it certainly would be prejudicial to the interests, of the

United States to engage in an operation equivalent to stock -jobbing, by

making heavy purchases on a falling market of a commodity generally

dis(;redited elsewhere, in the idle hoi>e of raising and controlling itsijrice.

The benefits of such an operation, if any, would be reaped only by the

sto(;kholders in silver mines, while the inconvenience and loss would

be sustained by the people.

There are special reasons why silver is less eligible than gold for the

chief place in a metallic currency. Its weight and bulk are too great

in ])roportion to its value, so that it is very inconvenient for use in large

transactions, and for the settlement of international balances. Its

proi)er place is a subordinate one, being well fitted for small retail pur-

cha.ses and adjusting the fractional portions of accounts. And this

pla(;e, as a subsidiary or token currency, seems to be nowdeterminately

marked out for it throughout Europe. We leain from the Director

of the United States Mint, that one million of dollars in gold coins

weighs 1 ton, 10 hundred-weight, 86 pounds; wliile the same value

in " trade dollars" amounts to oO tons, and in KMl)sidiary silver coins

to a little over '21 tons, 11 hundied-weigiit. Any one who was in

France about IMO, when silver was virtually tln'only standard, and no

bank-bills were in use of a less denomination than one hundred francs,

will remember how burdensome and inconveiiiciit this form of moiu^y

setMued.

Another and more serious objection to the use of silver currency is

its liability to considerable loss of weight and value by abrasion and

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clipping. Gold coins are but little exposed to deterioration from these

causes. Having considerable value in small bulk, they are closely scru-

tinized when offered in payment, and if light in weight are rejected, so

that worn and clipped coins, so to speak, never get a foothold in the

currency. But silver pieces, especially the fractions of a dollar, because

their value is comparatively trifling, are not closely examined, and so

still pass current, though their original value has been much impaired.

By a careful and extensive series of experiments, weighing a large

number of (gold) sovereigns taken at random from those which had

been a long or short time in circulation, Professor Jevons ascertained

that the loss by abrasion on each coin was almost always exactly pro-

portional to the number of years it had been in use. He was thus

enabled further to ascertain that the average annual loss of weight by

each sovereign was forty-three thousandths of one grain. In twenty-six

years of use, therefore, it will have lost by abrasion about one per cent,

of its value. In the same manner, he found the average annual wear

of the /i«7/- sovereign to be sixty-nine thousandths of a grain, or more

than half as much again as that of a whole sovereign. The smaller

coin, therefore, loses by friction one per cent, of its value in about six-

teen and a quarter years, this greater loss being attributable to its ex-

posing more surface in proportion to its weight, and to its being more

rapidly handled in purchases at retail.

We do not know that any equally careful experiments have been made

to ascertain how much silver coins lose annually by abrasion, but a tol-

erably good estimate may be formed by comparison of the two cases.

Other things being equal, the loss will be proportioned to the amount of

surface exposed to friction, and also to the frequency and carelessness

with which the coins are handled IS^ow, a shilling exposes to wear about

as much surface as a sovereign, and therefore, from this cause alone, a

pound sterling in silver shillings will lose annually by abrasion twenty

times as much as the same value in one gold piece. Moreover, in the

numberless petty transactions of every-day life, shilhngs are circulated

far more rapidly and carelessly than sovereigns, and their consequent

loss by friction must thus be much increased. Then the estimate formed

by the best authorities seems a reasonable one, that the annual loss ou

silver coins by abrasion is at least 1 per cent.

Hence it appears that the cost of repairs, the difficulty of maintaining

the currency in full weight and good condition, is at least twenty six

times as great for silver coins as for gold ones. If the government neg-

lects its duty of making good at considerable expense this annual dete-

rioration by wear, the state of a silver currency soon becomes deplora-

ble. After some years of ordinary active use the coins betray their loss

of weight by their worn and defaced appearance, and the evil is increased

and made universal by dishonest persons, who pick out from the circula-

tion the pieces freshly issued from the mint and others which happen to

be less worn, and by punching or clipping reduce them to the average, or

below the average, of debasement. Also, as the coins now pass perhaps

for 10 per cent, more than they are worth, foreign silver coins of inferior

weight are attracted from neighboring countries to a place where they

are current for a higher value than they possess at home ; and the task

of expelling these intruders is by no means an easy one. Already,

though our fractional silver currency has been but very recently restored

to use, worn Canadian and Spanish "quarters" and punched American

coins have begun to appear in circulation. If remedial measures are

not adopted, our silver currency will soon be again in as bad condition

as it was just before 1830, or as that of England before the recoinage of

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1696, or as that of Germauy before her abaudouruentof the silver stand-

ard in 1873.

The evil in question is not so considerable, and a remedy for it is not

difficult to be had, if silver be restricted to its only proper monetary

function, that of furnishing a subsidiary or token currency. No oue is

then obliged to receive the deteriorated coins except to the small amount

for which they are legal tender ; and as the whole quantity in circulation

is not very great, and the Government have reaped a large profit by

issuing it at a rate considerably above its intrinsic value, this profit

may properly be made a fund for defraying the expense of constantly

withdrawing the light coins and filling the vacuum with others of full

weight fresh from the mint. In this way, England and France of late

years have kept their subsidiary silver coins in perfectly good condition,

the former country usually issuing new and perfect pieces each year to

the amount of £3.000,(00, yet without at all increasing the volume of

this portion of the currencj', because old and worn coins to the same

amount are withdrawn.

But if silver is made legal tender for any amount whatever — and that

is what the project of a double or triple standard means — gold will dis-

appear from circulation, no fund will be available to defray the consid-

erable cost of annual repairs, and both the United States Treasury and

the country generally will be reduced to the condition in which British

India is already placed, with heavy liabilities both abroad and at home,

which are payable only in gold, but with taxes, wages, and dividends

receivable in a metal which may again, as during the last year, lose 16

per cent, of its value within six UDonths.

A few persons who do not understand the subject imagine that, if the

mint and the treasury be required, under the system of a double stand-

ard, freely to exchange gold dollars lor silver ones at par, or the re-

verse, whenever such exchange is demanded, then neither metal could

fall below the value of the other. Certainly it could not, within the lim-

its of the country foolish enough to act thus, and during the few weeks

which could elapse before its mint and treasury would be drained of

their last gold dollar. For, suppose the price of silver should fall in

the London market only 2 per cent, below its former value relative to

gold, then any person, by shii)pingtbence $980,000 worth of silver bull-

ion, could receive for it here one million of gold dollars, and could re-

peat this operation indefinitely, or until stopped by the bankruptcy of our

mint. A compulsory union of the dearer metal with the cheaper one

could permanently establish an equality of value between them only if

the unequal marriage were sanctioned by all the nations of the earth.

But, as probably both England and Germany would at once forbid the

banns, this project of M. Czernuschi is not likely to be soon carried into

operation.

The undersigned sees no objection, however, to a considerable enlarge-

ment of tlie limits within wlii(;h the subsidiary silver currency is now

issued and made a legal tender, j)aper money being withdrawn to an

extent equivalent to the enlarged issue thus made, as has been already

done in the case cfthe silver fractit)ns of a dollar, so that the aggr<'gate

volume of the currency shall not be increased. An important step

would thus be taken toward a resum])tion of specie i)aynients, and a rea-

sonable concession would be made to those who desire a larger use of

silver money. Dollars might I)e coined ea(;h containing 345.0 giains of

pure silver, be mad<' legal tend('r to an amount not exc'ceding twenty

dollars, and be issued only in ex<5hange for [)ai)er money, whether green-

backs or national-bank notes, of any denomination below five dollars,

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the notes thus received iu exchange being immediately canceled and

destroyed. A burdensome redundancy of silv^er thus thrown into circu-

lation might be prevented by making it receivable by the Treasury to

any amount in payment of all dues to the Goverument which are not by

law made payable only in gold. These silver dollars would be a con-

venient and unexceptionable medium of exchange, and as they would

not be a standard of value, they could not introduce any uncertainty

about the just fulfillment of contracts. They could not be melted up or

exported without loss, and- as receivable by the Goverument to any

amount, they could not become depreciated in the market. The amount

of one-dollar and two-dollar notes now in circulation is about sixty -five

millions of dollars. These would all be gradually withdrawn, and their

place would be filled by silver coin iu all retail transactions.

We come now to the last subject which this commission is required

to consider, namely, "the best means for facilitating the resumption of

specie payments." In the opinion of the undersigned, the two measures

already herein proposed would go far toward accomplishing such re-

sumption without creating any disturbance in the markets, without any

injurious shock of sudden transition, and without harming any class or

interest that can rightfully claim to be protected by the Government.

Each of these measures is a concession to one or the other of the only

two parties who now appear to be hostile to such resumption. Re-

ducing the quantity of pure gold in the dollar to 22.6 grains, through

bringing it so much nearer the present value of the legal-tender (green-

back) note, favors those of the indebted class who fear that resumption

will make it more difiicult lor them to pay their debts. Substituting

silver for all notes below the denomination of five dollars will be as large

a measure of protection to what may be called "the silver interest" as

can reasonably be asked from Congress. Should these two recommen-

dations be adopted, it is reasonable to believe that the premium on gold

would continue to decline as fast, and also as uniformly and innocuously,

as it has done since March 9, 1876; and since its fall within ten months

after that date from 15 to 5^ per cent., so far from creating any injury

or disturbance, has been attended with a considerable growth of confi-

dence and revival of trade, there are no grounds for apprehending any

evil consequences through its lurther decline from 3 per cent, to zero.

The paper dollar having thus risen to its par value, specie payments

might safely be resumed some time before the period now fixed by law,

as the amount of surplus gold already in the Treasury would be quite

su£ficient to meet the very moderate demands which would then be made

upon it to redeem its notes.

In order to make sure of this further decline, however, and also to

diminish what would still be the excessive volume of paper currency,

the Secretary of the Treasury should be enabled and required gradually

to lessen the amount of it in circulation. He is already authorized to

sell United States bonds for gold as a means of providing for resumption,

and also to sell the gold so obtained and receive legal-tender notes in

payment. These notes he should be required to destroy to the amount

of three millions of dollars a month, none others being issued in their

place. This would only be to continue, under the authority of law, the

same rate of contraction which has spontaneously taken place during

the last twenty-two months. These preliminary measures being adopted,

Congress might safely and justly repeal all laws whi<}h "make anything

but gold and silver coin a tender iu payment of debts."

It is evident, thes, that the accumulation of more gold in the Treas-

ury is not a necessai-y means or preliminary for the resumption of specie

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payments. The legal-teuder notes originally issued in payment of debts

due from the United States are redeemed and discharged when received

as an equivalent for the same amount of debts due to the United States,

noue'others being issued in their place. In fact, the process of redemp-

tion is constantly going on through the receipts from internal taxation

and other sources ; and this process is made final, simi)ly by not paying

out again these notes or any others, and by making what provision

may be necessary to discharge the ordinary obligations of the Treasury,

either by imposing additional taxes or by the sale of bonds. During

the last fiscal year about one hundred and twenty-five millions of these

notes were received as internal revenue and from the sale of the public

lauds; and if none others had been issued in their pla«e, resumption

would, before this time, have been complete, and accomplished, too, by

a process so gradual and harmless,that none but those who closely watch

the financial operations of the Government would have been aware that

anything unusual was going on.

What is to be feared from making silver an unlimited legal tender is

not so much a depreciation of the standard of value, as the recurrence

of sudden and great fluctuations in the market-prices of commodities,

and of reckless speculation in commerce, mining, and manufactures,

which are properly attributable, as in the case of paper money, to hav-

ing no standard ac all. What we dread is not the fall, but thefuctua-

tion,m value of the would-be standard, and the feeling of uncertainty

thereby produced ; and this dread is only confirmed and enhanced by

the recovery in the market-price of silver, within the last six months,

from about 4:1 d. to 5S^d. an ounce, being about all that it had lost during

the earlier part of the year 1876. Against this uncertainty, and its de-

pressing efiect upon all legitimate enterprise, industry, and trade, noth-

ing can protect us. The discovery of more bonanzas in the Comstock

Lode, the further demonetization of silver by France and Holland, or a

still more unfavorable balance of trade in British India, may send the

price of that metal down again iluring the next half year lower than

ever. With such a contingency hanging over it, commerce does not

start into full activity and industry is paralyzed.

Those who still fear that a resum])tion of gold payments would be

l)rejudicial to our financial interests, and do wrong as well as harm to

the indebted classes, ought to learn from the experience of the last three

years, and especially from that of the year which has just ended, that

their apprehensions are groundless. The war i>rices, the wild specula-

tions, and excessive personal expenditures, which had been created

and fostered by the immense issues of paper money in 18G4 and 1865,

and maintained by the convulsive efforts of those who had been enor-

mously enriched by these events, reached at length their inevitable issue,

and came to an end all at once in the crises of September, 1873. More

than ever before during the present century rents and prices fell, real

estate ceased to be marketable, merchants went into bankrui)tcy, rail-

roads passed into the hands of receivers, manufactories stopped, the

incomes of persons not in active business but living on their private

means were cut off", and the laboring classes were thrown out of employ-

ment. Great as was the calamity, however, after the storm had cleared

the air a revival would probably have begun in less than a twelve-

month, as had been the case in all former commercial crises, had not

the Secretary of the Treasury so far strained his authority beyond all

law or precedent as to throw upon the market, without any express

sanction by Congress, an additional issue of twenty-six niiilions of

paper money, with the tlireat that it might be followed by eighteen

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millions more. Tbeu, indeed, people did not know what to expectj

confidence broke down entirely; capitalists preferred to allow their

funds to remain idle, rather than to make loans which might be repaid

in dollars not worth half as much as those which had been borrowed,

and what might have been merely a temporary convulsion, followed by

the glow of reviving health and strength, passed over into that general

paralysis of trade and industry which we have witnessed during the

last three years.

Experience has demonstrated that the cause of this prolonged evil,

which has brought multitudes of industries and deserving persons to

the brink of penury and ruin, was not what the inflationists call a lack

of money. When the calamity was at its height, as it was throughout

1875 and the early part of 187C, there was no lack, but rather a supera-

bundance, of money, the banks and the capitalists having more than

they knew what to do with. Hence they were eager to let it on un-

doubted security, such as Government stock, and oti call, as the phrase

is, so that there would be no time nor opportunity for its depreciation,

at as low a rate as 3 or even 2^ per cent. With a circulation then

amounting to nearly seven hundred and forty millions of i)aper dollars,

which at that time were worth about 87 cents apiece, and which, because

commerce and industry were paralyzed, were freely ofiered on call at 3

per cent, interest, it would surely have been absurd to call for the issue

of " more money " as a means of rescuing the country from its diffi-

culties.

At length, especially during the latter half of the year 1876, the evil

began to cure itself, and that, too, by means which clearly indicate that

the undue inflation and consequent fluctuating value of the currency

had been the sole original source and the aggravation of the difficulty.

Spontaneously, without any aid from legislation, or any concert between

individuals or the banks, the paper currency l3egan to contract itself.

Unable to make any i^rotitable use of their funds, because credit was

dead in the community, and the wings of enterprise were clip})ed, many

of the banks voluntarily surrendered their circulation altogether or in

part, and either retired from the business, or confined their operations

to what are the only two proper functions of a banking institution, those

of deposit and discount. They were thus relieved from some heavy

taxes, and were able to withdraw their United States' stock, deposited

as security to redeem their circulation, and by selling this stock at the

advanced prices which it commands in the market, because payable in

gold only, to make greater gains than were possible from lending their

own notes at 3 per cent, interest. Though the act of January 14, 1875,

repealed all limits to the increase of national-bank circulation, and

thereby invited a further inflation of the currency, it appears from the

last report of the Comptroller of the Currency, that the total decrease of

legal-tender notes and national-bank notes between January 14, 1875,

and November 1, 1876, has been over fbrty-five millions of dollars. And

this process of diminution is still going on, the amount of legal-tender

notes on deposit with the Treasurer for the purpose of still further retir-

ing bank-notes being, on November 1, 1876, nearly twenty-two millions,

so that the aggregate amount of paper money voluntarily withdrawn

from circulation in less than twenty-two months has been about sixty-

six millions, or 9 per cent, of the whole quantity in use.

And what has been the consequence of this spontaneous contraction

of the paper currency ? The paralysis of credit and industry is passing

away, and commerce to a marked degree has begun to revive. A very

favorable balance of trade has reduced the rates of exchange on England

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considerably below par, and gold has constantly flowed into the country

to an unprecedented extent. According to the estimates of the Director

of the Mint, the amount of coin and bullion in the United States on June

30, 1876. was over one hundred and eighty-one millions, of which about

thirty millions were silver. As the imports of gold during the autumn

of 1870 were immense, owing to the favorable balance of trade, and as

the mines of both the precious metals during the same period were very

productive,\* there can be no doubt that the quantity of the precious metals

in the country on January 1, 1877, was at least two hundred and twenty

millions. In the opinion of the undersigned, that sum is a sufficient

basis on which specie payments could be maintained without difficulty

or disturbance, even if resumption should take i^lace at a very early

day. For the effect of such resumption would be to rescue this specie

from its present semi-latent state, employed only in foreign trade and

in certain limited transactions with the United States Treasury, and

bring it once more into full use as money — as a constituent part of the

active circulation of the country. So brought back, it would even more

than fill the gap caused by the partial withdrawal of paper currency,

and in this way, combined with its effect in still further restoring confi-

dence, and putting more heart into trade and manufactures, the prob-

able immediate effect of resumption would be to raise the prices of com-

modities generally, instead of depressing them, and thus actually to favor

the indebted States, and, generally, the indebted classes of the people.

Turn the matter as we may, the chief cause of the evils under which

for three years the country has suffered, has been impaired credit, and

the want of trust in the future. It has been the absence of any fixed

standard of value, and the uncertainty in the markets caused by the

fear lest Congress should again inflate the paper currency. Who were

the greatest losers by this deplorable state of things? Not the creditor

class, surely; not the capitalists; not the owners of unencumbered

houses and lauds, and Government gold-paying stocks, and fully con-

structed and equipped railroads, which are still paying dividends,

though at reduced rates. These have something to fall back upon ;

their incomes are diminished, it is true, and sometimes cut off altogether ;

but they can still subsist for a long time, even on their <lead capital .

But the indebted and industrious classes have no shelter behind which

they can retire for a season. They are exposed at once to the whole

violence of the storm. For them, the inevitable result of the withdrawal

of credit, the consequent embarrassment of trade, and the crippling of

every industrial enterprise, is privation of employment, hopeless insol-

vency, and ultimate ruin. No persons in the community would be so

much benefited by the restoration of a fixed standard of value as the

industrious and dependent classes. For them, the certainty that the

dollar will bo worth a month or a year hence precisely what it is worth

today means regular employment, a fixed rate of wages, a stable maiket,

moderate but certain gains, and.the absence of all anxiety for the future.

The South and West, already largely indebted to the Eastern and

^Middle States, are still in urgent need of further advances of capital

from the same source in order to (hn'elop still mon^ their unrivaled

opportunities, their boundless stores of latent wealth. The paralysis

of business throughout the country is S[)ecially detrimental to them, as

they have no reserves to fall back upon, no stores of capital already

"According to Dr. Lindormaii, " the doinostic production of gol\*! inxl ""' vor during

the fiscal year (ending June IJO, IH7()) was about 85^ niillion dollarH, of wlii ch amount

46f millions were gold, and 'Mi millions silver." ^

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amassed, which they can afford to suffer to remain idle for a time, till

the returning tide of confidence and enterprise shall again set the wheels

of industry in motion. Nearly all their current gains from improvements

already completed are absorbed in paying the interest on the mortgages

and bonds which represent the advances previously made to them, being

the price of most of the prosperity which they have hitherto enjoyed.

Many of the people that are now clamoring for more inflation of the

currency think that the increase in the number of paper dollars, and

the consequent inevitable depreciation of their value, will both make it

easier for them to pay the interest on their debts already contracted,

and so far revive speculative interest as once more to irrigate their fields

with the inflow of capital from the East. But even a child might see

that these two contemplated results are incompatible with each other.

One who is already deeply in debt cannot i)avethe way for obtaiuiug

the additional loans that he needs by announcing of his own accord that

he is in a state of spontaneous and chronic bankruptcy ; that he will not

at the utmost pay more than 93 cents on a dollar, and that he has

taken steps to make sure that even this dividend shall rapidly be dimin-

ished, only leaving it uncertain whether it shall early or late be reduced

to nothing, and the debt consequently be repudiated altogether. Cap-

italists must be singularly constituted who will grant fresh loans to

debtors openly announcing such conditions'.

There is a grave question indeed whether the national honor is not

even now tarnished by the mere fact that specie payments have not

been already resumed. By the act of March, 1869, entitled "An act to

strengthen the public credit," the faith of the United States was " sol-

emnly pledged" "to make provision, at the earliest practicable period,

for the redemption of the United States notes in coin." The amount of

legal-tender notes outstanding on November 1, 1876, was $367,535,716.

But it appears from the following table, for which I am indebted to the

kindness of the Secretary of the Treasury, that after discharging all the

obligations of the United States already due which are payable only in

gold, the Government sold at i)ublic auction, between July 1, 1869, and

September 30, 1876, surplus gold to the amount of $389,705,144.68, on

which it received a premium of $58,020,155.53. In view of the fact that

the surplus gold thus disposed of exceeded by over 22 millions what

was necessary to redeem all the legal-tender notes outstanding, how can

it be said that Congress has kept its solemnly-pledged word that it

would redeem those notes " at the earliest practicable period \*?" The pa-

per money received from that sale of gold was not needed in order to

provide for the other necessary. expenditures of the Government; for it

appears that, during the period in question, after defraying all the or-

dinary expenses, the Treasury paid off public debt not yet due to an

amount exceeding 435 millions of dollars.

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Amounts of surphts gold sold by the United States Treasury from July 1, 16GG, to October

1, ls70, u-ith the premiums received thereon.

Period.

Amount sold.

Premium re-

ceived.

Average

rate per

cent, of

premium.

From Jnlv 1, 1866, to June 30, 1867

Prom July 3, 1867, to June 30, 1868

From July 1 18fig to .Tune 30, 1869

$38, 337, 928 78

54,209,653 79

32, 013, 258 45

65,081,516 50

72, 423, 042 03

77, 597, 495 70

76, 993, 246 54

38, 013, 974 80

33, 401, 5\*16 42

25, 092, 251 44

1,102,111 25

$14, 154, 843 55

21, 934, 986 54

12,376,289 38

15,294,137 37

8, 892, 839 95

9, 412. 637 65

11, 560, 530 89

5, 037, 6G5 22

3, 979, 279 69

3, 7-23, 545 80

11 9,, MS 96

37

41

39

From July 1, lBt)9, to June 30, 1870

From Jul V 1 1870 to June 30 1871

24

11

From July 1 1871 to June 30, 1872

12

From July 1, 1872, to Juue 30, 1873

15

From July 1, 1873, to June 30, 1874

From July 1, 1874, to June 30, 1875

From July 1, 1875, to June 30, 1876

13

12

15

From July 1, 1876, to September 30, 1876

11

Totals\*

514, 265, 985 70

106, 486, 275 00

21

\* Also in May and August, 1876, there was a further sale of gold received under the Geneva award,

amounting to $8,374,714.78, on which a premium was obtained of $1,014,222.85, or nearly 12 per cent.

Summing up, the following are presented as the conclusions of this

report :

1. The great changes which have taken place during the last year in

the relative value of the two precious metals are attributable almost

entirely to fluctuations in the market-price of silver, since the prices of

commodities generally, reckoned in gold, have been comparatively

stable.

2. These fluctuations indicate a considerable fall in the value of silver,

which has been produced by three causes : 1. By the great productive-

ness of the silver mines in the Comstock lode, which within a few years

have doubled the average annual product of that metal for the whole

world ; 2. By a great diminution, within the last five years, of the de-

mand for silver to be exported to British India ; 3. By the demoneti-

zation of silver, within the same period, by Germany, Denmark, Sweden,

and Norway, and the limit put ujion the coinage of it by Holland,

France, and the other states of the Latin Monetary Union.

3. These fluctuations prove that silver has become entirely unfit for

use as a standard of value ; and this action of Germany and other Euro-

pean states shows that they have become aware of this unfitness, and

have altered their systems of coinage and legal-tender accordingly.

4. The question whether the three causes here alluded to have ^erma-

nently depreciated the value of silver is one which does not at present

admit of a determinate answer. Vague estimates and uncertain tiieo-

ries aflord no safe grounds for legislation.

5. The so-called double standard is an illusion and an inii)ossibility.

The prolonged attemi)ts made both by France and the United Stares to

establish such a standard have been complete failures, causing much

confusion and inconvenience, necessitating frequent changes of legisla-

tion, and resulting only in the alternate establishment of one or the

other precious metal as the sole standard.

6. Silver is further unfitted to be the principal medium of exchange,

1, through its considerable weight and bulk in j)roportion to its value,

being thus inconvenient for use in huge transactions and settling inter-

national balances; and 2, through its constant liability to loss by abra-

sion and clipping, the corresponding loss in the case of gold being so

small as to be almost imperceptible.

7. The proper i>lace for silver in a monetary system i« that of a sub-

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sidiary or token currency which is considerably overvalued by law and

made legal tender only within certain limits. These limits being inde-

terminate except by general' considerations of expediency, there is no

valid objection to so far widening them as considerably to increase the

amount of silver now in circulation, paper money being withdrawn to

an equivalent amount, and the silver coins being made legal tender for

any sum not exceeding twenty dollars.

8. The proposed " policy of con tinning legal- tender notes concurrently

with the metallic standards" would be in the highest degree inexpedi-

ent and unjust, this paper-money system having been the chief cause of

the paralysis of trade and industry under which the country has labored

for the last three years, and Congress having as far back as 1869 sol-

emnly pledged the faith of the country tor the resumption of specie

paymeutt at the earliest practicable moment.

9. Circumstances at the presenttime have made such resumption both

practicable and easy within a very brief period, the paper currency

having spontaneously contracted itself at the average rate of three mil-

lions a month during the last twenty-two months.

In order to complete this very desirable result, and to make our mon-

etary system conform in all important respects to that of the most pros-

perous and best ordered commercial countries of Europe, the following

measures are respectfully recommended for adoption by Congress:

1. That dollars be coined each containing 345.6 grains of pure silver,

which shall be legal tender for any sum not exceeding twenty dollars,

and shall be issued onlj^ in exchange for paper currency below the de-

nomination of five dollars, and the one-dollar and two-dollar notes so

received in exchange shall be immediately canceled and destroyed.

These silver dollars, however, shall be receivable toany amount in pay-

mt'Ut of any dues to the Government, except for duties on imports.

Alter January 1, 1878, notes below the denomination of five dollars shall

not be paid out either by the Treasury or the banks, and shall not be

legal tender.

2. Gold shall in future be coined only at the rate of 22.6 grains of

pure gold to the dollar, so that the half-eagle or five-dollar piece may be

almost the exact equivalent of one pouud sterling ; and the gold so

coined shall be legal tender to any amount: Provided, ho7rever, That all

debts and contracts expressly made payable only in gold, and outstand-

ing on the date of this enactment, shall be paid and discharged only by

dollars each containing 23.2 grains of pure gold, or by their equivalent.

3. Out of the paper currency received by the Government in the col-

lection of its internal revenue, a sum not exceeding three millions of

dollars each month shall not be reissued, but shall be canceled and de-

stroyed ; and any deficit which may thereby be created in the Treasury

shall be supplied in the manner already authorized by law, namely, by

tlie sale of any of the United States bonds which the Secretary (f the

Treasury is now empowered to issue.

All of which is respectfully submitted bj^

FRANCIS BOWEN.

I concur in foregoing report of Mr. Bowen.

R. L. GIBSON.

SPECIAL REPORTS OF THE SECRETARY OF U. S.

MONETARY COMMISSION.

The secretary, George M. "Weston, having been directed by the Com-

mission to investigate and collate the facts, authorities, &c., relating to

the special subjects named below, prepared the following papers:

Page.

Asiatic trade and the flow of silver to the East 163

Constitntional powers of Congress and the States in respect to metallic money 180

Legislation in Europe and the United States in relation to subsidiary silver

coins 194

The trade dollar 200

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SPECIAL REPORTS.

ASIATIC TEADE AND THE FLOW OF SILVER TO THE

EAST.— ENGLISH MISCONCEPTIONS.

Of current British writers known on this side of the Atlantic, Jevons

alone seems to have an adequate ideaof tae importance and reliability in

the future of the eastern demand for silver. Many leading British writers

entirely misunderstand the causes which give rise to this demand, which

is an essential element in fixing the value of silver, whether measured

in gold or in general commodities. These mistakes of British economi-

cal authorities will be found to be remarkable both in character and per-

sistency, and they undoubtedly constitute the principal origin of the

delusion that the general tendency of silver is towards depreciation,

which prevails largely in Enghmd, and which Seyd and other English

advocates of the double standard do not wholly escai)e.

The most authentic exhibition of the errors current in London in recent

years in respect to the general nature of the trade between Europe and

Asia is to be found in the annual reviews of finance and commerce in

the London Economist, the principal portions of which have been regu-

larly reprinted in the journal of the London Statistical Society as pos-

sessing a high, recognized, and permanent value.

As respects the special case of India, it may safely be assumed that

the current ideas of England are authentically expressed, not only in

the London Economist, but in the report of the British Silver Commis-

sion of 1876, the chairman of which. Sir. Goschen, seems to be regarded

in that country as one of its most eminent financiers, both in practical

experience and in clearness and breadth of theoretical views, and in the

resolutions of the governor and council of India (Se])tember 22, 1876),

which cover the entire subject of the monetary relations of India with

the world, and especially with Great Britain.

OPINIONS OF THE LONDON ECONOMIST.

REVIEW OF 1864, PRINTED MARCH 11, 1865.

In four years the imports from ludia and the Levant have certainly doubled in value.

These are countries of exceedingly backward civilization. Hitherto, the native culti-

vators have had few wants, and have been so ignorant of the real i)rinciplcs of trade

as to regard gold and silver as jirecious beyond all other tilings, ami as lit only to be

buried in secret hoards, instead of Ixiing put away as rapidly as jiossiblc in exchange

for articles of use and enjoyment. A trade, therefore, of imports from these countries,

suddenly doubled in volume, necessarily implied the transniission of a large part of

the price in specie and bullion ; and so it actually happened. 'J'lie average annual

export of treasure to India and the Levant for the live years ld57-'()l was i;Ji millions

sterling ; the average export of ]80:5-'C4 was 2.'5 millions.

A free and vigorous commerce is potent to arrive rjii)idly at a stale of things in

wliicl) trade, even with very backward countries, bcfoini'x the barter of oiiv set of com-

moditiex for another set of vcarly equal exehaiuieahle valite.

The probability seems to be that in IHtif) the action of thoeastcun deuumd for bullion

remittances will be on a much more restricted scale than in 18():?-'(M ; ami that the

taste already excited in those countries for articles of Knglish ))roduetioii will have

laid the foundations of a commerce as regular as that with America or France.

16:}

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FLOW OF SILVER TO THE EAST.

The immense wealth poured into Bombay and Bengal during the last two years has

apparently at last broken down most of the barriers to the reception by the natives of

thoroughly European notions of commerce.

REVIEW OF 1865, PRINTED MARCH, 1866.

The great rise in the price of cotton led to large and urgent orders to India and

elsewhere for further and early supplies, and such orders of necessity implied consider-

able remittance of treasure, and that treasure chiefly in the form of silver, to be pur-

chased on the continent by means of gold sent there from this country.

The four countries or regions which have been most profoundly affected by the de-

mand for cotton at high prices have been India, China, Egypt, and Brazil.

Year.

1864

1863

1862

1861

1860

Merchandise im-

ports from In-

d ia, China,

Brazil, and

Egypt.

Millions stg.

94.6

83.6

62.9

42.1

37.0

Merchandise ex-

ports to India,

China, Brazil,

and Egypt.

Millions stg.

38.

32.

24.8

29.

30.

The peculiarity of these figures is the amazing increase they exhibit of nearly sixty

millions sterling in the imjyorts from India, China, Brazil, and Egypt against an in-

creased export of no more than eight millions sterling. For five years we have been

laying widely and deeply the foundations of avast future trade with those fertile trop-

ical countries. We found the people who inhabit them rude, ignorant, without enter-

prise and with few wants, but the golden (silver) shower which has descended so

plentifully upon them since 1860 has already had some effect, and it is quite certain

that the increase of eight millions in the export is only the beginning of a demand

which -^iW presently reduce the trade to the sound condition of an exchange of merchandise

representing values not very widely different.

REVIEW OF 1886, PRINTED MARCH,

1867.

The large drain of gold and silver to Egypt, India, and the East, which has been

in progress since 1861, chiefly in payment of cotton, came to an end in March and April

last (1866). The total export from Europe was nine and a half millions, or one-third

less than the export (fourteen millions) of 1865.

For five years the tide of the precious metals has run so strongly and constantly

toward the East that the supplies from the gold countries have been absorbed for that

destination as quickly as they appeared. We shall now see a different state of things.

REVIEW OF 1867, PRINTED MARCH, 1868.

The revival of the cotton cultivation in America has already reduced the export

of gold and silver to India to a narrow compass. Instead of the enormous drain of

twenty-four millions sterling in each of the years 1863 and 1864 and of fourteen millions

in 1865, the exports fell to ten millions in 1866, and in 1867 to the comparatively small

sum of three and a half millions.

A few years will enable us to judge of the effects on the Indian populations of the

prodigious prosperity of the last five years. The railways will have etiectually opened

up new markets in the interior, and will have carried European goods where they never

appeared before, and the improved means and wages of tlie cultivators will enable

them to buy articles formerly beyond their reach. All these influences will powerfully

tend to make European exports to India more nearly balance than hitherto the European im-

ports from it, and will, therefore, reduce the trade to such an exchange of commodities

as will require but small supplemental transmissions of specie. It is, indeed, conceiv-

able that at no distant period the current of the metals might tend more strongly/row

India than to it.

REVIEW OF 1868, PRINTED IN 1869.

The Abyssinian war has led to a large increase in 1868 in the export of gold and

silver to Egypt and the East. The total exports by English and French steamers

were —

In 1867 £3,695,000

In 1868 10,075,000

FLOW OF SILVER TO THE EAST. 165

Of this six and one-third millions of increase, nearly four millions is duo to the

Abyssinian war. The slightly-increased exports to India have arisen from the revived

demand for Indian cotton.

The effect of the cessation of the bullion drain to the East early in 1866 is strikingly

shown in the rapid rise of the total bullion reserves of the Bank of England and the

Bank of France,

In India, a system of sound paper currency has been established, which, in the course

of twenty years, may, by remote possibility, lead to a real economy of coin in that

country. At present, the bank-notes are less than ten millions sterling, probably not a

thirtieth part of the circulation of the presidencies.

REVIEW OF 1869, PKINTED jIARCH, 1870.

In 1869, there has been no Abyssinian war to swell the exports of gold and silver to

Egypt and Bombaj^, but the figures are nevertheless not very different — say nine mill-

ions in 1869 against ten millions in 1868.

The peculiarity of the 1869 ligures is the large increase in the silver and the falling

oft" in the gold shipments.

During the ten years 1860-69 the total export of gold and silver (chiefly the latter)

from Europe to Chinahaa amounted to about twenty millions sterling. But this sum

represents only about half the influx of the precious metals into China, inasmuch as

the import into that country from California is believed to be nearly as large as the

import from Europe.

The effect of the improved condition of India, the higher wages, and the cheaper

modes of transit, has already extended the Indian markets for English goods, and so

set in action a train of causes likely to diminish jiermanently the drain of gold and silver to

the East.

REVIEW OF 1870, PRINTED MARCH, 1871.

The bullion trade with India has fallen into small proportions. In 1863 and 1864 the

export of gold and silver to India and China was 24 millions sterling per annum ; last

year, 1870, it had fallen to 4^ millions, and a reflux Ixom the East to Europe has actually

been witnessed in mercantile calculations of exchange. Itis not unlikely that thisreflux

current xvill expand and continue. During the twenty years 1851-70 Europe has sent to

the East 51 millions sterling of gold and 176 millions sterling of silver — together227

millions, or an average exi^ort of (say) 11 millions per annum. The annual production

of gold from the new sources, California and Australia, has been about 15 millions ster-

ling. The eastern demand has amounted, therefore, to over 70 per cent, of the new

production. The Australian and Californian supplies seem to be gradually but steadily

diminishing, and there is an apparent probability that the effect of the development

of India may bo to render the hoards of treasure possessed by the nations available for ivest-

ern purposes, and available at the very time when they are needed. This result will be

assisted by the steady progress of the bank-note circulation of India. The authorities

have quite recently satisfied themselves that the bank-notes may be pushed more vig-

orously into circulation, and that the minimum denomination may be reduced from ten

to five rupees.

REVIEW OF 1871, PRINTED MARCH, 1872.

We give our usual table of the movement of gold and silver to the East. There has

been some revival in 1871 of these exports, and the total reaches 6i millions against 4^^

millions in 1870.

The higher prices of cotton will lead to augmented remittances to India.

REVIEW OF 1874, PRINTED MARCH 13, 1875.

Mr. Herzog, the delegate of Switzerland to the Monetary Conventions of 1865, 1871,

has investigated the subject [silver] with care. He lays stress on the diminution by

one-half since 1866of the export of silver to the East, arising from the advancing diffusion

of European goods over the Asiatic countries.

All the predictions of the Economist as to the course of the Asiatic

trade have been falsified by the event. The flow of the metals to Asia

is still as active as ever. The Economist entirely overlooks the real

cause of this flow, and nearly all which it has to say about it is quite

aside from the mark.

Asia was called ^^ a sink of nilver^ in the time of the liomans, but if the

view is limited to the i)astfour centuries, the reasons why it is a sink of

silver, and to some extent of gold also, will more clearly appear, because

the facts of these later centuries are more exactly known.

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Since 1492 the great bulk of the supply of the precious metals has

been from the New World. Chevalier estimates that from the voy-

ages of Columbus to the California gold discoveries the world's metallic

supply was derived — ^

From the Old World $1,072,000,000

From the New World 7,259,000,000

Since the California gold discoveries, from 1849 to 1876, both inclu-

sive, taking the mean of the figures given by accepted authorities, the

world's metallic supply was derived —

From the Old World $827,000,000

From the New World 3,755,304,927

In the New World, in this last statement, Australia is included.

Since 1492 the flow of the precious or money metals has been contin-

uous from the New to the Old World, and could not have been other-

wise. The flow of those metals is determined by the tendency, always

at work, of prices to an equilibrium. Nothing but an impassable Chinese

wall could have prevented the outflow from Australia of the bulk of the

$1,200,000,000 of gold produced there within the past twenty- five years.

If such a wall had existed, the principal part of this gold would not

have been produced, as the wages of labor would have risen so high that

the cost of the gold would have exceeded its exchangeable value. No

such wall exists in this case, and therefore prices are only kept high

enough in Australia, relatively to prices elsewhere, by the production of

gold there, to cause the constant outflow of that metal, and that condi-

tion of things will not be changed until the mines give out.

Those parts of the world which specially produce the precious metals

can never have, on that account, any greater excess above their due

proportion of them than is just sufficient to produce an adequate current

of overflow. That is the limit of the perturbation of the money level

in such cases.

The same circumstances which prevent the metals from remaining in

the New World, in which they are principally mined, prevent their re-

maining in the country or countries in the Old World which receive

them in the first instance. All the gold and silver of America, exported

in the early periods of its discovery, passed to Spain, but neither did or

could remain there. Until within a few years Europe has received sub-

stantially the whole of the exported gold and silver of America and

Australia, and does now receive much the greater part of them, and it

is through and by Europe that they have been diffused over the Old

World, each portion of it always receiving and retaining its due propor-

tion. It is these facts which have caused the flow of the metals from

the Occident to the Orient during the past four centuries.

The flow depends upon the relatively excessive i^roduction of the

metals in the New World, and will continue without interruption for-

ever, subject only to the possibility that the discovery and working of

mines in Asia may bring up its metallic production to the average of

the general production of the world.

The due proportion of the precious metals which the difierent parts of

the Old World will receive and retain is that proportion which is deter-

mined by the various circumstances of population, commerce, wealth,

laws of currency, national habits, and vicissitudes of prosperity, adver-

sity, growth, and decay, which fix the relative amounts of the metals

held at any given period in the several subdivisions of the globe.

The flow of the metals from Europe to India may have been quickened

at particular times by a specially high price for India cotton,justasthe

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same flow to China is quickened today by the specially high price of

favf silk. But the flow in the direction of India would have been as

steady, and perhaps as great, if no such substance as cotton had ever

existed. Changes are constantly occurring in the things which are the

subject-matter of commerce. Industry takes one direction today and

another to-morrow. If India could not have supplied its imperative

W^iit of silver by producing cotton, it would have supplied it by the pro-

duction of something else. The export of cotton from this country does

not date so far back as the adoption of the present Federal Constitu-

tion. Cultivation of it in our Southern States was preceded by that of

indigo, and maybe followed by something else now wholly unanticipated,

it has been said of India that it never fails to produce anything which

is demanded from it, or, in other words, anything which it can sell. It

is now selling wheat, until lately entirely unknown in its list of exports ;

and is at this moment third on the list of countries furnishing wheat to

England, being surpassed only by Eussia and the United States.

The precise way in which the extra cotton exports of India during the

American civil war and the extra prices then received by India for cot-

ton may have affected the amount of its metallic stock is, that it was a

circurnstance which may have permanently enriched India as compared

with Europe. If it did, by so much does it permanently enhance the

percentage of the precious metals which India will retain. That is true

of any other circumstance which may advance the relative position of

India. It is unquestionable that British domination in India during

this century has been favorable to its wealth and commerce. It has been

a better government than India ever had before, subject to the objection,

whatever the force of it may be, that it is a foreign domination, estab-

lished and maintained by the sword.

The continuous metallic flow from Europe to Asia is determined by

the fact that Europe, as the first receiver of the treasures of the New

World, always has an excess of metallic money as compared with Asia.

The necessarily lower wages and prices of Asia will always attract

money. No " taste for European goods'''' can ever be created there which

wifl be equal to its necessity for money, or put an end to the demands of

its vast, rich, and industrious populations for the precious metals for

other purposes, which arise from their immemorial usages and habits.

The extent of the metallic flow from Eurojie to Asia is determined in

the long run, and aside from the temporary effect of exceptional cir-

cumstances, by the one single fact of the extent to which Europe re-

ceives the metals from other quarters. Before California and Australia,

it was determined by the greater or less production of the Spanish-

American mines, which had been, from the discovery of this continent

to 1848, the chief source of the supply of the precious metals. At the

beginning of this century Humboldt estimated their annual production

at forty-three million dollars, of which he computed that twenty-five

millions were sent to Asia. When that production fell off so greatly

after 1809, in consequence of the revolutions in Spanish America,

European supplies fell off", and the flow to Asia diminished accordingly.

The fact is stated correctly in the book of W, Nassau Lee, printed in

1863, entitled '■'■Brain of Silver to the Ecest^^ but the reason assigned

for it by him is entirely erroneous, being precisely that of the present

views of the Economist.

Mr. Lee says :

Up to 1814 no great change in the normal state of things was perceptible ; but in

that year, consequent upon the great increase of British imports which foUowed the breaking

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up of the old East India Com-pany's monopoly, the flood of silver began to shallow, and

in 1832-'33 it had almost dried up. From this time the tide continued to ebb and flow

with uncertain fluctuations until 1849-'50, when it set in with redoubled strength, and

has since been increasing in depth and breadth with such rapidity as to cause some

alarm for the equilibrium of prices in India.

The returns of trade with England and China have for some years shown an aver-

age balance of £10,000,000 in favor of India.

The ^^ great increase of British imports after 1814" did not result from

the " hreaMug up of the old East India Company's monopoly y^'' but was due

to the fact that the metallic prices of commodities fell greatly in Europe

after 1809, in consequence of a sudden diminution of the metallic sup-

plies, consistingprincipally of silverfrom America. Humboldt estimates

the annual average American silver production, at the commencement

of this century, at £7,071,831. From 1809 to 1829 this annual average

production was reduced, according to Jacob, to £3,109,000, and Europe,

which received this production, sent less silver to Asia, for the plain

reason that it had less to send. The falling i^rices in Europe attracted

fewer commodities from India, and caused more European goods to be

sent to India. It was this which caused the '•'■ great increase of British

imports after 1814" into India, and reduced the metallic flow to India.

When the flood set in again, after 1849-'50, ^Hhe old East India Com-

pany'' s monopoly^^ was as much broken up as it was in 1814, and Indj^

was equally as open to unrestricted '^ British imports.^' But afterl849-'50

Europe could spare both gold and silver in abundance; gold, because

the mines of Australia and California were i)roducing it ; and silver, by

substituting gold for it in the channels of its own circulation.

Comparing the five years after with the five years before April 30,

1849, the excess of metallic imports into India over exports, taking its

trade with all nations, rose from £8,578,572 to £18,938,601. A more

instructive comparison will be to take periods of ten years before and

after April 30, 1849. This comparison will show a rise in the excess of

I^ian metallic imports from £20,699,090 to £70,721 ,378. It took longer

tffibn five years after April 30, 1849, to cause the new gold discoveries to

be fairly felt in India. The California production was active in 1849,

but Australia, until 1852, had only produced $7,000,000.

McPherson {Commerce with India) says :

The Indian trade arose to a considerable magnitude at the same time that the Amer-

ican mines began to pour their treasures into Europe, which happily has been pre-

served from being overwhelmed by the inundation of the precious metals, as it must

have been if no such exportation had taken place.

Jevons [Mechanism of Money and Exchanges, 1875) says :

Asia is the great reservoir and sink of the precious metals. It has saved us from a

commercial revolution and taken oft' our bands many millions of bullion, which would

be worse than useless here. From the earliest historical ages it has stood in a similar

relation to Europe. In the Middle Ages it relieved Europe of the excess of Spanish-

American treasure, just as it now relieves us of the excess of Australian treasure.

Nothing short of a complete interdiction of commerce and intercourse

will prevent the flow of the metals from the Occident to the Orient. The

tendency of money, through its influence upon prices, to come to an

equilibrium, is as certain and irresistible as the tendency of water to a

level, and, like that, can only be arrested by absolutely cutting off the

connections.

It will be seen how untenable the view is, which the Economist insists

upon in so many different forms of language, that the great supplies of

the metals, principally silver, sent from Europe to the East, during the

period immediately following the California and Australian discoveries,

had produced, or were rapidly producing, such a saturation of Asia with

FLOW OF SILVER TO THE EAST. 109

the metals, manifested in advancing wages and prices, that the flow of

the metals to Asia must cease, and even be changed into a reflux current.

That no such saturation has yet been produced is shown b^- the current

fact that the flow to Asia is as vigorous as ever. From the nature of

the case, no such saturation ever can occur. The metallic flow could

by no possibility proceed further at any time than to produce a mone-

tary equilibrium between Europe and Asia ; but this equilibrium would

be forthwith disturbed again by the continuing fact that Europe is the

receiver of the products of the mihes, and that Asia is a great consumer

of them. Water may come to a level between two connected reservoirs,

but cannot remain at a level if new water flows into one of them while

the water io the other is constantly oozing, leaking, and evaporating.

The California and Australian discoveries increased the metallic sup-

plies of Asia, but in no greater proportion than they increased the

metallic supplies of Europe. They produced no greater effects in rais-

ing wages and prices, and in stimulating new wants and new tastes for

luxury in Asia, than they did in Europe. If Asia consumes more

European goods than formerly, Europe consumes more of the peculiar

products of the Orient than formerly. Asia has only received, since

1848, its due proportion of the new supplies, in the form, largely, of

silver thrown out of the European currencies by the substitution of

gold, or, if any excess has been received, it is accounted for by an an-

terior deficiency. The water has merely risen to higher points than

before in both the reservoirs at the same time, the rise in one corre-

sponding always to the rise in the other. The direction of the flow has

not changed, and never will change so long as one of the reservoirs is

the sole or principal receiver of new supplies. No reflux current will

set from the reservoir which is subjected without intermission to the

exhaustion of oozings, leakages, and evaporation, and whose sole re-

source of recuperation is its connection with the other.

In respect to the two hundred and twenty-seven millions sterling of

the metals sent by Europe to Asia during the twenty years ending with

1870, the Economist may have intended to say that it was 70 per cent,

of the metallic production of California and Australia received in

Europe during the same period, but it was certainly only 29 per cent,

of the metallic production of the world during the same period. If to

the two hundred and twenty-seven millions sterling received during

those twenty years from Europe by Asia there be added what Asia

may have received directly from the metal producing countries, the

aggregate would not seem to be out of i)roportion to Asiatic wealth,

commerce, and population.

OPINIONS OF THE BRITISH SILVER COMMISSION.

The question of British trade and financial relations with India, as a

part of the more general question of those relations between Asia and

the Western World, occujties a leading i)osition in the report of the

British Silver Commission of 187G. The question deserved the ])ositiou

given to it, as the general Asiatic and sj)ecial Indian deniand lor silver

is of the first injportance in fixing both its absolute value and its value

relatively to gold.

The general view of the situation presented by the (commission is,

that the annual amount whieh the Covcrninent of" India has fo pay in

England by way of int(;rest on (Icbts ;in<l such chai'ges of administra-

tion as are payable in England, which ranged between four and five

millions sterling before the S(;j)oy rebellion, attained between ISO! and

1867 theiiigher range of from nine to eleven millions, and in 187G had

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reached fifteen millions sterling, or seventy-five million dollars. The

commission note, also, the following circumstance:

Less of the money received by Europeans in India appears to be retained in that

country than was formerly the case. It has been stated that, owing to various cir-

cumstances, more funds are remitted to England, not only after fortunes have been

made, but during the sojourn of the various officials, or European residents, in the

country. A remittance from India to England is equivalent to a draft from England on

Incfia. It diminishes the aggregate balance which India has to claim when transac-

tions are squared. And in proportion as this practice increases, so is the demand for

silver diminished.

The commission state that in the four years ending March 31, 1872,

the total merchandise exports of India were, in round numbers,

£224,000,000, and the total merchandise imports were £135,500,000,

and that in the four years ending March 31, 1876, the total merchan-

dise exports were £223,000,000, and the total merchandise imports were

£140,500,000. The merchandise balances of trade in favor of India were

not materially different, on a comparison of the two periods, but the

modes in which the balances were adjusted were materially different.

Thus, during the first period, England paid India £40,000,000 in gold

and silver, and £29,500,000 in Government bills, representing a part of

the annual collection of the interest on the debts of India. During

the second period, England paid India £16,500,000 in gold and silver,

and £50,500,000 in Government bills. The commission treat the annual

interest payments of India as so much deduction from its possible im-

ports of specie, and while admitting that " a desire to obtain and use

silver will exist " always in India, chey regard it as a serious question,

" how^ looMng to the amount it has to pay to this country, it will be able

to pay for that silver."

The question really raised by the situation, and in its nature of the

first jjractical importance to Englishmen, while to the rest of the world

its interest is purely speculative, is the reversed question of the power

of India to pay in London amounts of annual interest constantly en-

larging, concurrently with the necessity it is under of keeping up its

stock of money by importations of silver, and concurrently with the

certainty that this stock of money, happen what may to anything else,

will be kept up as a matter of fact.

It is not proposed to discuss the question of the continuance of imports

into India of silver for other purposes than as money. The British com-

mission believe that the "passion for accumulating ornaments" is so

strong in India that its import for that use will " displace some of the

other articles imported." Be that as it may, so long as the money of

India is silver, the amount of this silver money cannot be affected in any

degree by the greater or less amount of Indian indebtedness to Great

Britain.

In the case of countries using metallic money, the amount of such

money in circulation and the flow of it, whether outward or inward, are

necessarily determined by the range of prices of commercial commod-

ities within such countries as compared with the general range of prices

in the world. Money is as absolute a necessity to nations in any degree

civilized and commercial as air is to the existence of the animal creation.

A permanent deficiency of it below that proportion to the amount exist-

ing in the world which will maintain the general equilibrium of prices

is impossible, and a similar permanent excess is equally impossible.

There may be temporary deficiencies or excesses,but they speedily correct

themselves. The falling ]3rices which result from a deficiency of money

stimulate exports and discourage imports until money flows in and the

deficiency of it is supi)lied. By a reversed operation the rising prices

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which result from an excess of money stimulate imports and discourage

exports, until money flows out and the excess is thus carried off. No

nation can pay debts so as to become permauently deficient in money,

or can receive payments as a creditor so as to have a ])ermanent excess of

money. In short, neither a permanent deficiency nor a permanent excess

can be brought about by payments or receipts in international relations

of debtor or creditor, or in any other way.

What makes it the more remarkable that the British commission should

have fallen into the fundamental error on this point, which runs through

their entire discussion of the India problem, is the fact that they have

constantly before them in the British situation the most striking illus-

tration of the truth that the amount of money in a country is "not in-

creased by any amount it may receive as a creditor.

During the calendar year 1876 the excess of British merchandise im-

ports over merchandise exports was, in round numbers, $800,00(),0()0.

A part of this excess represents, doubtless, freights and mercantile

profits, but it largely represents the annual revenue of England, as the

great creditor of the world. Whatever the exact figure of that magnifi-

cent revenue may be, there is not, on account of it, one pound the more

in the monetary circulation of that country. Great Britain has nomi-

nally a good deal less metallic money than France, in round numbers

$600,000,000 as compared with $1,000,000,000, although the populations

are about the same. Undoubtedly, Great Britain has effectively as

much, as the various expedients of economizing the use of money by

checks, &c., are more resorted to than in France.

If England should determine to collect its revenue from investments

abroad, for one year, in gold and silver, and if its debtors could, by pos-

sibility, pay for one year in that form, the money in the English circu-

lation would, of course, be by so much enlarged. But as soon as the

enlargement became sensible the causes of depletion would be set in

operation. Prices would rise, England would be the best place for all

the world to sell in, while English exports would dwindle until the equi-

librium was restored.

It is by the reversed operation of the same principles that the number

of rupees in India is determined wholly by the commercial equilibrium

of prices, and in no degree by indebtedness to England, large or small.

And, by consequence, the Indian importation of silver is so determined,

because India has no mines from which to extract the raw material

from which rupees are manufactured, but must obtain it by purchases

from abroad.

In respect to the fact noted by the British commission, that in the

four years ending March 31, 1876, British remittances to India in the

precious metals fell off", while remittances in government bills increased,

it is sufficient to observe that simultaneous things are by no means

necessarily' connected things. It is related of a country gentleman who

made a purchase of stocks in Wall street which resulted to his advantage

that he had hai)i)ened to notice that, at the time of the purchase, the ther-

mometer stood at 75° Fahrenheit. His conclusion was to watch his

therniometer, and when it marked 75°, n<> higher and no lower, to i)ur-

chase more of the lucky stock. There is no more connection between

the demand of India for silver and remittances to India in government

bills than there is between the thermometer and the course of tlu^ piices

of stocks, and perhaps not so much, as tln^ weather does somewhat

affect the temper and (Miterjjrises of maitlcind.

The account-current of India trade for the four years ending in March,

1870, as the British commission j)resent it, consists of three items,

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namely, (1) the payment of interest from India to England represented

by government bills drawn on India; (2) the balance in favor of India

of merchandise exports over merchandise imports; and (3) the cash

remitted to India by England. The material questions in the case are,

which of these items is the dominating one and controls the others, and

which (if either) of them is completely controlled by the other two. The

British commission assumes that the dominating item is the annual

interest to England, and that this will always be paid, let the other

two items fare as they may. They assume, also, that the cash remittance

to India is controlled by the condition of the other items, and is always

merely what happens to be left after deducting from India's merchan-

dise balance the amount of its annual interest account to England.

The actual order of pre-eminence in power of these three items is pre-

cisely the reverse of what the British commission assume it to be. The

demand which India, or any other country, makes for money is the most

urgent and resistless of all its demands, and overbears everything else.

The demand for money, instead of taking what happens to 136 left after

deducting imports from exports, conclusively determines, by its action

upon prices, what the balance of exports over imports shall be. The

balance of trade depends upon prices, and prices are controlled by the

abundance or deficiency of monej\ In the four years ending in March,

1876, the money wants of India required and were satisfied with a re-

mittance of treasure by England of 16^ millions sterling. In the pre-

ceding four years India had received treasure from England in a much

larger measure, and its money want was temporarily less urgent. The

India money-market, requiring only 16J millions sterling in the four

years ending in March, 1876, permitted a range of prices for merchan-

dise which made the merchandise export balance what the British com-

mission state it to have been. If their report, instead of being made

July 5, 1876, had been delayed another year, they would have fouijd the

facts in a new i)hase. India's interest payment to Englaud is now some-

what greater than it was on the average of the four years ending in March,

1876. Its money demand, which had lulled during those four years

because the immediately i^recediug treasure imports had been somewhat

excessive, has resumed its normal condition of activity and power, and,

in fact, far exceeds the average of twenty years past. And whatever it

may be, it will compel the merchandise balance and, if necessary, the

debt payment to England to conform to its own superior power. This

debt payment, instead of being the pre-eminent one in the list of the

necessities of India, as the British commission assume it to be, is, in

fact, subordinate to both the other necessities of India, for money and

for merchandise.

It is as true in financial dynamics as it is in physical dynamics, that

the greater force always overcomes the less. The possession by nations

of their due proportion of money is an absolute necessity and an absolute

certainty. The payment by nations of their debts, however desirable it

may be, is neither necessary nor certain. Mankind have not had a very

long experience in the matter of national debts, as they have not been

much known until within a century. But it is certain that some of the

most flourishing nations of Europe, as France, Austria, and Russia, have

at various times repudiated, or scaled down, larger or smaller portions

of their debts. Still others, as Spain and Greece, are in a chronic con-

dition of bankruptcy. England, from 1797 to 1821, paid nothing but

suspended and depreciated banl^-notes. And it is now inevitable that

all the nations in Europe, including England, which have very large

debts, will become bankrupt, in the event of a general and protracted

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■war. The law of morals is the same for Asia as for Europe, and the

philosoj)hy of facts is the same. If India cannot pay its debts, and also

maintain its stock of money, it has no power of choice as to which of the

two things it will do. Its stock of money will be maintained, and its

debts will be postponed to a more convenient season, or will be reduced

to more practicable figures, or will remain permanently uupaid.

It is undoubtedly true that a nation may be deprived of money of

one kind by the substitution of money of another kind. No fact is

more familiar than that in the experience of mankind. The English

are the political masters of India. If they are restive under a drain of

silver to India, and prefer a drain of gold, they may try the experiment

of an exclusive gold currency there, but they will certainly not try it

until they have determined to again suspend specie payments them-

selves and resort to paper money. Under the demands for gold from

other nations, that metal does not exist, and is not at all likely to be pro-

duced, in quantities sufficient to sustain a gold currency in Great Britain

and India at the same time. Or, adopting a different policy, and one

which is not obstructed by any physical impossibility, they may decree

a paper money for India, and undertake to force its circulation there by

law. To whatever extent they might succeed in that, they would arrest

the further export of silver to India for monetary purposes, and might

even possess themselves of more or less of the silver now in the Indian

circulation. Theoretically, there are no limitations upon the omnipo-

tence of Parliament, anywhere within the British dominion. The

managers of the London Times evidently supposed that there were no

practical limitations when they proposed last summer that the Indian

occupiers of lands, who possess nothing but silver rupees, should be

commanded to pay their rents in gold sovereigns. The wise and cau-

tious statesmen of England know that the practical limitations are

numerous, and are very careful not to overstep them. The integrity of

their great Empire, encircling the globe, and embracing so many diver-

sities of religion, habits, and race, is preserved not more by arras than

by policy. They will do nothing rashly in dealing with peoples so

wedded to old traditions and ways as their India subjects. That they

entertain no present idea of demonetizing silver in the East is illustrated

by the British royal proclamation of 1876, establishing in Mauritius a

silver currency, with the India rupee as the unit, the same as in British

Ceylon, Mauritius having had, since 1852, an exclusive standard of gold.

The money of India will remain metallic and remain silver, subject to

possible gradual and partial displacements by convertible and volun-

tarily accepted paper, until a remote future develops conditions not now

possible to be foreseen. The stock of silver money needed for India will

increase with its increasing exchanges, and with the progress, known to

be constant, of the substitution of coin for barter in its transactions.

The flow of silver thitherward, required to maintain its stock of money,

will continue so long as the seas are open and commerce is unobstructed,

and it will never be diminished l)y the payment of debts.

THE FINANCIAL TIIEOKIES OF THE INDIA GOVERNMENT.

The governor in council of India a(loi)ted September 22, 1870, a seiies

of resolutions upon the financial situation, of which the following was

the sixth :

When India is in ii noi-ni.-il condition, i. i., wlnin tiic.r«! is no al)nurin;il (ii-inand i'or

any of her Htsiples, and hIio in not, l)onowin;^ large HUins from abroad, the aniount of

treasure to settle her accounts with the world is not considerabh?, an<l of the treasure

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received a substantial proportion has always been gold. The large imports into India

since 1850 are dne to abnormal circumstances, as follows:

1. The Crimean war transferred to India large demands for produce theretofore ob-

tained from Russia.

2. The American civil war exaggerated temporarily the value of Indian cotton.

3. Great sums of money have been borrowed for —

a. The suppression of the mutiny.

b. The construction of railroads (guaranteed and state) and canals.

c. The Bengal famine.

This resolution entirely ignores the general and real cause which makes

India a constant importer of the precious metals, which is that it has

substantially no mines, and especially it ignores the plain and almost

exclusive cause of the " large imports into India since 1850 " of the ])recious

metals, which is their extrao rdinary production since 1850 in California,

Australia, and, more lately, Nevada. Treating these ^^ large imports^'' as

something altogether " abnormal,^'' it attempts to explain them by '■''ab-

normal circumstances,^'' and assigns the chief place among these '■'•cir-

cumstances " to the foreign loans of India, whereas it is entirely clear,

and established by ample experience that no nation ever did, or ever can

increase the amount of its metallic money by foreign loans.

In the twenty-seven years from 1849 to 1875, both inclusive, the bal-

ance of the metallic imports of India over exports, taking its trade with

England and all the rest of the world together, was $1,322,941,1^5, one-

third gold and two-thirds silver.

During the same period the total gold and silver production of the

world was $4,403,969,754.

The population of India, including the native protected states (so

called), is, by a recent census, 237,000,000, or from one-fourth to one- fifth

of the population of the globe.

It is thus certainly true that if the case is tested by the rule of pop-

ulation alone, India has received something more than its proportion

of the increased metallic supplies since the California discoveries. But

as compared with the average of the world, the wealth, industry, and

development of India entitle it to a larger proportion of the precious

metals than the rule of numbers does, and its people are also uniformly

represented as specially addicted to the use of gold and silver orna-

ments and in hoarding.

Mackenzie, one of the witnesses examined by the British commission

of 1876, said:

In every large village there is a silversmith, and as soon as a man gets a few rupees

he employs the silversmith to come to his house and make the ornaments. Although

the peasantry in India have poor houses, yet the amount of ornaments they have

would exceed in value the furniture and utensils of the same class of peasantry in

England.

That the treasure received by India from 1849 to 1875 did not over-

stock it is proved by the fact that, although silver has risen very

greatly in value and purchasing power within four years, or, in other

words, is more costly to obtain than it was four yeass ago, the demand

of India for it, and the purchases of it made by India during the year

1876, and so far in 1877, are beyond the average of the preceding twenty-

seven years.

Whether India will absorb as much treasure in twenty-seven years,

beginning with 1876, as in the twenty-seven years ending in 1875, will

be influenced in no degree by any of the considerations referred to

either by the London Economist or the India Government.

It will be determined primarily by the amount of the aggregate metal-

lic production of the world during the current twenty-seven j^ears.

In 1832 the flow of the metals to India '■'■almost dried up.'''' That was

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because the Spauisli- American mines had then ^^ almost dried mj>," and

because Europe held on to what little was received from them. The

flow to India commenced again after 1850 in a deeper and broader cur-

rent than ever before That was because the metallic production of the

world had then become greater than ever before.

Two circumstances have increased the proportion received by India

of the total metallic production during- the past twenty seven years :

First. The abandonment by the United States and by the greater

part of Europe since 1850 of the use of metallic money and the substi-

tution of a forced circulation of paper. This, of course, has enabled

India and all other metal-using countries to obtain more of the current

metallic supplies than would otherwise have fallen to their share.

Second. The great progress made in India during recent years in sub-

stituting cash for barter in its internal transactions.

The India government in this enumeration of ^'- abnormaV causes of

India's metallic imports since 1850 overlook both these circumstances.

The British commission of 1876 dwell largely upon the one last named

and present the facts relating to it with great fullness.

Mr. Lee, writing in 1863 {Drain of tSilver to the Uast), said that the

use of coins was even then almost unknown in India outside of the

cities, and he estimated that two thousand million dollars of additional

coined money would be needed to properly supply it. The real popula-

tion of India is now known to be two hundred and thirty-seven mill-

ions, while Mr. Lee's estimate of the coin needed for its wants was

based on an estimated jiopulation of only one hundred and eighty mill-

ions. If the coins are being constantly worked up into ornaments, in the

manner described by Mr. Mackenzie, the required new coinage must be

greater than Mr. Lee's estimate, in some proportion not easy to compute.

The testimony taken by the British commission of 1876 is all to the

effect that large parts of India are still to be supplied with coins.

That commission say :

The facts warrant the conclusion that the use of silver coin has greatly extended iu

India, and ivill continue to extend, not so much by the use of move silver in the territories

already occupied by the existing currency as by the gradual increase of its use in the

remoter parts of India.

Upon the whole, the evidence seems to be that the introduction of

coins into new Indian areas of circulation will continue as active during

the current twenty-seven years as during the past twenty-seven. If

this proves to be so, no circumstance now suggests itself calculated to

diminish hereafter the proportion which India has been taking, since

1849, of the total metallic production of the world, except that suspen-

sions of specie payments elsewhere may not occur upon so extensive a

scale as heretofore. And even if India shall liereafter take a some-

what less proportion of the combined production of the two metals, it

migiit still maintain and increase its absorption of silver. Instead of

importing treasure in the ratio of two parts of silver to one of gold,

the India demand for its money, which is silver, has only to become

more urgent to change the ratio ot silver to three parts out of four or

foui' parts out of five.

There has really been nothing '■Udmormai" in the metallic imports of

India, since 1850, which require<l the India government to cast about

for an ex])lanation in some " abnormal eircumstance." Undoubtedly 1 hey

have been extraordinarily laige, but so have been the total nirtallic

supplies ()t the world during the same period. Comi)aring India with

Great Britian, the excess of metallic imports by the latter since the Cal-

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ifornia discoveries would seem on the face of it to be decidedly the most

extraordinary and ^'- ahnormalJ^

The imports of coin and bullion into Great Britain and Ireland were

not registered at the custom-house before November, 1857. The official

statements can, therefore, only be given for the eighteen years from 1858

to 1875, both inclusive, of the imports and exports of the precious metals.

The figures are as follows :

Imports. Exports.

Gold £331,217,152 £252, l.^ia, 402

Silver 185,858,595 172,555,470

Total 517,075,747 424,708,872

Assuming the same ratio of excess of metallic exports over imports

for the nine years ending with 1857, the excess for the twenty-seven

years ending with 1875 would be £138,550,312, or, taking the pound at

$4.85, would be $768,969,014. During the same period the excess of

metallic imports into India over exports was $1,322,941,155. Consid-

ering that the population of India is seven or eight times greater than

that of Great Britain and Ireland, that India has, since 1848, created

the greater part of its metallic currency by purchasing and coining

silver, while England had only to keep good a metallic currency already

existing in 1848, and that national habits in India favor so large a use

of the metals, especially of silver, for other uses than as money, it is

much more easy to account for the absorption of $1,322,941,155 by India

than the absorption of $768,969,014 by Great Britain. The greater

wealth of Great Britain does not explain an absorption of the precious

metals more than four times as great per capita as that of India, which

these figures show. The use of the metals, either as money or for or-

nament and display, does not necessarily increase with wealth and civi-

lization. France has always had more metallic money per capita tha>n

England, and the evidence seems to be that in all those parts of India in

which the use of money has fully superseded barter, more metallic money

per capita, is used than in England.

It would be a very grave fact, as affecting the future value of the

metals, and especially of silver, if the movement of treasure to India

since 1850 was really abnormal and ought to be principally ascribed to

the negotiation of loans in England. On that view, which is the one

taken by the India government, the movement of treasure to India must

now substantially cease, as these loans are already quite as large as

England deems to be safe, and will be increased only under some such

owerpowering necessity as famine or war. This view is not the correct

one. It is based upon an entire misconception of the history of India

and of Indian financial and trading relations with the rest of the world,

and it involves a theory in respect to the effect of foreign loans which

is contrary to sound reasoning and to experience.

Foreign loans are never ultimately realized in money. They are very

rarely even temporarily and partially so realized, and, when the^ are, the

money so received immediately flows out. It must do so, because it

must raise the prices of the country receiving it, and thereby stimulate

merchandise imports and diminish merchandise exports. The amount

of metallic money a country may receive may be temporarily affected

by accidental circumstances, such as a foreign loan, but the amount it

can permanently retain is fixed by the inflexible rule that it must be

such an amount as is consistent with the range of prices which the

necessary commercial and monetary equilibrium of the world imposes

upon every country having commercial connections with other countries.

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If this range of prices, wliicli is permanently the only possible one, is

temporarily exceeded, money flows out until prices fall to the proper

level, and, if prices go temporarily below this range, money flows in

until they are restored to the proper level. Disregarding all tlieoretical

refinements as to the exact ofifice or offices of money, it is sufficient to

know that tl^ere is a necessary relation between the volume of money

and prices, and that therefore the tendency of i^rices, always at work,

to come to an equilibrium between commercial countries, and which

may be conveniently described as the law of prices, must at last control

the flow and distribution of money.

Disturbing circumstances are of various kinds. Among them have

been the facts that the bulk of the money-metals was procured in

limited localities, or was received by a single country. That these cir-

cumstances only temporarily retarded the eqmible diffusion of the metals,

was shown in the cases which conspicuously arrested the attention of

mankind, of the Spanish American countries which for more than three

centuries furnished nearly the entire metallic supply of the world, and

of Spain, which for a considerable jieriod hirgely monopolized the me-

tallic exports from its colonies. It was soon seen that the Spanish-Ameri-

can countries, which x)roduced the metals, and Si)ain, which principally

received them, only had permanently just enough more metallic money

than they would otherwise have possessed, to set in motion and keep

in motion the current of outflow. Instructed by those exami>les, man-

kind at once anticipated what they have actually witnessed in the

recent cases of Australia and California. Both those regions, no mat-

ter how rich in metallic production, are bound rigorously and inex-

orably to a certain range of metallic prices, any permanent excess

beyond which would cause them to be entirely stripped of money, and,

as their prices must have a certain range, they can have no other volume

of metallic money than such as is consistent with that range.

Another circumstance which may possibly disturb for a time the mone-

tary equilibrium is that of international loans. But ihis equilibrium

speedily recovers from a disturbance, no matter what the cause of the

disturbance may be, and illustrations are innumerable of the fact tliat

countries in the long run acquire no money by borrowing abroad. Ibis

country has been conspicuous for such borrowing since the civil war,

and while these borrowings have been in progress metallic money, in-

stead of flowing into it, has flowed out of it. The case of the Aus-

tralian colonies is similar to that of this country, in the fact of the pos-

session of abundant mines, and their borrowing experience has had the

same results. They are now in the full career of negotiating loans in

England, under the encouragement of English bankers and manufact-

urers, who profit thereby ; but these loans, as in our case, instead of car-

rying money from England to Australia, do not even diminish in the

least degree the contrary flow of it fiom Australia to England. Eussia,

also a mining country, has pushed borrowing abroad since the Crimean

■war to a point seriously menacing its credit, but witli all its foreign

loans, added to the treasures of the Ural and of the Siberian gold wash-

ings, the only money found there is the paper rouble. Nowhere among

all the countries making foreign loans is there ])er('« ived any inward

flow of metallic money, except in the solitary case of India, which of

itself suggests what is otherwise established to be true, that the inward

flow in that case is due to other causes.

If we pass from the borrowing to the lending side in international

transactions we see the same thing in a reversed view. ].( nding nations

never part with any money. England, which has been nuiking loans for

S. lie,]). 703 12

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fifty years, never liad any approximation to tlie ainonnt of money it has

loaned, and possesses as much now as it ever did. Its loans have been,

in substance, mere credits to draw upon in payment for merchandise,

and their net result has been the conversion of English iron, coals,

cotton cloths, and similar things, at round prices and round profits, into

foreign securities. As the borrowing nations obtained no money, and

only swelled their merchandise imports, England parted with no money

and only swelled its exports. The description given by a late Secretary

of the Tr«'asury (Governor Boutwell) of his experience in loan negotia-

tions in England has been often quoted, and is very familiar. He was

politely informed by the Bank of England that the Euglish would be

very happy to take his loans to any desired extent, but it must be on

the condition that he would agree not to take any mouey away from

Loudon.

Therecentestraordinary caseofawar fine of one thousand million dol-

lars imposed by Germany upon France, and all actually paid by France

within a space measured by months, illustrates in its consequences the

sure and speedy operation of the economic laws which restore the mone-

tary equilibrium, however extreme and violent the disturbance of it may

be. The fine was paid, either in actual specie or in bills of exchange

on London and other specie-paying i>oints. France borrowed nothing-

abroad wherewith to make the i)aynjent, and at the end of this vast op-

eration is found to be possessed of as much gold and silver as when the

operation began, while Germany has i)ermanently gained no gold and

silver by it. The money flowed out of Germany as fast as it flowed in, from

the inflation of prices which it produced. France, on the other hand,

has recovered, by increased exports of merchandise, all the money paid

out for the fine, and has actually prospered from the enlargement and

stimulation of the industries which have furnished the means for these

increased exports, which would be the experience of this country if it

would set resolutely about paying ofl" its foreign debts. But, irrespective

of all other aspects of the case, it seems to be clear that, if the monetary

equilibrium between Germany and France was only transiently dis-

turbed by the memorable transaction of the war-fine, it cannot have been

affected between England and India by the loans made at intervals dur-

ing a series of years, which are referred to in the sixth resolution (Sep-

tember, 1876) of the India government.

It will not escape the most casual observation that the increased cotton

export of India and the loans made by England to India did not occur

until the metallic import, of which they are proposed as the explanations,

was already under full headway.

The world was so stocked with cotton by the unprecedented American

crop of 18G0 that it was not until 1862 that Indian cotton exporters

began to profit by the American civil war. The India debt to England,

direct and by way of guarantees of railroad and canal investments, has

grown up principally since 1862, the annual clmrges upon it haviog

swollen from four millions sterling in that year to fifteen millions sterling

in 1876, In fact, in the eight years after April 30, 1849, India incurred

no direct debt in England, and in the same eight years the total of its

debt, incurred in the shape of railroad and canal guarantees, was

only £7,406,240. Manifestly, the sudden rise of In<lian metallic im-

I)orts to £70,721,378 in the decade after April 30, 1849, compared with

£20,699,090 during the preceding decade, cannot be explained by the

circumstances recited by the India government. It has been said that

coming events cast their shadows before, but it has never been said that

coming events can be preceded by their consequences.

FLOW OF SILVER TO THE EAST. 179

To whatever exteut, great or small, ludia may profit by better mar-

kets while Eussia is engaged in war, it certainly cannot be described

as an extraordinary tact that Eussia was so engaged two years out of

the twenty-seven ending with 1875. It will not be extraordinary if it

should be engaged in war during a mvfdh larger part of the current

twenty-seven years. It seems now to be preparing for a war, the dura-

tion and scope of which nobody can foresee. It was said by an old

English philosopher that war was the normal condition of man in a state

of nature. We are further removed Irom that state than we were in

Hobbes's time, and it is to be hoped that the world has since improved.

But it has certainly not improved so much that a condition of war two

years out of twenty-seven can be described as extraordinary and '•'■ ab-

normal," in the case of Eussia, or of any country.

The increased quantity and price of India cotton exports during the

American civil war, and during the subsequent ])eriod of revolution in

the labor system of the Southern States, may doubtless be fiiirly said

to have been extraordinary and ^^ahnormal.," both in the cause and ex-

tent of the fact. But a critical examination of India trade during so

long a period as twenty-seven years would probably show that the profits

to India resulting fr ;m the large cotton sales commencing in 1802, have

been to some extent offset by periods of depression in the prices of the

various exports of India, including cotton, and by periods when India

has been obliged to pny extraordinary prices for some of its imports, as

notably for English coals and iron in and about 1872-'73. Commercial

fluctuations of all kinds are of constant occurrence. Ordinarily, they

balance and compensate each other. It is sufiBcient that we can be sure

that it is not in accidental and temporary circumstances that the true

explanation of an immemorial and constant fact, like that of the in)port

of the precious metals by India, is to be found.

The conditions which determine the flow of the metals to the East and

to India may or may not be as permanent as the configuration of the

American continent which determines the flow of the Gulf Stream.

Their permanency cannot, at any rate, be so certainly known. The facts

of geograidiy are'patent to the eye, while the possibilities of mining are

hidden in the bowels of the earth. There can be no absolute assurance

that ne^v discoveries may not reverse the history of four centuries, and

cause the current of the metals to set from the Old World to the New.

But for that immediate and limited future, beyond which men need not

look in the practical concerns of life, confidence may reasonably remain

unshaken that the metals will still flow as they have flowed without

interruption since the voyages of Columbus, and that their distribution

among the different parts of the Old World will be governed as hereto-

fore, and by the same circumstances of numbers, wealth, industry, tastes,

habits, and the possession or lack of mines.

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THE CONSTITUTIONAL POWERS OF CONGRESS AND THE

STATES IN RESPECT TO METALLIC MONEY.

The provisions of the Constitution of the United States in respect to

money are —

First. The grant to Congress of the two powers, to coin money and

regulate its vahie, and to regulate the value of foreign coins. The coin-

age power is made exclusive in Congress by a prohibition of it to the

States. The regulation of the value of foreign coins is not prohibited

to the States, and it is therefore a power which they may exercise if

Congress does not exercise it.

Second. The provision that "«o State shall make anything hut gold and

coins a tender in payment of debts J^

There being no special grants of power to Congress to establish legal

tenders, or to do anything in respect to "wo^ie^/" except to "com" it,

and the provision above quoted in respect to the States being a recog-

nition that the i)Ower to establish legal tenders was one of their

reserved powers, it was long held tliat this was a " hard-money Gov-

ernment, ''^ and that gold and silver were fixed as the ^^ constitutional

moneyy The argument on this point was the short one that the States

alone had jurisdiction over legal tenders, and that they were expressly

restrained from making ^'■anything but gold and silver coin a tender in

payment of debts. ''^

Thus, Albert Gallatin (in 1831), after quoting the restriction upon the

States, says :

As Cougress lias no authority to make anything whatever a tender in payment of

private debts, it necessarily follows that nothing but gold and silver coin can be made

a legal tender for that purpose.

Mr. Webster (speech in United States Senate, December 21, 1836), pre-

sented the same view more at large, as follows :

Most unquestionably there is no legal tender, and there can beno legal tender in this

country but gold and silver, either the coinage of our own mints or foreign coins, at rates

regulated by Congress. This is a constitutional principle, perfectly plain, and of the

very highest importance. The States are expressly prohibited from making anything

but gold and silver a tender in payment of debts ; and although no such prohibition

is applied to Congress in express terms, yet Congress has no j}Ower granted to it in thit

respect hut to coin money and regulate the value of foreign coins.

The legal tender, therefore, the constitutional standard of value, is established and

cannot be overthrown. I am certainly of opinion that gold and silver, at rates fixed

by Congress, constitute the legal standard of values in this country, and that neither

Congress nor any State has authority to establish any other standard or to displace

this.

The same general views were taken by the United States Supreme

Court in Ogden vs. Saunders (12 Wheaton, 265), and in the opinions of

Jnstices Clifford and Field in the Legal-Tender Cases (12 Wallace).

The final decision of the majority of the United States Supreme Court

in the Legal-Tender Cases (12 Wallace) is so recent and so familiarly

known that any enlarged statement of its character and results is un-

necessary. For the present, it will be sufficient to observe that this de-

cision does not aflfirm the possession by Congress of any general and

substantive authority to create tenders. What it settles is, that special

circumstances may arise, under which it may be ^'•necessary and proper, ^^

within the meaning of those words as used in the Constitution, that Con-

gress, in the execution of its admitted powers, should give the legal-tender

ftmction to paper, no express prohibition in that respect having been

imposed upon Congress. There is nothing in the decision which affirms

a right in Cougress to take away the legal-tender function from gold

and silver coins, which have been money in this country from its first

POWERS OF CONGRESS IN RESPECT TO METALLIC MONEY. 181

settleinent, and which the States are, by the Coustitution of the United

States, expressly authorized to make "a tender in payment of dehtsP

The law of Congress of 18C2, which was under judicial review in the

Legal-Tender Cases, did not assume to take away the legal-tender I'unc-

tiou from either gold or silver. What that law did was to create an addi-

tional tender by giving the function of tender to certain Treasury notes.

This law was passed by Congress and sustained by the Supreme Court,

not upon the ground that Congress had any general authority to create

paper money, but that, in the special circumstajice existing, it might

give the legal tender function to a particular description of paper, as a

" necessary and proper'''' means of executing certain powers, its possession

of which was conceded.

It is believed that a proper consideration of the subject will show that

a power thus obtained by implication to make paper a tender under cer-

tain circumstances, can never be extended to the altogether difl'erent act

of taking away the legal-tender function of gold and silver coins.

GOLD AND SILVER ARE MONEY IN THE UNITED STATES BY THE COM-

MON LAW.

In the Institutes, pages 574 to 579, Coke discusses at large the com

mon law of England on this subject, saying:

No subject can be enforced to take, in buying or selling or other payment, any money

made but only of lawful metal ; that is, of silver or gold.

The money of England is the treasure of England, and nothing ia eaid to be treasure-

trove but gold or silver.

And this is the reason that the law doth give to the King mines of gold or silver,

thereof to make money, and not any other metal which a subject may have, becauee

thereof money cannot be made.

It was by virtue of the English common law, brought here by the En-

glish subjects who founded these States, that gold and silver were money

and lawful tender, down to the time of the ado])tion of the i)resent Fed-

eral Constitution.

A royal proclamation in 17(14, and a confirmatory act of Parliament

in 1707, fixed the rates at which certain specified silver coins should be

current in the American colonies, it being recited in both the proclama-

tion and act that diversities in raliug such coins, injurious to tiade, had

arisen. But this proclamation and act, and all the statutes of the col-

onies fixing the rates at which specified gold and silver coins should i)as8

current, proceed upon the assumed fact and law that gold and silver

were money and a lawful tender.

The common law of England, under which gold and silver were money,

remained unaltered by any actof the British Parliament at the time our

political connection with that country was revered in ]77(), and fur forty

years afterward. Some resi)ectable writers have fallen into the error

that the act of Parliament of 1774 limited the legal-tender cajjacity of

Silver to sums not exceeding- £25. Even Sir Pobert Peel inadt^ t liat mis-

take in his s])eech on the Bank Act in 18-14. What llial act really pre-

scribed, after reciting that the silver coins in use were nuicli reduced

below weight by wear, was, that in sums exceeding £25 they should bo

a teiKh'r, not by tale, but by w<'iglit al tlie niinl-pi ie(^ of sii\-er. Similar

provisions exist now, botli in i'Jngland and the IJnitetl Stales, in respect

to gold coins of light weight. Silver was, therefore, a legal tender in

England and in its colonies, for all sums, and upon an e(|nal fooling

with gold in all respects, down to tlu\*, time when t he sepaiaiion and

iiidejx'ndeiice of these, Ani<'ri<;an colonies were declared aixl mainlain<'d.

In most, if not in all of the States, it has been by virtue of the Ivn-

glish common law, and not by virtue of new statutes, that gold and silver

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coins have beeu mouey and legal tenders since the adoption of the Fed-

eral Constitution.

In the South Carolina case of McClarin vs. Nesbitt (Nott & McCord,

vol. 2, page ol9), the supreme court of that State (1820) say :

The only legal tendei's in this State are gold and silver, and they are so by virtue of

the conmioii law.

At comuiou law (2 Institutes, 577) only gold aud silver were a legal tender. It was

under that common law that after the act (of South Carolina) of February 6, 1752,

forbidding paper, gold and silver became such.

The Federal Constitution does not command the States to make gold

and silver coins a legal tender. Such a command was quite unnecessary.

Gold and silver coins were already a legal tender, and always have been

so in this country by the common law. But the Constitutiou, by pro-

hibiting the States from making any thing else a legal tender, recognizes

the authority of the States to enactand maintain the legal-tender capacity

of such coins.

The power of prescribing other aud additional legal tenders at dis-

cretion had been largely used in giving forced currency to paper by

the States, under the old confederation, as it had been used by them

when they were in the colonial condition, ]>rior to July 4, J77t>. It was

so exercised by them during the Revolutionary war, at the special

instance and request of the Congress of the Confederation, in aid of the

currency known as the continental bills. Their com]>lete possession

of the power to create other tenders than gold and silver coins, until

the present Constitution limited it to gold and silver coins, has not been

questioned. But neither as <\*olonies nor under the Confederation had

ttey ever assumed to take away the legal-tender functions from gold or

silver.

THE STATES NOT ALLOWED TO SELECT EITHER GOLD OR SILVER AS

A SOLE TEXDER.

It seems clear that the States would be within the restriction of the

United States Constitution, in prescribing that gold and silver coins

fabricated by i he United States, or foreign gold and silver coins at values

regulated by Congress, should be legal ten<(ers. But it may be sug-

gested that they would also l)e within the restriction of the United

States Constitution, in prescribing that legal tenders should be only

snch coin'\* when struck from gold, or only such coins when struck from

silver. This would be giving to the word " and" in the restriction a

disjunctive instead of a conjunctive meaning, and as if it had been

written —

No state shall make anything but gold OR silver coin a teuder in payment of del;ts.

Undoubtedly, a disjunctive meaning may be given to the word "and,"

when the necessities of the context and of the surrounding facts require

a disjunctive meaning. But there can be no color for it here, when the

ordinary meaning, which is conjunctive, is exactly adapted to gold and

silver, which couvstituted money, not separately but conjunctively, in

the immemorial practice of mankind, and in law and in fact in this

country at the date of the adoption of the Constitutiou. It cannot be

reasonably sujjposed that either those who framed that instrument, or

the people who ratified it, had any other idea of metallic mouey than

that of the combined mass of gold and silver then universally recog-

nized as such.

Of the many objections to the construction that the States may con-

fine the legal-tender function to either metal, or give it to the two com-

bined, at their pleasure and discretion, it will be sufficient to note the

three following :

(

PO\VEKS OF CONGBESS IN RESPECT TO METALLIC MONEY. 183

1. It involves the wholly iuadmissible proposltiou that either or all of

the States may reject as a teuder one of two metals, both of which Con-

gress is unquestionably authorized to coin as money.

2. On this construction there would be no security that the standard

ot \alue in the United States would be uniform. Some States might

adoi)t gold, others silver, and still others thetwo metals in conjunction.

3. On this construction there would be no stable standard of value in

any of the States, as what they did to-day they could undo to-morrow,

and as a standard of gold is fundamentally different from a standard of

silver, and a siaudard of either of the metals separately is fundamen-

tally different from a staudartl of the two combined.

If the Coustiiutiou is really susceptible of a construction involving

such results, it has certainly failed lamentably to secure that " sound and

uniform currency " which Mr. Webster says was " one of the greatest ends

contemplated in the adoption of it."

On the l!2d of March, 1875, the State of ^ew York led the way in

legislating in respect to the entirely novel departure of demonetizing

silver, which was initiated in the coinage act of February 12, 1873, and

consummated by certain words actually found in the United States Re-

vised Statutes of June, 1874, although having no rightful place there.

The full text of the New York law referred to, including the title, is as

follows:

AN ACT to establish specie payments on all contiaits or obligations payable iu this State in (Uillars

auil luade after Januuiy first, eightten hiindied and stvcuty-uiue.

Section 1. All taxes levied aud continued iu this State ou and alter January lirst,

ejLgtiteeu liuudred aud scseuty-niiie, bhall be colkcled ia j^uld, United States gold-cer-

titicates, oi uatioual-bank notes, v.hitli arc ndeeniable in gold on demand.

Sec. '2. Every contract or obligation, niadeor iiupiied, jiiid pa\al)]ewitliin tbisState,

and made or implied after .January first, eighteen liundred and seventy-nine, aufl pay-

able iu dollars, but not iu a speeitied kind of dollars, shall be pa>able in United Sialea

coiuol Ihoblaudardof Aveight aud laueuesseslabiished by theiawsof the United States

at the lime the conlract or obligation shall have been niade or implied.

This New York law was enacted two months after the passage of au

act of ( 'ongress pioviding for a coin resumi)tion m goUl January 1, 1879,

and it is apparent that the tramers of ihelN'ew York law were disi)osed

to go to every ])ossibio length m sanctioning aud sustaining tlie ])Olicy

of Congress.

Jn jespect to the medium in which New York may require its taxes to

be i)aid there is no limit u\)Ou the sovereign discretion and i)ower of

that State, and this law is both minutely and comprehensively rigorous

in demanding ol the tax-jtayer either "•gold. United States gold-eeriiti-

cates, ornationai-bank notes which are redeemal)le in gold on demand."

When it comes to deal, however, in the second section, with private

debts, express or imi)lied, the word "gold" (lis;ipi)ears ami the word

"coin" takes its ])iace. In the title of the bill ilie vv()rd "goUl" is soit-

ened to the word "spe(!ie." With the aniwns ol the trainer-^of the law,

as disclosed in the first section, it isquite certain that ''gold" disappeared

from the second section, and from the title, under some coeicioii which

was irresistil)le. 'J'his coercion, plainly enough, was tlHM;omman<l ollln'

Constitution of the United States, that "no State shall make an\ thing

but gold AND silver coin a tender in j)ayinent ot debts."

This Is'ew York law is thus a reeognilion, ami noiu^ the less eiiliiled

to weight because forced and unwilling, that the States must give tlic

power of teufler to both the gold and silver coins stnujk under anlhor-

ity of Congress. This duty rests uijon all the States, and will probably

be discharged by most of them without reluclanco.

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DEMONETIZATION.

In the legal-teiuler cases, Olifiord, J., says:

Very stroug doubts are eDtertamed wbctber au act of Congress is absolutely nec-

essary to constitute tbe gold and silver coins of tbe United States, fabricated and

stamped as sucb by tbe proper executive officers of the Mint, a legal tender in pay-

ment of debts. Constituted, as such coins arc by tbe Constitution, the standard of

value, tbe better opinion would seem to be that they become legal tender for that

purpose, if minted of the required weight and fineness.

lu the same cases, Field, J., says :

Money being a standard, its coins or pieces are necessarily a legal tender. The pro-

visions in tbe different coinage acts that tbe coins to be struck shall be snch legal

tender are merely declaratory of their effect when offered in payment, and are not

essential to give them that character.

These are the views of eminent jurists, and no authorities can be cited

for any different views on this subject. They fully cover the ground

that coins "minted of the required weight and fineness" are "neces-

sarily a legal tender," and that they are so not from any law of Congress

but from the provisions of the Constitution. It seems almost super-

fluous to add that Congress cannot take from them a function conferred

by the higher authority of the Constitution.

In the same legal tender cases, Potter, arguendo^ finds still another

basis for the legal-tender power of coins :

Money is, px necessitate, a tender in payment of debts due in money, even if not so

declared by law, just as coals of a specified kind are a lawful tender in discharge of a

contract for coal, and cotton of a contract calling for cotton.

If Congress can demonetize silver, it can demonetize gold, and it can

also demonetize both the metals at one and the same time.

A POWER IN CONGRESS, ARISING BY IMPLICATION, TO CREATE PAPER-

MONEY, CANNOT INCLtTDE A POWER TO DEMONETIZE GOLD OR SIL-

VER.

This question of a congressional demonetization of either of the

precious metals is wholly different from, and in no way involved in,

questions which have been raised or may be raised as to the power of

Congress to create additional tenders by giving a legal-tender capacity to

paper, as a supposed necessary means to execute other expressed powers.

In the Legal-Tender Cases (12 Wallace) the general grounds taken

in the opinions of a majority of the court were, that Congress must neces-

sarily determine in the first instance, subject to judicial review, whatlaws

are necessary to execute its admitted powers ; that Congress had deter-

mined that giving the function of legal- tender to certain paper was indis-

pensable to the execution of its powers to borrow money, raise and equip

armies, and suppress insurrection ; that giving such a function to Treas-

ury-notes was certainly one of the measures appropriate to those ob-

jects ; and that the court did not feel justified in overriding the decision

of Congress that it was a measure necessary for those objects.

The law which was under this judicial consideration neither demon-

etized any existing money, nor did it involve the assertion by Congress

of any general power over the subject of legal-tenders. It involved

only the question whether giving the function of tender to a specified

description of paper was a fairly implied power under the circumstances.

Other questions have been raised in this country, but have not reached

a stage requiring judicial determination, such as that of the power of

Congress to create paper-mouey, as a means of regulating commerce,

collecting taxes, &c. It is not proposed to discuss these questions, but

merely to state the nature of them. For the matter in hand, it need

only be observed :

POWERS OF COXGRESS IX RESPECT TO METALLIC MONEY. 185

1. That DO general authority over legal-tenders is given to Congress

by express grant.

2. That DO such general authority and no general authority of any de-

scription can ever be obtained by implication. The case of an implied

power is always a special case, to be decided on the exact language of

the law in which such power is asserted and exercised and on the ]niT-

ticularcircumstances. In thejudgment of Congress, and of the Supreme

Court, the necessity had arisen from the exigencies of the civil war to

give the legal-tender function to a particular description of paper, in

order to execute certain powers of Congress. This may happen again,

in the opinion of the same authorities, from extraordinary exigencies,

rendering it impracticable to collect taxes, to ])ay public debts, or exe-

cute other powers of Congress in any other way. But in the case which

has happened, what was held to be implied was not a general authority

over tenders, but only the authority to make paper a tender in the ])re-

cise circumstances then existing. And in any future case an implied

power to make paper a tender can never go beyond the special necessi-

ties of such case, and can never be expanded to the proportions of a

general control over tenders.

3. No case has been more familiar in the legal and political discus-

sions of the last half century than that of BanJc vs. McCvJloch (4

"Wheatoii, 316), in which the opinion of the Supreme Court of the United

States was drawn by Chief Justice Marshall. The case arose out of the

claim of the State of Maryland to tax thebusiness and operations within

its territorial limits of the second bank of the United States. Judge

Marshall sustained the implied power of Congress to charter such a bank,

and disallowed the attempted taxation, on the ground that if Maryland

could tax at all, it could tax to the extent of pra<?tical prohibition, and

thereby nullity a power of Congress, decided l)y the cx>urt to exist by a

fair implication. In respect to the powers of the national and State

governments Judge Marshal said:

Thrre is a plain repugnance in conferring on one government aiK)wer to control the

constitutional measnres of another.

This rule is a two-edged swcrd, and Judge Marshall used both edges.

lie would not concede to Maryland the right to destroy by taxatiou a

bnsiu<'^^s and operations which he held that Congress had an implied

power to autboiize ; and, on the other hand, he would not conce(ic to

Congress the light to shield from ^larylund taxation any pioperty

drawn into the business and operations of a fiscal agency created under

a merely mi plied power, which had been and would otherwise have re-

mained subject to such taxati<^u. His conclusion is :

This opinion does not d<iprivo the States of any resources which tlicy orij^inally

possessed. It docs not extend to a tax paid hy the real property of the hiiuk, nor to »

tax on the interest which the citizens of Maryland may havf in the insi ilution.

The principles laid down in Hattlc vs. J/c(7w/ioc7i are recognized in the

legislation which governs the taxation of the jiresent national banks.

The power to create such banks is only an iuj]>lied one, and it isso ex-

ercised as not to impair the right oi the Stalts to impose taxes. The

exi)ress powers of Congress would not he subject to sucii a limitation.

4. The range ot imj)lication, as a source of congressional power, is uu-

doubledly wide. The language of courts defining its limits, although

presunjalily always as j)icciseas the subject admits of, is ollen s«»ine-

what elastic in the possibilities of its meaning. But there is one clear

and intlexible rule governing this kind of ini|)li<Mlion, whieh is laid

down in all the cases and by all the courts and aiitlioiilies. 'flnit rido

k, that no power shall cvt-r be obtained by inix)licaLion which contra-

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venes any expressed language of the ConstitutioD. Under this rule

•Oonj^ress would not be permitted to make paper a legal tender, bnt

would be compelled to find some other means of executing its expressed

powers, it the Constitution imposed upon Congress the prohibition im-

posed upon the States againstmaking anything but gold and silver coins

a tender. And under this same rule no power can ever be implied In

Congress in contravention of the authority to make gold and silver coins

a, tender, which tlie Constitution does by express words recognize as

belonging to the States, and which is the same thing as it the Consti-

tution did by express words grant that authority to the States.

The means which Congress may use, on the ground of being necessary

and proper to the execution of an expressed power, are described by

Kent (Commentaries, 1250) as —

All the lueaus tiiiily applicable to the attainment of the power, and not specially pre-

, eluded by specijitd exuptions.

By Story (Commentaries on the Constitution, 1245) as —

All the niea'is requisite and fairly applicable to the attainment of the end of the

power, vvless they are excepted in the Constitution.

By Marshall (Bank vs. McCuUoch, 4 Wheaton, 316) as —

All the means which are appropriiite, which are plainly adapted to the end, loMcJi

are not prohibited, but consist with the letter and spirit of the Constitution .

It can make no difference whether a proposed act of Congress contra-

venes an express prohil)ition imposed upon it, or whether the effect of

the act is to defeat asi express grant to the States. In either case the

rule is equally applicable that no power can be obtained by Congress

by implication inconsistent with the expressed provisions of the Consti-

tution. It therefore results that the implied power of Congress to give

the legal-tender function to paper under certain circumstauces can never

be so extended as to divest the States of their expressly recognized right

to make gold and silver coins a tender in payment of debts. The choice

ot means is never so narrowed that means cannot be found to execute

the expressed powers of Congress without overstepping expressed lim-

itations.

5. Even if it could be maintained, as it canuot be, that the power to

demonetize gold or silver, which contravenes the exjuess power of the

States to make them legal tender can ever be obtained by implication,

it is not easily conceivable by what species of implication such an act

of mere negation as an enactment that gold or silver shall not be a

tender can be necessary to enable Congress to perform any of the func-

tions devolved upon it by the Constitution. It may be true that apower

can be implied to issue paper in aid of the expressed powers to borrow

money, regulate commerce, declare war. support armies, or collect taxes,

but until someform of paper can be devised not hitherto known superior

in maricet-value to metallic money, it cannot be necessary to the circu-

lation' of paper that metallic money should be demonetized. No such

thing was thought of when the act of February 25, 1862, creating paper

legal-tenders, was enacted. .Soimplication less sweeping than the impli-

cation of a general power to regulate the currency and to control the

question of money in all its aspects will cover the ground of demonetiz-

ing either metal, and such a power as that will cover the ground of de-

monetizing both and establishing any conceivable substitute for them.

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THE POWER OF CONGRESS OVER MONEY AS AFFECTED BY THE DECIS-

ION OF THE LEGAL-TENDER CASES.

Thore must be admitted to be some hazards in makinfir the ooncessioa

which the piecetleiU of tht^ iejval tfiidei- pai)er ol' the civil war, and the

decision of the Supreme Court thereupon, compel to be nnuU^, that exi-

ojencies may arise when it will be ^'•necessary and proper'''' for Congress,

in order to execute its expressed powers, to force the currency of paper

by law. Whatever the hazards may be. there is no escape froui them.

It is, however, irtie that the exigency which existed m tiic onl^ case

which has occurred of the exercise of tliis power, was real, and that the

patriotic moii\ es and high intelligence of those who determined that the

uecesMtA tor it existed are untiuestiouable. Tor the future it will

moderate, if it does not wholly dispel alarms, to remember that senti-

ments of justice and of respect for private righ is are nowhere so strong

in this country as among the masses of the i)eople, and that while they

have often been the victims they have never been the |>erpetrators of

frauds by means of monetary legislation.

Paper money, issued on the ground of being necessary in the execu-

tion of the expressed powers of Congress, cannot altogether escape cer-

tain limitalion^• On the other hand, the demonetization by Congress

of either gold or silver is impossible except upon the theory of the pos-

session by Congress of a general authoiity over money and tenders,

and such authority, if it really exists, is not restricted, as in the case

of the States, by the prohibition that nothing but gold and silver coins

shall be made a tender. If Congress can demonetize silver it can de-

monetize gold, or both gold and silver, and can moneiizeany substanc/e

or any form of paper. i!fariowing money to gold is lor the intended

although really doubtful advantage, of creditors, but they have more to

lose than to gain by affirming a power which can be so easily used in a

difierent direction and to their ruin.

There is no rule of political ethics which either will or ought to re-

strain those who deny the constitutional existence of a power acl ually

exercised by Congress, from exennsing it themselves, if they can. It

would be giving a bounty upon the usurpation of a power to leave the

use and enjoyment ot it exclusively U) those who instigate the usurpa-

tion, and, furthermore, the question of the constitutionality of a ])ow'er

is ended and conchuled for the time being so long as its actual exer-

cise JS an existing fact. 'Jo say that any power is certain in the end to

be used in the inU'rest of the pre|)onderating political forces of the

country, would be to say that the people can be reached only by ap-

}jeals to their seltishness, and are insensible to considerations of justice

and patriotism, which is not true. But it is i<lle to «'xi)ect that men will

not be more solicitous about the protection of their ow n rights, when

they are invaded, than about the rights of the invaders, and it is no

new lesson foi' mankind to leain, that defensive war is never waged

more etliciently thati w hen it is waged ollensively.

FOREIGN COINS. II' CONGRESS DOES NOT REGULATE THEIR VALUE

THE STATJOS MAY REGULATE IT. AND JIAKE THEM A TENDER.

Section 3582 of the U. S. Kevised Statutes is in the following woids:

No foreign gold or wilver coins h1i:i11 lif ;i Ifgal toiulor in jmynmnt oI'dt-litN.

The referent:e in the margin is to the (hii'd section of the act oi" l-'eb-

ruary 21, 1857, entitled "An act relating to foreign coins," ike, which

third section is in the following words:

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All former acts antliorizing the currency of foreif^n gold and silver coins and declar-

ing the same a legal tender in payment of debts are hereby repealed, lint it shall be

the dnty of the Director of The Mint to cause assays to be matle from time to time of

such foreign coins as may be known to our commerce to di termiue their average

weight, fineness, and value, and to embrace in his auuual report a statement thereof.

Subsequently, ou the 3d of March, 1873, iu the first section of "An

act to establish the custom-house valuation of the sovereign," &c., it was

enacted as follows :

The value of foreign coin as expressed in the money of account of the United States

shall be that of the pure metal of such coin of standard value: and the values of the

standard coins in circulation of the various nations of the world shall be estimated

annually by the Director of the Miut, and be proclaimed ou the first day of January

bj' the Secretary of the Treasury.

The foregoing lirst section of the act of March 3, 1873, is embodied

without any change in the Kevised Statutes, of which it constitutes sec-

tion numbered 3564.

Two constructions of the act of February 21, 1857, are possible. One

is, that while it does not expressly prohibit the currency of foreign coins,

its object and its effect were practically to prevent their currency, by are-

peal of all laws regulating- their value. Another is, that it substitutes a

new rule of valuation. All the former laws, which had been very nu-

merous and had been frequently changed, had specified in dollars and

cents the tender value of each and every coin named iu rhem. If the

act of February 21, 1857, had rej)ealed these former laws and then

stopped, no regulation would have remained of the values at which they

should be current. But the act of February 21, 1857, does not stop with

the repeal of former laws, but proceetls to prescribe a new mode of as-

certaining and promulgating the value of foreign coins.

When two constructions of a law are fairly ])ossible, that construction

is to be adopted which will make the law conformable to the duty of

the legislators and bring it within their constitutionar power, while that

construction is to be avoided uuder which the law would be in deroga-

tion of their duty, and })lainly transcend their authority. The power

which Congress has in the premises is very precisely written down iu

the Coustitution. It' is neither to prohibit nor to authorize the circu-

lation of foreign coins, but it is simply to " regulate'''' their value, which

can mean nothing else than to declare authoritatively what their value

is. Colonel Benton (TLirty Years in the Senate, vol. 1, pp. 444, 445)

says:

It was the intention of the Constitution that foreign coins shoTild pass currently as

money; this was the design of the States in conferring upon Congress the power of

regulating the value of these coins ; and all the laws of Congress for preventing the

circulation of foreign coins arc so many breaches of the Const itution. The only power

the Constitution has given to Congress over foreign coins is a power to regulate their

value and to protect them from debasement by counterfeiters. It is ceii^ai»4(pr a most

strange construction of that authority to prohibit their circulation.

Section 3582 of the Eevised Statutes, declaring that foreign coins shall

not be a legal tender, is clearly without support in any constitutional

power of Congress, and is therefore invalid. And, furthermore, it is not

a correct revision of the act of February 21, 1857, referred to in the mar-

gin, because that act contains no prohibition of foreign coins as tenders.

It may be denied that Congress can turn over its power of regulating

the value of foreign coins, to be exercised by the executive oflBcers of the

Mint. Bat, on the other hand, it may be claimed, that, in the first

section- of the act of March 3, 1873, since iucor[>oratcd into the Revised

Statutes, Congress does itself regulate the value of foreign coins by de-

fining with exact precision the rule for regulating it, namely, that the

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value ''^ shall be that of the pure metal of such coin.'''' The operations re-

nuiining to be performed, uamely, those of assayiug and weighing, are

purely executive in their nature.

Upon the whole, the view seems to be the sounder one, in respect to

coins of gold and silver, the value of which is annually proclaimed under

section 3564 of the Revised Statutes, that their value is regulated by

Congress under its constitutional power of regulating it.

On this view, such coins are legal tenders without any special action

in the premises by the States, and, indeed, c uld not be deprived of

their legal-tender capacity by the States. Foreign coins, the value of

which is regulated by Congress, are on the same constitutional footing

with coins struck under the authority of Congress.

But if it shall be held that the annual proclamations of the value of

foreign coins under section 3564 of the Ilevised Statutes are not a proper

and effective exercise of the i^wer of Congress to regulate the value of

foreign coins, the States may themselves, if they shall see fit to do so,

regulate the value of such coins until Congress shall effectively exercise

its power in this regard. The power of regulating the value of foreign

coins possessed by Congress is not an exclusive powei', either by the

terms of the grant or by its intrinsic character. It is not prohibited to

the States, and may therefore be exercised by them, if Congress does

not exercise it.

The authorities on this point are harmonious. They will be found

collated by Chancellor Kent {Commentaries^ vol. 1, page 387, ct seq.),

who deduces and lays down the true rule :

The mere grant of a power to Cougreas does uot imply a prohibitiou ou the States

to exercise the sanio power. Thuy, CoDgress is authorized to establish uniform laws

on the subject of baukruptcy, but the States may pass liankrupt laws, providrd there

be no act of Congress in force establishing a uniform law on that subject. The States

may legislate in the absence of congressional regulations. It is not tlie mere existence

of the power, but its exercise, which is incompatible with the exercise of the same

power by the States.

This has been so held by the Supreme Court of the United States,

in Houston vs. Moore (5 Wheaton, 1), of which case Chancellor Kent

says :

The doctrine of the court was that when Congress exercised its powers upon any

given f«ibject, the States could uot eater upon the same ground and provide for the

same objects.

It is proper to be noted as a part of tlie history of this part of the Con-

stitution, that, under the articles of confederation, Congress possessed

the coinage power, not exclusively, but concurrently with the States,

and did not possess at all the power of regulating the value of foreign

coins. The changes made by the Constitution gave the coinage power

to Congress exclusively, by prohibiting the States from coining, and also

gave to Congress the new power of regulating the value of foreign

coins. The words of the grant of power in the articles of confederal ion

are:

The solo and exclusive right and power of regulating the alloy and value of coin

struck by their own authority, or by that of the States.

Story (Commentaries on the Constitution, 11.17) says:

Under the Confederation, there was no power given to regulate the value of foreign

coin; an omi-ssion which, in a great menHure, would destroy any uuiforinity iu the

value of the foreign coin, since the respective States might, l)y dillnreiit regulations,

create a different value iu each. The Constitution has, with great propriety, curea

this defect.

See, to the same effect. The Federalist, No. 42. As will be noticed,

Judge Story treats the right to make foreign coins a tender as unquos-

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tionably belouj>ing to tbe States, subject to tbe power of Congress to

regulate the value of such coins. There is uo other restriction on it,

and if Congress does not see fit to exercise this reguUiting power, the

right of the States maybe exercised bj' them at their unlimited discre-

tion.

There are many reasons, some of convenience and others of high ex-

pediency, which require the free circulation of foreign coins. The strik-

ing of money is expensive, especially of silver money, and it is a useless

tax, either upon the Government or individuals, to require that coins

issued by mints as reputable and as reliable as our own, should be

recoined at our mints. The managers of our mints compute the actual

cost of silver coinage at one and a half per centum of the value. Their

dealings with customers in the matter of trade-dollars are made on that

basis. Our commerce has always brought the Mexican dollar into this

country in good abundance. No more reliable dollar was ever manu-

factured, and it deserves the world-wide reputation which it enjoys.

Whatever disorders there may have been in other branches of Mexican

administration, the mint of that republic has always been admirably

managed, and still is so. It is a flagrant abuse to subject our citizens

who receive the Mexican dollar in lawful commerce to a loss of one and

a half per centum in the conversion of that dollar into another which is

no better in any respect, and to the additional loss of the time consumed

in the operation. The Mexican dollar was the successor of the old

Spanish dollar in our circulation, and no coin was better approved in

this country when silver was a i)art of the circulation.

The managers of our mint have the natural desire to enlarge its ope-

rations. Personal importance is magnified by such enlargement, and so

is patronage. All official bureaus and departments have the same inter-

est. Even courts are not exempt from this infirmity, as it is one of their

approved maxims that it is the part of a good judge to enlarge his juris-

diction. There can be no doubt that in the history of this Government

there has always been more or less of influence exerted by the officials

of the mint in the direction of compelling an unnecessary and wasteful

recoinage of classes of foreign coins which have been in no degree

improved by recoiuing.

If the States shall enact that the Mexican silver dollar, or any other

foreign coin, gold or silver, shall be a legal-tender at the valuation fixed

in the annual proclamations of the Secretary of the Treasury, such legis-

lation, quacunque via data, must be good. It would be good, although

merely cumnlative and superfluous, if such proclamations are an effectiv'e

exercise of the power of Congress to regulate the value of foreign coins.

And it would be good if such proclamations are not an effective exercise

of the power of Congress, because the States can regulate the value of

foreign coins if Congress does not exercise its power in that respect.

REVISION OF 1874 OF THE LAWS OF THE UNITED STATES.

The Ipws known as the Revised Statutes of the United States were

enacted in bulk in June, 1874, by Congress, under the assurance of the

committee of revision that they were a consolidation of the pre-existing

laws, without any change and without the introduction of an^^ new matter.

Judge Poland, of Vermont, was one of the members of the House com-

mittee on the revision. On the 4th of January, 1876, he had occasion,

in a letter to the Secretary of the Treasury, to discuss the question

whether a certain change in the Revised Statutes changed the custom-

house duty on a particular class of wools. He insisted that, as uo change

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of any kind was intended by Congress, the language of the Revised

Statutes should not be construed so as to make a change, if such a con-

struction could i)0ssibly be avoided. He says iu this letter:

The committee repeatedly and publiclv declared iu the House their purpose uot to

have the revision make any chauge in the law, and in their action on this subject thej"

intended to act with acrnpulous regard to this pletlge to the Honso. \* \* • I under-

stand very well that in the construction of a statQlo its meaning and purpose must be

mainly sonsrht iu its own language, but the history of and concurrent circumstances

attending Fegislalion have ofeeu been considered iu determining the true intent and

meaning of a stiUiite whose language left its object and purpose obscure and doubtful.

So in the construction of any section of the revision, where it becomes a question of

doubt and difficu'ity whether a change of law was intended, the fact I Iwive stated

above — that the committee so ofteu and so publicly declared their purpose to make no

change, and upon which Congress acted — is a matter proper to be considered.

The Congressional Record will show that the statements made by

Judge Poland in this h^^tter of January 4, 1876, as to the assurances

given to the House by its committee on the revision, are entirely cor-

rect. One member of that committee, General Butler, with his accus-

tomed energy of expression, declared to the House that the Revised

Statutes proposed for their approval contained "not one word and not

one letter" of new matter.

Bearing in mind what Congress intended to do, and supposed it was

doing, when it adopted the Revised Statutes in 1874, the inaccuracy of

the revision on page 712, being title xxxix, will become apparent.

Section 8586 of this revision reads as follows :

The silver coins of the United States shall be a legal tender at their nominal value

for any amount not exceeding five dollars in any one payment.

No existing law justified this provision, unless it is the law referred

to in the margin, and which is the 15th section of the coinage act of

February 12, 1873, and is in the following words :

The silver coins of tiie United States shall be a trade-dollar, a half-dollar or tifty-

cent piece, a quarter-dollar or twenty-five-cent piece, a dime or ten-cent piece ; and

the weight of the trade-dollar shall be four hundred and twenty grains troy ; the

weight of the half-dollar shall be twelve grams (granunes) and one-half of a gram

(gramme): the quarter-dollar and the dime shall be, respectively, one-half and one-

fifth of tlie weight of said half-dollar; and said coins shall be a legal tender at their

nominal value for any amount not exceeding live dollars iu any one payment.

Inasmuch as all the provisions of the coinage act of February 12,1873,

•authorizing the striking of the trade-dollar, half-dollar, qnarterdoHar,

and (lime are transferred to, and now form a ])art of, tlie Revised Stat-

utes, a correct revision of the 15th section of the act of February 12,

1873, would have been to prescribe, not that all the silver coins of the

United States, l)ut thnt tlie .silver coins mithorized to be Hirnck hi/ the Re-

vised tStatutes, should be a tender for five dollars and no mori'.. This

wonld have left the law just as it was left by the act of February 12,

1873, which contains no such thing ;rs a sweeping deinoii('tiz:il ion of all

the silver coins aulliorized and struck i)rior to its date, and of all silver

coins which might be authorized by subsequent Congresses. The "said

coins," limited in tlieir t(!nder capacity to five dollars by flic net of I'^cb-

ruary 12, 1873, are precisely described, and they are the (lade (lolliir,

half-dollar, quarter-dollar, and dime. They are all of peculiar weights,

differing from the old standard dollar of four hundred and twelve and

one-half grains. <)n(^ of them, the tjade-doffiar, was wholly new (o our

legislation, and was intendetl exchisivtily for export fo the lOast. The.

Others corresponde<l very nearly to the underweighted coins authorized

twenty years before, an<l which Iiad nevei- been a tender for more llian

five dollars. The act of iM'.briuny 12, 187.">, did not re(lue»' to live dol-

lars the tender capacity of the old standard dollars which might still be

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in existence, or of the silver coins of a less denomination of one dollar

whicU were struck iirior to 1853 and were of fnll weight, and great num-

bers of which still exist and have re- appeared in actual circulation within

the past year.

It is true that the striking of any other silver coins than those enu-

merated in the 15th section of the act of February 12, 1873, is prohibited

by the comprehensive language of the 17th section, which reads as fol-

lows:

No coins, either of gold, silver, or minor coinage, nhall hereafter be issued from the

mint other than those of the denominations, standards, or weights herein set forth.

But what one Congress does another Congress may undo, and it has

frequently happened that laws are altered by the same Congress which

enacted them. The reason actually assigned in 1873 for dropping the

coinage of the old standard dollar was that, in the then market relation

of the two precious metals, it was worth 103 cents in gold, and therefore

could not be kept in circulation. But the market relation of the metals

might change, and has in fact changed. The views prevailing in Con-

gress might also change, as they have often changed in times past, as to

the coins they would authorize.

If any Congress, subsequent to 1873, authorized the striking of the

old standard dollar, the full tender capacity of such dollar would not be

affected by the 15th section of the act of February 21, 1873, which

applies only to the •' said coins " enumerated in it. But such a dollar,

if authorized after June, 1874, would be, by the Kevised Statutes, re-

duced to a tender capacity of five dollars.

The variance is vital, between the 15th section of the act of February

21, 1873, and section 3586 of the Kevised Statutes. The 15th section

(1873) limits the tender of four specified silver coins, differing in weight

of silver from the old standard dollar. Section 3586 (1874) limits the

tender of all silver coins, present, past, and future. It applies not only

to the four silver coin's then authorized, but to all the silver coins which

had been struck prior to 1873, and many of which in actual existence

were full legal tenders, notwithstanding the act of February 21, 1873.

And it will apply, by J^gal construction, to all silver coins hereafter

authorized by Congress, and not specially excepted from its operation.

Section 3584 of title xxxix of the Eevised Statutes is as follows:

No foreign gold or silver coins shall be a legal tender in payment of debts.

. As already stated, it appears from the marginal reference that this is

claimed to be a revision of the 3d section of an act passed February 21,

1857, relating to foreign coins. And, as already shown, whatever may

have been the practical efifect of that act, or whatever may have been

the object of its framers, it contains no such language as that "wo

foreign gold or silver coins shall he a legal tender in payment of debts, ^'^ nor

any approximation to such language. What it does is to repeal " all

former acts authorizing the currency of foreign gold or silver coins, and

declaring the same a tender in payments of debts," which left the case

precisely as if Congress had never legislated on the subject at all, unless

subsequent clauses of the act are construed to prescribe a new regulation

of the value at which foreign coins may be current. In no part of it, and

by no possible construction, does the act prohibit the currency of foreign

coins, or declare that they shall not bii " a legal tender in payment of

debts^

The duty of revisers and consolidators of laws in such a case seems

to be very plain. It is simply to leave out of the revision the laws

which are repealed. Indeed, there is nothing left to be revised. What

the effect may be of the non-existence of any law of Congress " author.

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izing the currency of foreign gold or silver coins," whether because no

such law was ever enacted, or because all such laws may have been

rei)ea]ed, is a question with which revisers have no i)roi)er concern.

But in this case they have gratuitously and most strangely assumed

that to repeal laws which fixed particular rates at which foreign coins

should have currency, is the same thing as prohibiting their currency.

One erroneous revision, tending to effect a particular object, may

excite only a suspicion that the error arose from design and not inad-

vertence. But two erroneous revisions, both tending to effect the same

object, change the suspicion into an almost conclusive conviction.

When to a surreptitious introduction into the Revised Statutes of

words demonetizing all the silver coins of the United States, is added

the surreptitious introduction of words prohibiting the currency of

foreign silver coins, the design being masked against casual observation

by the generality of a prohibition of the currency of foreign coins, both

gold and silver, it is impossible to doubt that the laws of the country

had been tampered with. Who the perpetrators of this crime were, is

not likely ever to be satisfactorily known. It is by no means certain

that tbey were the persons officially connected with the revision. The

artful suggestions which mislead those who draught laws often come

from outside and unsuspected parties.

It may be said, in respect to these criticisms upon the revision to be

found in title xxxix, that even if well justified they are without i)racti-

cal importance, because the Revised Statutes must be interpreted and

enforced according to the language actually found in them. But when

the question of the constitutionality of any part of the Revised Statutes

is ])resented for judicial decision, it will be found to make the greatest

possible practical difference, whether such part was adopted knowingly

and intentionally by Congress, and truly represents its will, or crept

into the law through the blundering or design of clerks, committees,

copyists, revisers, enrollers, or other j)ersons. Courts uniformly declare

that a proper deference to the law-making power requires them to pre-

sume that laws are constitutional unless the contrary plainly appears.

They regard the setting aside of laws on the ground of unconstitu-

tionality as involving a grave and weightyresponsibility, to be assumed

. only after cautious consideration. Courts would regard in a very differ-

ent light any sections of the Revised Statutes which i)rovcd, upon ex-

amination, to be not revisions, but perversions of the laws. And if

such perversions, whether the result of ignorance or design, are also

'^ breaches of the Constitution^^'' SlB the section prohibiting tlu- currency of

.foreign coins maniiestly is, the courts, which pronounce tlu-m to be ho,

will not overrule any decision of Congress, but will protect tliai body

against what is really an invasion of its authority.

It may turn out that the courts may be able, by a courageous use of

the resources of construction, to interpret section 3586 of the Revised

Statutes as confined to the particular silver coins, to the striking of

which the Revised Statutes restrict the Mint. Such a construction

would make the section what it ought to be, by nuikiiig it conformable

to the act of February 12, 1873, relerred to in the margin of it, and of

•which it should be a transcript without change of substance.

THE STATES CAN MAKE ANY GOLD OE SILVER COINS OF THE UNITED

STATES LEGAL TJ:NDEE FOR ALL SUMS.

It is sometimes said that the States cannot give the capacity of full

legal tender to the silver coins, the striking of which is authorized by

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the present laws of the United States, because they are under weighted,

with the exception of the trade-dollar, which is intended exclusively

for foreign purposes. To this two answers may be made, either of them

suflQcient.

There is no standard silver dollar authorized by law, or any other

standard, by comparison with which the present half-dollars, quarter-

dolhirs, and dimes can be said to be under- weighted, and in no sense

whatever are thej^ under- weighted.

Taking the weights of these silver coins and the weights of the gold

coins as now prescribed, the relation between gold and silver is 14.!>5 to

1, which varies very little from the relation of 15 to I fixed by Mr. Ham-

ilton in 1792. At the present market relation of silver to gold, the re-

lation of 14.95 undoubtedly overvalues silver; but the present market

relation is admitted to be abnormal. In the opinion of many well-

informed persons, the paramount and controlling tendencies, founded

upon the facts of mining, are toward an appreciation of silver. But,

however that may turn out, the right of Congress to establish the rela-

tions of 14.95 to 1, or any other relation, is unquestioned and unques-

tionable.

But if the half-dollars, quarter-dollars, and dimes are now under-

weighted, or if they shall become so hereafter, by the striking of a silver

dollar ot a different proportional weight, the right of the States to make

them a tender for all sums is not and will not be affected. Whatever

their weight may be, they will be silver coins of the United States, and

it is a scandalous and altogether inadmissible supposition that the Gov-

ernment of this country will ever issue coins for the purposes of profit,

the equality of which in market-value with all other coins it does not

adequately secure, by limitation of quantity, redemption in other coins,

receivabilitj for taxes, or some other effective method. No government

in Europe issues any such fradulent coins, or would dare to do it. It

is in small silver coins that the wages of labor are paid, and it is not to

be assumed as possible that the Government of this country will ever

issue such coins without maintaining their full value. If such a thing

is possible, and shall actually occur, it may be a question whether it

would not then become the special duty, as well as right of the States,

to preserve such coins from discredit and depreciation by making them

a full legal tender.

LEGISLATION IN EUROPE AND THE UNITED STATES IN RE-

LATION TO SUBSIDIARY SILVER COINS MINTED BELOW

WEIGHT OR STANDARD.

Silver was adopted January 24, 1857, as the exclusive standard by all

the German states, then including Austria. This was done by what is

called the Vienna Coin Convention. Thi.s convention provided also for

a subsidiary silver coinage, to be a tender for an amount not exceeding

the value of the smallest coin of full weight and standard issued by the

states respectively, and each state was bound to redeem these subsid-

iary coins in other coins of full weight and standard and having the

capacity of unlimited legal tender.

In Spain, by a royal decree of October 19, 1868, a subsidiary silver

coinage was provided y^^q fine, the Spanish standard being, like the

French, nine-tenths fine. These subsidiary coins were made a tender

for not exceeding fifty pesetas (about $9.30). But the decree adds that

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"the state, lioicecer, mil receive them from the taxpayers withoiit limita-

tion.^^

TLe subsidiary silver coiuage of France, Italy, Belgium, and Switzer-

land, coDstitutiugtbeLatinUuiou,isregulated by tliecouvention between

them of December 25, 1865. It is not under-weighted, but is below stand-

ard, being i^y-Q^o line.wbereas the standard of those countries is nine tenths

fine. It is made a legal tender to an amount not exceeding hfty francs

but only to the citizens of the country issuing it. This coiuage of each

country is made receivable for taxes in all the countries comiirising the

Latin Union for any amount not exceeding one hundred francs; but in

the country Issuing it this receivability is " without limitation of quan-

tity.^^ And each country isobliged to redeem its subsidiary coins in coins

of full standard, when presented in sums not less than one hun'dred f raiics,

by either the governments or citizens of the other countries. The last

provision remains in force for two years after the convention exi)ires.

The silver and other minor coins of Germany, which are tenders for

only small sums under the new monetary regime of the single gold

standard, are regulated by the law of July 16, 1873, article 9 of which

directs that the silver coins shall be received at the treasuries of all

the states and of the em])ire for all sums, and further (hrects that the

Federal Council shall designate jiublic treasuries where redemption

shall be made in gold of silver coins when presented in sums not less

than 200 marks (about $50), and of nickel and coi)per coins whun pre-

sented in sums not less than fifty marks. Article 10 directs that pieces

of silver, nickel, and cojjper reduced by wear below weight shall be

accepted for taxes at their nominal value at all public treasuries and

be retired from circulation, and that the loss shall be borne by the

em])ire.

The law of Holland of 1875, providing (among other things) for sub-

sidiary silver coins to be a tender for twenty florins (about $8), makes

them receivable in any amount for all taxes. And it also j)rovides that

such coins, when presented in sums not less than fifty florins, and bronze

coins when presented in sums not less than five florins, shall be re-

deemed by the government in gold, or in such silver coins as have the

capacity of full legal tender.

The adoption of the single gold standard by the Scandinavian states,

and the issue of silver coins as a tender for small sums, was arranged

by a monetary treaty (December 18, 1872) between Sweden and Den-

mark, and by a law (June 1, 1873) of Norway. In both the treaty and

the law it is provided that these coins shall be received for all taxes

until they are so much worn that it cannot be seen by what country

they are issued, and that they shall be redeemed in gold, when i)resented

in any sum divisible by ten crowns. And this last provision is made

also in respect to the bronze coins.

The British law of 1816, establishing the single standard of gold, but

authorizing silver coin as a tender for forty shillings ($!>.72), had the

peculiarity that it did not restrict this subsidiary silver coinage to the

government. Any owner of silver sufficient to make sixty-two shillings

on the relation between gold and silver as existing in England since 1717

could have it coined, but the mint struck from it sixty-six .shillings, of

which it retained lour for all charges and as a profit, and deli xcred sixty-

two to the depositor. The security against an oversupi)ly of subsid-

iary coins was, that silver would not l)e brought to the mint if sixt>' two

coined shillings were less valuable in the market than silver enough to

have been coined into sixty-six shillings.

Undoubtedly this did adequately secure an equality of market value

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between sixty-two coined silver shillings and a weight of silver bullion

sufficient for sixty-six such shillings. And it also adequately secured

an equality of market- value between twenty coined silver shillings and

a sovereign, or a pound sterling in gold, so long as silver did not depre-

ciate sensibly in the market below the relation of silver to gold estab-

lished by the British mint regulations.

The British coinage act of 1870 does not contain the provision of the

act of 1816, which authorized anybody to carry silver to the mint for

coinage. The practice under the act of 1870 has been the same, how-

ever, as it had been during many years previously, all the dealings with

the mint for the coinage of both gold and silver, for the supply of En-

gland, being carried on by the Bank of England. If its stock of silver

coins accumulates, it ceases to procure their further coinage until the

current changes and a declining stock threaten a scarcity. The same

office is performed for Scotland and Ireland by the banks of those parts

of the British Empire. An examination of the annual reports of the

master of the mint, for several years before as well as after 1870, shows

no deliveries of silver coin outside of the Bank of England and the

Irish and Scotch banks, except small sums for the military chests of

troops stationed elsewhere than in the United Kingdom, and occasion-

ally for the supply of the governments of those colonies which have no

mints.

Neither the act of 1816 nor that of 1870 provides for the redemption

in gold, or receivability for taxes, of the silver coinage. But neither

act prohibits or limits such receivability in any branch of the revenue,

nor is any such prohibition or limitation supposed to be enforced in

practice. The Bank of England, which is the principal depository of

government funds, can have no reason for declining to receive silver

coins, when it is constantly purchasing them at the mint at full prices.

The European precedents seem to be uniform, therefore, in favor of

the policy of securing an actual equality of market- value between sub-

sidiaiy silver coins deficient in weight or standard and other coins. It

is not believed that there is any case in Europe in which a government

issuing coin has repudiated and discredited it by refusing to receive it

for any debt or tax of any description.

The precedents in this country are the same way, with a single un-

important and very temporary exception, that of the silver three-cent

piece as it was originally coined, three fourths fine, under the act of

March 3, 1851. The act of August 31, 1852, prohibiting the receipt for

government dues of coins below the regular standard of nine-tenths fine,

would apply to the three cent piece as originally coined, but ceased to

be applicable after March 3, 1853, when that coin was directed to be

struck of the full standard.

The silver coinage under the act of February 21, 1853, being of full

standard, although under weight, did not come within the prohibition

of the act of August 31, 1852, nor does the silver coinage issued under

the laws as codified in the Eevised Statutes of 1874.

The same policy, of securing to small money an equality of relative

value with large money, governed the legislation of this country in re-

spect to the paper issues of the period of the civil war. It is true that

those who then controlled public affairs established two moneys, but

they did not establish one money for small transactions and another

money for large transactions. They established two moneys for differ-

ent classes of debts, with no reference to their magnitude. All ordinary

persons were compelled to receive paper for their debts, however large,

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while boudboklers were promised and secured payment in coin of the

interest on their bonds, however small the amount might be.

In the i)aper issues there was a fractional currency, but this had se-

cured to it an equality of relative value with paper of the highest

denominations, by redemption in such paper.

This provision made the fractional paper currency, although not a

legal tender for any sum, great or small, actually- equal in market-value

and current acceptability to the greenback.

Tbe theory of this legislation, thus uniform in Europe and the United

States, manifestly is, that the money in which wages are paid and retail

transactions are carried on should be practically interchangeable with-

out discount, with money of the largest denominations. An inferior

currency for small transactions, and a superior currency for large trans-

actions, would subject laborers to constant loss, not merely in the pay-

ment of such debts as could not be discharged in the inferior currency,

but in all their ordinary ])urchases. Goods bought at wholesale, and

therefore with the superior currency, could not be retailed for the infe-

rior currency without such an addition to their price as would cover the

difference of the two currencies.

Tender for private debts, and receivability for taxes and other duties

to the United States, are things entirely distinct and independent of

each other. Special laws have always defined exactly and specifically

what the United States would receive. The existing laws, as consoli-

dated in the Eevised Statutes, do so. There are no limits upon the dis-

cretion of Congress in the enactment of such laws, except that they

must observe the rule of uniformity as respects persons and localities.

Any kind of money might be refused, and taxes collected in kind, in

cases admitting of that mode of collection. The Treasury notes issued

under the act of February 25, 1862, are a learal tender for private debts

of every description and for all amounts, but they are not receivable

for import duties. The fractional paper currency is not a tender for any

amount, nor are national-bank notes, but under acts of Congress they

are receivable in certain branches of the public revenue, this receiva-

bility being limited, in the case of the fractional currency, to a specified

sum. The whole history of legislation in the United States shows that

questions of tender for private debts and of receivability for taxes

have no connection with each other.

The existing laws which control the kind of moneys to be received for

the several descriptions of dues to the United States are as follows:

Section 962 of the Revised Statutes prescribes that in suits for the

recovery of custom-house duties the judgments obtained shall be '"'•pay-

able in the coin by law receivable for duties."

Section 1746 is in the following words:

All fi'.CH collected by dijtloinatic and coiiHiilur ofBcors for and in behalf of the United

States shall be collected in the coin of the United States, or at its representative

value in exchange.

Section 3009 is in the following words :

All duties upon imports shall be collected in ready money, and shall be ])uid in coin,

or in United States notes payable on demand, authorized tolm issued prior to the 'J.^th

day of February, 1862, and by law receivable in payment of public dues.

Section 3473 is in the following words:

All duties on imi)orts shall bejjaidin H<>hl and silver coin only, or in demand Trras-

ury notes, issued under the authority of the acts of .July 17, IHil, chaptc^r live, and

February 12, 1H()2, chaitter twoTity ; an<l all taxes and ail other (b'l)ts and denKiiids

other than «luties on imports, aceniint^ or beeominfi due to the United States, shall be

paid in gold and silver coin. Treasury notes, United States notes, or notes ot national

banks.

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Section 3474 is iu the followiug words :

No gold or silver other thiiu coin of standard fineness of the United States shall be

receivable in i)ayiuent of dnes to the United States, except as provided in section i;306,

title Public Lands, and iu section 3567, title Coinaj^e, Weights, and Measures.

Sectiou 2366, referred to iu section 3474, provides as follows :

The jiold coins of Great Britaiu and other foreijiju coins shall be received in all pay-

ments on account of public lands, at the value estimated annually by the Director of

tbe Mint, and proclaimed by the Secretary of the Treasury in accordance with the

pivvisions of section 35H4.

Section 3567, referred to in section 3474, fixes the special rates at

which the quarters, eighths, and sixteenths of tbe Spanish and Mexican

silver dollars shall be received at the post-offices and land-offices.

In the margin of section 3474, reference is made to the second section

of an act making general appropriations for civil purposes, approved

August 31, 1852. The words of the sectiou referred to are as follows:

No gold or silver other than coin of standard fineness of the United States, or for-

eign coin in the manner prescribed by existing laws, shall be receivable in payment

of dues to the United States.

It seems clear that all the silver coins now authorized to be struck at

the mints are receivable for all dues to the United States. They are of

^^ sta7rdard fineness," as required by section 3474 of the Revised Statutes,

which is a revision, in that respect, of the act of August 31, 1852.

Precisely the same language, which is the only legal warrant for re-

ceiving them for "all taxes and all oilier debts and demanfls other than

duties 07i imports, ^^ makes them receivable for "all duties on imports,''^

and if their receivability is i^rohibited or limited in respect to customs-

dues it must be prohibited or equally limited in respect to all dues.

It may be true that the receiving of subsidiary silver coins at the

custom-houses would carry them to so near a parity with gold as to

render it impossible to keep them in use as a fractional money, so long

as the actual currency of the country consists of legal-tender paper.

That consideration, however, has nothing to do with the construction

of existing laws, but addresses itself to those who have the power to

make new laws.

It is said that eflbrrs are being made to induce the Treasury Depart-

ment to hold that, under existing laws, subsidiary silver coins are not

receivable at all at the custom house, and that for other taxes and dues

to the United States they are receivable only to the extent of five dol-

lars in any one i)ayment.

It is not easy to conjecture upon what view of the meaning of words

in existing laws either of these i^roposed constructions is possible. It

is less difficult to foresee what their effect would be if they should be

adopted.

To refuse the subsidiary silver coins at the custom houses would pre-

vent their attaining a parity of market value with gold.

To restrict their receivability for taxes and dues which are payable iu

greenbacks to five dollars in any one i)ayment would tend to depreciate

them below the greenback, inasmuch as there is no such provision

for their redemption in greenbacks as there was and is in respect to

the fractional paper currency. The extent of their depreciation, down

to the limit of the bullion-value, would depend upon the amount issued,

as that may be regulated, and changed from time to time, by la\> s, or by

executive constructions of law. There would thus be substituted for the

fractional i)aper money underweighted and overvalued silver coins,

discredited by the Government issuing them, and exposed to the danger

of serious depreciation. The profit resulting from their issue is a con-

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stant teuiptatiou to euhiiging the auioiiut issued, aud the checks of

receivabilitj for taxes or of redemption will not exist. There is cer-

fcaiuly no ])recedent for such a i)olic-y of lowering the value of the money

of all the smaller transactions ol life to be found m the past history of

legislation in this country, or in the i)ractices of the civilized govern-

ments of Europe. The poor are entitled to as good money as the rich,

although they ma.y have less of it, and no laborer should be compellecl

to receive his wages in anything which will not, by some conversion in

the market without loss, pay off the mortgage on his house, or any other

debt which he ma^ owe^^ and which does not have as great a iiurchasing

power, dollar for dollar, as the money of other classes in the community.

The losses will not be confined to laborers, although they will bear the

larger part of it. Eetail dealers in merchandise can indemnify them-

selves against inferior money by higher prices, but there arc many re-

ceipts, in the nature of fixed charges, where that s[)ecies of indenmifi-

cation is not practicable. In such cases, the receiving j)arty must bear

the loss. He will submit to it if he must, but if his position is an inde-

pendent one, he will reject the money altogether; and every such rejec-

tion increases its depreciation.

The objection is to investing any form of subsidiary paper or coined

money with the legal-tender function for the small sums in which

wages are paid and in which retail transactions are made, without in

bome way keeping it on an equal })lane of value and currency accei)ta-

bility with the money which may be the full tender in actual use. Such

a system desjioils laboring men by a sure although nisidious process.

The fractional money which they necessarily receive in payment of their

wages will not, under such a system, pay the large debts which they may

owe, except at a discount, and while it is nominally re(!eived at jiar in

the small purchases which they make, prices areand must be raised upon

them, which is practically the same thing as obliging them to part with

their money at a discount.

Eefusing to receive the subsidiary silver coins at custom-houses is

not open to this objection. Such a measure would, tend to deprive them

of a parity of market-value with gold, but although a full tender, gold

is not in actual use as such, there being another full tender which is

more available. But the objection does lie against refusing or restrict-

ing their use in discharging any taxes or dues to the United States,

which may be discharged by the United States notes which constitute

the money in actual use.

Whether the legal-tender function ought to be given to debased or

under- weighted silver coins, and whether, if given at all, it should be

limited to any particular sum, and, if so, to what sum, are (|uestions

which have been very little discussed in this country. Adel)ase<l sdver

three-cent piece was authorized March 3, 1851, but th<' striking of <le-

based, or under-weighted, silver coins, on any scale to attract attenlion,

was first authorized by the act of T'ebruary lil, l.sn,'{, \vlii<;Ii was lraiiie(l

by the Finance Committee of the United States Senate. The ac(;om-

panying report ol' the ciiairman of that committee, Mr. lluiiler, of \'ir-

ginia, which is elaborate and signally able, was mainly conlined to an

exposition of the mischiefs of a single standard of either gold or silver.

The practical difficulty existing al, the time was the iMCMiiiiirii on silver

as measured in gold. The obvious expedients to kiM'p silver cdins lioin

the melting-pot and from exportation, and to retain them in the homo

circulation, were, either to (lebast; thein or strike tiiem below \vei;^!it,

the latter exi)etlient being the one actually a(lo|)te(l. '^^fhe prov isiou

making them a tender for small sums, and lor small sums only, seems

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to have been adopted from tbe English precedent with very little con-

sideration, and especially without attention to the circumstance that

gold was the exclusive standartl in England, and that silver was on no

better footing there than copper, whereas here it had the same rank as

gold.

It is plain enough that the argument of necessity for giving the legal-

tender function to uuderweighted silver coins, can go no further than to

justify giving them that function for sums below the denomination of

the smallest full-weighted coin. That was the principle which regulated

the old English royal i)roclamations making copper coins a tender, but

only for sums below the smallest English silver coin, which was a six-

pence. And it is the principle which governed the Vienna coin conven-

tion of 1857.

Since 1862, this country has had a long experience with a fractional

paper currency, which answered perfectly well all the purposes of such

a currency without being made a legal tender for any sum. It did so

by being kept always equal in market value with the full-tender United

States notes by redeemability in such notes. It is probable that an

equal receivability for taxes would have accomplished the same result

without redemi)tion.

It being the practice of governments to control the issue of subsidiary

coins, deficient in weight or standard, receivability for taxes seems to be

a sufficient check against overissues. If the channels of circulation of

that class of coins are overcharged with them, the excess will return to

the public chest in the revenue receipts. There will be an ebb and flow

with the fluctuations of trade and business activity, but the limits of the

ebb and flow will not be inconveniently great.

But while the fractional paper currency was entirely acceptable by

reason of its redemption in full-tender United States notes, without be-

ing itself a tender for any sum, it is not apparent that any evils would

have resulted if it had been made a tender for limited sums, or even for

all sums.

THE TRADE-DOLLAR.

In December, 1876. Dr. Linderman, Director of the United States

Mint, invited, from the presidents of certain banks in San Francisco,

facts and opinions in respect to the utility to commerce with China of

the trade-dollars, which are called "Trades" on the Pacific coast.

Louis McClaue, president of the Nevada Bank of San Francisco,

replied, December 28, 1876, as follows :

They have the advantage of being legal tender in Foo-Chow, Saigon, Singapore, and

Hong-Kong, and also are received in payment of customs duties at the three tirst-named

ports, and at Canton. Have heretofore been weighed at Hong-Kong. Will be taken

by count after the Ist proximo for sixty days as an experiment, probably as an enter-

ing wedge to its permanent adoption as a legal tender by count.

D. O. Mills, president of the Bank of California, replied, December 11,

1876 :

We understand the trade dollar to be a legal tender at Canton, but at the other ports

it passes as an ingot of silvtr, according to ito weight and fineness.

Our experience shows that the Chinese merchants give preference to the trade-dollara

over drafts on China payable in local currency.

F. F. Low, president of the Anglo-California Bank, replied, December

12, 1876, that in China silver bullion, usually called sycee, is cast into

ingots by the bankers and melters, each port having its peculiar stand-

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ard or touch; that such ingots are current according to the weight of

pure silver in them ; that this weight is expressed in taels (the tcLel

tieing about one ounce), and that the exact weight of the tael varies in

the different ports. Mr. Low says further :

Spanish dollars fonml their way into China when foreign trade commenced, and by

nsance became known to the people in all the maritime provinces. Their uniform

weight and fineness soon fixed their value, as compared with the tael, and (they) were

for many years almost exclusively used in settlement of purchases of tea and silk made

for foreign merchants.

Subsequently Mexican dollars were introduced, and in course of time practically

supplanted the Spanish dollar. Recently the trade-dollar of American coinage haa

been introduced. This coin was received with hesitation at first, but upon repeated

tests of its weight and fineness being made, its intrinsic value became fixed, and at the

present time it is received with great favor at the ports of Canton, Swatow, Amoy, and

Foo-Chow. Indeed, so reliable hasthis coin proven, that the viceroys of the provinces

of Kwang-tung and Fokien (in which the four ports above mentioned are situated)

have ordered that they be received in payment of customs duties, at their standard

value, as compared with the tael. At Hong-Kong they have been current at a pre-

mium over the local bank-paper currency, nearly or quite equal to that ruling for

Mexican dollars.

The ignorance of the i)eople regarding everything of a foreign origin makes them

suspicious ; hence, they always incline to adhere to the old and reject everything new ;

and in the matter of introducing new coins into China, the difficulty is enhanced in

no small degree by the hostility of the native and foreign banks and bankers whose

profits are lessened by the introduction and use of a coin of uniform weight and fine-

ness.

The basis upon which these trade-dollars are received at certain Chi-

nese custom-houses will appear from the following proclamation, issued

in October, 1873, by the governor-general of the two Kwang provinces,

the governor of Kwang-tung, and the superintendent of customs for the

Canton province :

Whereas the foreign silver (coin) in daily use among the people of the Kwang-tung

provinces has long been in circulation, and is moreover admitted to be advantageous

and convenient. In the 5th and 11th years of Tung-Chih (1866 and 187\*2) the Hong-

Kong mint coined a new dollar, which, upon comparison with pure silver, bore a pro-

portion of fully 90 per cent., and as the recojxls will prove. Proclamations were issued

notifying the people that it might come into general circulation. There has lately

come to Hong-Kong a newly-coined American eagle-dollar called the "trade-dollar,"

and Sir Ijrooke Robertson, the British consul, having requested that officers might be

appointed to assay it, the viceroy thereupon appointed officers to melt it down and assay

it, in concert with an officer from the British consulate, when, taking the Haikwan

tael of pure silver as the standard, an out-turn was obtained of fully 89.91 ; or, taels

lll.G of this new eagle-dollar are equal to 100 Haikwan taels of pure silver. Minutes

of the assay were drawn up in i)roof thereof.

For the convenience of traders and people, therefore, this coin should bo allowed to

be tendered in payment of duties at the rate or touch obtained at the assay, and to

come into general circulation. It becomes the duty, then, of the viceroy and his col-

leagues to issue a proclamation on the subject for general information.

This proclamation, therefore, is for the information of you merchants, traders, sol-

diers, and people of every district. Youmustknow that theeagle "trade-dollar," that

has lately come to Hong-Kong, has been jointly assayed by officers specially ap]K)iMfed

for the purpose, and it cau be taken in payment of duties and come into general cir-

culation. You must not look upon it with suspicion.

It is very clear that the trade-dollar has no recommendation for use

in China over any silver coin which might have been struck at our

mint, and that in i)articidar it has none over the old Aineri<'aii Nilvor

dollar. The Chinese accept silver coins only for the actual amount of

pure silver which they contain. The trade-dollar contains tliO grains,

nine-tenths fine. It would have been equally acceptable, on a i)r()|Ktr-

tionate valuation, at a weight of .350 grains, or of 41LM grains, wliich

was that of the old American silver dollar. The trade-dollar was au-

thorized by the same act (1873) which proiiibited the coinage of the

old doUar, and will become useless, and worse than useless, if the old

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dollar is revived. Two dollars of the same standard, but different

weiglits, can only lead to confusion and discredit.

The trade-dollar appears to have been useful in the absence of a dol-

lar, which is a tender and lawful money in this country, but it is at-

tended with the inherent difliculty that it will not exist in sufficient

stock to meet the wants of commerce, unless the Government keeps it

in stock, and this involves a heavy expense in the loss of interest.

The trade-dollar not being a tender and money here, cannot be kept

on hand by individuals or banks in San Francisco at a less expense

than three-tourths of one per cent, per month, reckoning the annual

interest of money in that city at 9 per cent. At that rate of cost for

keeping it in stock, either no quantity will be kept snlficient for the

demands of Asiatic commerce, or if it is kept, the cost of keeping it will

so enhance the price of the coin as to make it unavailable.

Louis McClaue, in the letter before quoted from, points out the diifi-

culty and suggests a remedy :

If the mint had a sufficient Dumber of Trades on hand to meet tlie demand for any-

one steamer for China, say $500,000, so that orders from London could be tU'ed promptly

and with certainty, the greater portion of our silver produc''. available for export

would be sent to China in the form of trade-dollars.

It would seem from this that there is now no certainty of an ability

in San Francisco to fill at once an order for even a sum comparatively

so small as half a million of dollars. If dollars are useful at all in our

Asiatic trade, there should be a capacity there to fill any day an order

for ten times that amount. Such a capacity would exist if dollars were

money, and therefore iormed a part of the resources of banks and

bankers. Undoubtedly also the Government could create such a capac-

ity by a general rule of keeping on hand at the San Francisco mint five

millions of trade-dollars. By borrowing the money for that purpose in

cheaper markets for money, it could probably do this at a cost of one-half

of per cent, per annum, The advantage to commerce may justify the

expenditure, but it will be rendered unnecessary by the restoration of

the old legal-tender dollar.

The restoration of the American silver dollar to its old rights of coin-

age and tender would render it practicable to restore the Mexican dol-

lar also to iis old position as money in this country, a measure of im-

mense importance to the commercial and financial interests of Sau Fran-

cisco. Being again money, it would always be in ample stock there, and

its tendency, already manifested, to flow to that city rather than to

London, would be increased and would become irresistible. The direct

advantages of that, and its indirect advantages in stimulating the return-

trade to Mexico, are obvious.

London is not a consuming market for silver, but an entrepot for it,

and the London price is always the Asiatic price, less the costs of all

kinds of sending it to Asia. As the price of silver in San Francisco

must always be at least as high as the Asiatic price, less the cost of

sending it to Asia, and as this cost must be less than the cost of send-

ing it from London, it results that what may be called the natural price

of silver, aside from its capacity as a tender, should be somewhat higher

in San Francisco than it is in London. But at even equal prices, San

Francisco should attract the bulk of the Mexican silver, inasmuch as

the Mexican silver mines are nearest to the west coast, and as the Mex-

ican silver shipments aremost naturally made and are now in factlargely

made from the west coast. These circumstances, tending to make San

Francisco, rather than London, the receiving point of Mexican dollars,

and the point from which to export those dollars to Asia, are already

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beginning to be felt, notwithstanding the advantages of London in cap-

ital and in long-established financial and commercial connections. The

inflaence of these circumstances would receive a decisive addition if

Mexican dollars were money in San Francisco. In the present position

of things there is no demand for them except on or near the sailing-

days of the Asiatic steamers, and not always then a sufficient demand

to take off all the stock there may be on otter, and the surplus must in

that case lie over till the next steamer-day. But for money there is a

demand every day, and every hour of every day, and if Mexican dollars

were money, the delay in realizing the value of an invoice of them re-

ceived at San Francisco could never exceed the time consumed in cart-

ing them from the ship's side to a bank-vault. That is a matter im-

portant everywhere, and especially important in San Francisco, where

rates of interest are high, and will remain high for a long period.

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