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"GOLD THE STANDARD OR MEASURE OF VALUE—SILVER SUBSIDIARY."
Heading in Report of Director of Mint, Nov. 1, 1893.

THE STORY OF MONEY.

A SCIENCE HAND-BOOK OF MONEY QUESTIONS.

BY
EDWARD C. TOWNE, B. A.

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A FOREWORD.

The writer of the chapters embraced in the present volume was not, in the eight years following the election of Harrison, a supporter of Harrison-McKinley Republicanism, but from the beginning of Mr. McKinley's presidency he has seen what seem to him steadily and broadly advancing grounds for the belief that in World-History no American ruler, not even Washington and Lincoln, will have a larger name or a more indelible record of honor than the sagacious, judicious, resolute administrator of national magistracy who came into power through the magnificent honest money campaign of 1896, and, under whom the New World Republic of Washington and Lincoln has slipped the anchor of early limitations to take her inevitable place as a Power second to none in the world.

If in the first instance this volume shall help to make President McKinley our dependence for another four years of soundness in national finances, and of demonstration throughout the world of American quality in counsel and power in action, the chief aim of the writer will have been accomplished, yet with the hope and belief that through many years yet to come the book will direct the student to sound views of money and the voter to action at once honest and honorable.

"Gold the Standard or Measure of Value—Silver Subsidiary."

Heading in Report of Director of Mint, Nov. 1, 1893.

PRESIDENT ANDREW JACKSON—"In all ages, throughout the world, the standard of value. There is no fraud in gold; like the honest principles of the founders of our government, it is unchangeable and will do its office well everywhere and at all times. It is the true representative of the principles of justice and equality which should enter into everything that operates on our institutions and should be ever insisted on by the industrious classes as the actual circulating medium to bring continually to the test every species of credit currency and to suppress the spurious paper system resting on no solid basis."—*December 26, 1836.*

SENATOR JOHN SHERMAN—"The United States is the great gold producing country of the world. The single standard of gold is an American idea."—*January, 1868.*

"At the Paris monetary conference, held in 1867, the delegates of twenty nations represented, agreed to recommend gold alone as the standard of value. The United States, and nearly all the commercial nations, have adopted this standard."—*January 16, 1874.*

SENATOR W. M. STEWART—"There is nothing so satisfactory as the real measure of value—gold."—*January 13. 1874.*

"Gold is the universal standard of the world."—*February 20, 1874.*

"It is idle to talk about compromising on any other measure of value; the world will not accept it."—*June 11, 1874.*

SENATOR JOHN P. JONES—"The sooner we come down to a purely gold standard the better it will be for the country. Gold is so exact a measure of human effort that when it is exclusively used as a money it teaches the very habit of honesty."—*April 1, 1874.*

HON. LYMAN J. GAGE—President McKinley's Secretary of the Treasury, Hon. Lyman J. Gage, said, after reading Dr. Towne's "Story of Money":

"An immense gain and advance over any previous book on money."

"I took your manuscript with a view to glancing over it and reading here and there the more interesting portions, but I became interested and read every line."

"It is very clear and instructive, and it seems to me you have made a good distinction between the possibilities of a bi-metallic standard and bi-metallic money."

"The information you have gathered into the book as to the course of money in the various countries is very valuable, and I hope you will be able to get the book promptly into the hands of the public."

"I feel an interest in the work and would be glad to recommend it and buy a limited number of copies."

A POLITICAL NOTE.

The situation created by the legislation of last March has been very largely taken for far more than it really is. It declared very justly the existence of the gold standard, and properly provided for the redemption, or payment in gold, of United States notes and treasury notes, amounting to about $425,000,000, but it did not similarly provide for making as good as gold the nearly $580,000,000 of our silver, which is over half fiat value. The moral effect of the new law was got without any new legal effect whatever. It, that is, gave no new means for carrying out the gold standard system. The House bill expressly authorized the Secretary of the Treasury "to exchange gold coin for any other money issued, or coined by the United States," whenever it should be necessary to do this. This fundamental principle of the gold standard system was rejected by the Senate, leaving the law no better than it was before in respect of the means of acting on our gold standard professions.

This might involve no peril if our administration traditions should become thoroughly fixed in the direction of fidelity to the gold standard. But with Mr. Bryan made President, and a second silver fanatic Secretary of the Treasury, payment, in 47-cent silver dollars, of both interest and principal of the bonded debt of the United States, save only the funded two per cents., could be ordered at once, and undoubtedly would be. The stand thus taken for silver would offer all our gold in exchange for silver at 1 for 16 when it is worth 1 for 33. No instance in history can be brought to parallel the rascal stupidity of a scheme involving such an offer, and with progress and prosperity so immensely advanced since 1896, the crash of a Bryan experiment of "fool fury" in finance would be worse than all the costs and miseries of the civil war. If any possible advantage could be expected from either free silver legislation and administration hereafter, or free silver clamor now, the madness of 16 to 1 would be less extreme than it is. But no possible advantage can be imagined, except upon a basis of hoodlum ignorance of, or rascal indifference to, truth and fact. It might as well be proposed to sell wheat, corn, cotton, and beef to foreign markets at 53 cents on the dollar below the market price, as to cut the value of a thousand millions of gold more than one-half to customers in London and Europe. The silver interest alone could better afford twice a President's salary for the rest of Mr. Bryan's life than to give him a three months' opportunity to scuttle the whole fabric of American prosperity in the fashion of his dictation of 16 to 1 to the political convention which made him for the second time a presidential candidate. And that a political convention hopeful of success upon new issues for which something can be said, should bow its neck to a needless, senseless, suicidal millstone, the damning infamy of which is only matched by its disastrous folly, is the worst illustration in our history of convention chances. An anti-imperialist of the financial competence of the editor of the New York Evening Post, could have shown the Kansas City convention in half an hour that the way was more than open to them to accept the gold standard, and remove the question of standard from the list of campaign issues. The only issue they have ever needed to make is that of Bimetallism of money, and it is the world's experience, and especially American experience, that this can be better had under the gold standard than in any other way.

If anything were needed to discredit the senile sentimentalism of Mr. Boutwell's "anti-imperialist" cabal, it has been supplied by their accession to the support of Mr. Bryan. The scholar in American history, if he equally understands the story of American money and the origins of our present constitutional position, can hardly conceive a catastrophe more appalling than that invited by the hoodlum and rascal scheme for giving the present administration of our national affairs an overthrow such as the candidacy of Mr. Bryan, in the name of the money of the fathers and of the Declaration of Independence, as he views these, must imply.

The outcome, in constitutional politics, of the Declaration of Independence, was a wretched, a rascal, a ridiculous failure — a government which Washington described as "half-starved, limping, always moving upon crutches, and tottering at every step." The Revolution, even with Washington to conduct it, would have been a disgraceful fizzle, even as late as the Yorktown campaign, had not two French fleets, a great number of French troops, and loans of honest French money, come to the aid of the meagre force led by Washington. One of the first results of liberty and independence gained by the Revolution was an armed rebellion in western Massachusetts. It was because of failure, of disaster and dishonor, under the Declaration of Independence, and the scheme of union devised by the zealots of liberty, that "we the people, in order to form a more perfect union, to establish justice, ensure domestic tranquillity, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity," made the profoundly radical new departure which an entirely new constitution of necessity was.

It was plainly recognized as the creation of imperial sway over the sovereignty of the states. John Adams said in 1786 that his great desire was "to see rising in America an empire of liberty, and a prospect of two or three hundred millions of freemen." Dickinson of Pennsylvania said, that such "an extensive and well-established empire" could be created "not only without the least danger to liberty, but liberty will be thereby better secured." Washington alone, out of his experience, his great clearness and breadth of intelligence, and a weight of personal influence almost unparalleled, saw the necessity and value of an Imperial Union, and the weakness of all objections to it, and secured the acceptance of it when framed. "There is no alternative," he said, when the constitution was under consideration, "between the adoption of it and Anarchy. All the opposition that I have yet seen is addressed more to the passions than to reason."

Yet the Constitution, as proposed in 1787, roused an anti-imperialist agitation of the most strenuous and frantic character, with a majority of the public leaders and of the people carried away by it, except as some sections felt very specially the needs of commerce and as Washington and Samuel Adams prevented Virginia and Massachusetts from taking the plunge which zeal for liberty was thought to require. Samuel Adams, "the helmsman of the Revolution," so far yielded to this zeal at first as to co-operate with Elbridge Gerry and Rufus King in putting Massachusetts on the side of hostility to the idea of a new Constitution, and when the great instrument had been framed, and was submitted to the states for acceptance, Mr. Adams said, "I stumble upon the threshold," being alarmed at the idea of a "national government instead of a federal union of sovereign states." As, however, the momentous issue was debated in convention, where Rufus King appeared as having seen new light, Massachusetts's historic patriot let go his fears, his doubts, and his excessive zeal for liberty, and made possible the acceptance of the Constitution, which Gerry and Nathan Dane had refused to favor. He set an example which an eminent Senator to-day may save himself by following, — as he seems determined to do.

Richard Henry Lee, who is forever celebrated as the mover, in the Congress of the colonies, of the Declaration of Independence, unhesitatingly damned the Constitution as "an elective despotism." In Congress, to the presidency of which he was just then elected, he fought with the utmost zeal every proposal for a new Constitution, and when defeated there he restlessly battled against the prospect of "an American empire," under which he said "liberty would become an empty name."

Patrick Henry voiced his anti-imperialism with passion so frantic as to violate every rule of order in debate. He declared, with horror such as our Atkinson-Boutwell-Winslow zealots of liberty cannot approach, that "'We the people' is the institution of one great consolidated national government of all the states," and George Mason, a patriot of Virginia second only to Washington, spoke for Henry and Lee as well as for himself when he said that "a general consolidated government is one of the worst curses that can befall a nation," because "a national government," or "one government over a very extensive country," cannot exist "without destroying the liberties of the people." Benjamin Harrison, James Monroe, John Tyler, and William Grayson, lent their utmost support to the same view. Yet the event showed that George Washington was right when he said that there was no reason for that view.

Anti-imperialism was the issue of the civil war, as honest an issue to the southern states as the imperialism of the Constitution to the northern. It was fought out and settled, and the acceptance by the south of imperialism ranks with the greatest events in history. Hysterical revival of the issue by a handful of Massachusetts sentimentalists, who have so far taken leave of all decency as to come very near the penalties of treason, and whose intelligence is represented by readiness to assist criminal politics and financial hoodlumism to overthrow at once the prosperity of the country and the best administration it has had since Washington's, cannot have serious value, save as it may be one torch madly put to the greatest structure of liberty and welfare the world has ever seen.

There may be very great mistakes in the course taken by the administration of President McKinley, but these can be appealed against without any senseless harking back to the anti-imperialism of Patrick Henry, R. H. Lee, George Mason, and Benjamin Harrison, and not less without standing off from cordial general support of the national administration.

TABLE OF CONTENTS.

CHAPTER I.

INTRODUCTORY.

CHAPTER II.

THE EARLIEST ORIGIN AND IDEA OF MONEY.

CHAPTER III.

THE GROWTH OF MONEY: ORIGIN OF STAMPED COIN.

CHAPTER IV.

THE PRECIOUS METALS AS THE MATERIAL OF MONEY.

CHAPTER V.

THE MAKING OF MONEY.

CHAPTER VI.

THE USES OF MONEY.

CHAPTER VII.

THE MINTING AND ISSUE OF MONEY.

CHAPTER VIII.

FIATISM AND CURRENCY.

CHAPTER IX.

BIMETALLISM.

CHAPTER X.

BIMETALLISM IN ENGLAND: COMPLETE BREAKDOWN OF THE DOUBLE STANDARD SYSTEM.

CHAPTER XI.

BIMETALLISM IN FRANCE — DISASTROUS WORKING OF THE DOUBLE STANDARD SYSTEM DRIVES FRANCE TO THE GOLD BASIS.

CHAPTER XII.

THE UNITED STATES AND BIMETALLISM — COMPLETE FAILURE OF SILVER — THE GOLD STANDARD A NECESSITY.

CHAPTER XIII.

GERMANY AND BIMETALLISM — THE GOLD STANDARD COMES IN WITH THE EMPIRE — A RECENT GERMAN SILVER CRAZE.

CHAPTER XIV.

INDIA AND THE GOLD STANDARD.

CHAPTER XV.

MONEY AND PRICES.

CHAPTER XVI.

"INTERNATIONAL BIMETALLISM."

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THE STORY OF MONEY

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CHAPTER I.

INTRODUCTORY.

I. BETTER KNOWLEDGE NEEDED.

Mr. John Henry Norman in his interesting and valuable "*Complete Guide to the World's Twenty-nine Metal Monetary Systems*," says by way of a dedication:

"These pages are dedicated with profound respect to the world's first man of Science who in the future produces a Science Primer of Money: such as will compel the world to accept and teach it as truth."

Mr. Norman's mastery of his particular field has shown him how commonly both writers and practical men undertake discussion of some aspect or aspects of the question of money without any adequate grasp of knowledge and thought on one of the most difficult subjects upon which either the scholar or the statesman can enter. The whole question of money is one not yet adequately studied by even its greatest scholars, and but dimly seen into, in respect of its wisest settlement, by the most eminent statesmen. Bimetallism of the standard, for example, is as much against nature as a calf with two heads, while bimetallism of money is as certainly necessary and practicable, properly planned and enacted, as gold and silver side by side in the mines and the arts, the mints and the markets of the world. But in what conference of economists, or in what house or senate, or by what writer or speaker, have these two separate and opposite bimetallisms been clearly put over against each other, contrasted and understood, each in its true significance, so as to give to science and to finance absolute monometallism of the standard and adequate bimetallism of money.

2. BIMETALLISM NOT RIGHTLY EXPLAINED.

Upton's excellent "*Coin Catechism*" speaks of "Free Coinage or Bimetallism," making the last term mean the same as the first, and says that "the fact that Bimetallism has been tried by nearly every nation of the world and abandoned as impracticable should keep the United States from any such folly as attempting its restoration through any scheme." * This refers, of course, to bimetallism of the standard, and it is, for what it has in view, a perfectly just statement. But it has the very grave defect of appearing to assume that there can be no other bimetallism than that which it condemns. It takes no thought of a desirable and wise, a safe and necessary, bimetallism of money. Yet this is, in fact, the only real practicable bimetallism, for the simple reason, as our review of the

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* Pp. 28, 96.

history will show, that under the double standard system, that one of the two metals which is cheapest in the market takes the whole of the money field, and the other, simply because it is worth more as merchandise than as money, entirely leaves the field, and there is monometallism of money, actual and practical monometallism, in spite of the nominal bimetallism.

3. SHAW'S "HISTORY OF CURRENCY."

Mr. W. A. Shaw's "*History of Currency, 1252–1894*," places him in the very front rank of authorities on the subject of money. His work is perfectly invaluable for his story of what befell the great countries of the world under the vain attempt which they made to use both silver and gold as standard money, and how they were all driven to gold as the better metal for money, and as the sole standard; and in order to have silver also, as a safe and secure money, were compelled to put it into a secondary, subsidiary position, as under-standard money, of limited tender, and upon fiat parity with gold.

But Mr. Shaw's conceptions, thoroughly sound as they are, keep to a certain extent the old point of view, under which money and standard meant the same thing. Thus, he designates as "monometallic" the ideal monetary system, and yet describes it as "one in which a single metal is made the legal tender, and a second or third metal bound to it in a hard-and-fast, subordinate relationship," — an arrangement which secures bimetallism of money, under monometallism of the standard.

And, again, Mr. Shaw says that the main basis of the truest modern currency system is these two ideas thoroughly seized and put in practice, — (1) the idea of limiting the tender of the secondary money, so that it shall remain strictly subsidiary; and (2) the idea of issuing fractional money on a basis of real value distinctly lower than the face value. These two ideas, as thus stated, do not quite express the basis of the truest modern currency. In that basis the secondary money, — our silver dollar for example, — must be, precisely the same as fractional money, on a basis of real value distinctly lower than the face value; it must be subsidiary.

4. WHITE'S "MONEY AND BANKING."

Another work of superlative merit, and one thoroughly fitted to serve as a handbook for every class of readers, — Mr. Horace White's "*Money and Banking: Illustrated by American History*," — comes short to a certain extent in its defining conceptions, either stated or assumed. The title of the first chapter, " Money a Commodity," conveys an error. Money is never a commodity; a commodity is never money. Gold may be a commodity, or it may serve as money when properly designated to that service. The commodity, gold, not made money, may pass instead of money, quite as money would, but that does not make it money. Coined and issued gold may be both money and a commodity. If it is at all over-value coin, it will work as a commodity only, and will not work as money. The market will take it all for what it is worth to trade in. The same is true of silver. The breakdown of silver as standard money has resulted very largely from the fact that it has so often, and through so long periods, had more value as metal than as money, with the result that trade in it as a commodity wholly removed it from the field of money. As soon as the modern world began to understand how the double standard involved failure of the under-valued metal to stay in use as money, care was taken that this metal should be silver rather than gold, so that silver was deliberately let go rather than let gold go. In the new silver period, silver has been declining in value so steadily as to create the instant risk that under a ratio true to the market to-day, it would be down below that ratio to-morrow, and would thus cause a loss of gold, and leave only silver as money. It is this change in silver which has made it necessary to have either the gold standard with the silver subsidiary, or silver money only and no gold.

It is quite right to bring out clearly that money, good real money, requires something which has value as a commodity, and which may be, in great part at least, or in some properly designated part, intrinsically worth what it is to pass for; but it must be no less something meeting other conditions of money, such as common occurrence and abundance, and of a relatively steady and even value.

And the new ideas of money contain nothing more important than the principle that while standard money of gold should be of full intrinsic value, worth exactly as much, therefore, as a commodity as it is as money, any other money placed under this standard, as silver, and notably the amount of silver which adequate bimetallism of money calls for, must in no case figure as commodity at more than about nine-tenths of its face value as money, but must be to at least about one-tenth fiat, representative, payable-in-gold, value, in order that there may be no danger of its taking to itself wings of real value, by rise in the market price of the material, and flying away from the field of money to the market for commodities, — as in 1873 American silver had done for forty years. Commodity, in fact, is never money until it is properly made money; and we have learned that the proper making of gold into standard money leaves it of full value as commodity, while the proper making of silver into money never does this.

Mr. White, as will be explained a little further on, has a good deal to say about commodities being made money, when they were in fact traded in by way of regulated barter, with the express purpose of avoiding the use of money.

And as perhaps the ablest American advocate of the gold standard, and of gold as money, money equally good as commodity or as money, Mr. White leaves the whole matter too much as though the question of gold and the question of money were the same, and silver need not be taken into account. He has, perhaps, not said his last word upon the use of silver as money; and he certainly has not said too much in advocacy of the gold standard; yet, beyond a question, it is money of both gold and silver that we need to know about to-day, and to know all that we can know, whether the history of money in all its kinds, or the judgment upon money, which is to make the future, not only of money but of the vast interests depending upon it.

5. DR. FRANCIS A. WALKER ON MONEY.

Mr. Norman, to whose work reference has been made above, makes this declaration:

"I am under the profound conviction that the world, at present, has no science of money, and that it is a disgrace to science and common sense that there is no safe guide to what money is and how it does its work."

Referring to F. A. Walker's "*Money, Trade, and Industry,*" Mr. Norman says, that while it was recommended to him by Mr. Stanley Jevons as the best book on money, he not only found it lamentably disappointing, but felt compelled to pronounce Walker's views the unsoundest which have been generally accepted since Locke's time; and this, although the work is an accepted text-book in English institutions of learning.*

There is but too much reason for Mr. Norman's severe judgment. Walker pronounces money "that which passes freely from hand to hand throughout the community in final discharge of debts and full payment for commodities, being accepted equally

* "The writer has recently read thirty definitions of money in that number of English and American Encyclopædias and Dictionaries. In his opinion the unsoundest of them all is in the Encyclopædia Britannica of 1883, because it contains Professor F. A. Walker's definition of money, which embraces everything that passes from hand to hand — such as credit instruments — and facilitates the interchange of commodities, properties, etc. This definition is a dangerously specious one, and appears to have enthralled most of the younger political economists of the world." Norman: Complete Guide, pp. 103, 104.

without reference to the character or credit of the person who offers it, and without the intention of the person who receives it to consume it or enjoy it or apply it to any other use than in turn to tender it to others in discharge of debts or in payment for commodities."

The fault of this definition is that it tells certain things which are true about money without any allusion to the things which make true money. It deals with superficial facts of money, but does not touch the fundamental facts of money at all. It is an entirely worthless definition for purposes of science, although a very good statement of what in general money serves for.

One or two illustrations will expose the defect of Walker's attempt to define money. In a Chinese community the supposititious drug known as ginseng, and ignorantly held to be worth many times per ounce the value of gold, would pass freely from hand to hand in discharge of debt and payment for commodities. But that would not make it money. It would still remain a supposititious drug of no real medical value, and current only in consequence of the ignorance and superstition of the Chinese.

And if we take the example of true money in gold, it may be received, and often is received, by those who intend to consume it in the melting-pot, or to hoard it as a store of value instead of themselves tendering it again as it was tendered to them. In such case, according to Walker, the gold coins of true value and character as money are yet not money, because of the accidental use to which they are to be put.

Norman correctly points out that Locke made an unfortunately superficial statement when he defined intrinsic value as that estimate which common consent has placed upon the thing valued. It is but too plain that common consent, at any time or any place, may make a wrong estimate of value, and that even an approach to a true estimate cannot be made without looking farther, both as respects place and time; and in thus looking farther we come upon the fact that common consent in various places and at various times changes differently for different things. If, for instance, we take such substances as gold, silver, copper, platinum, nickel, etc., we see that as we pass down the list the difficulty of trusting common consent at any moment or at any place increases. If, therefore, we seek to avoid this difficulty to the utmost extent possible in the nature of things, we must stop upon the substance at the top of the list. We cannot, therefore, define money, as Walker does, as anything that passes for money. The definition, in fact, is not only not science, but it is economic error of an extreme type.*

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* What may be called learned inaccuracy, able and scholarly error, appears most frequently in the saying of something strikingly true by way of definition, which yet wholly fails to define. The Encyclopædia Britannica, made in great part by authors of distinction, without any special knowledge of the Encyclopædist's art, is rich to a degree in definitions which do not define. Dr. Walker's definition of money is one of the ablest of these, and one of the worst.

It would be hard to be more learnedly wrong. What constitutes money, what makes it money, is one thing, or set of things; what money will do is another thing, or set of things, which may not help to make it money.

CHAPTER II.

THE EARLIEST ORIGIN AND IDEA OF MONEY.

6. IMPORTANCE OF THE STORY OF MONEY.

The first great necessity for an outline Science of Money is a plain story of what in nature and in idea money is, on the basis of gold monometallism of the standard and gold and silver bimetallism of money; how gold "got there," as the natural and necessary standard, and how best to yoke silver with gold, that they may together meet all the demands of mankind for money, money of account and security, and money of currency and credit; gold standard money and both gold and silver currency money.

7. EARLIEST FACTS OF MONEY.

Even the earliest facts of the story of money show how gold came naturally to its place, and with what idea both gold and silver came into use as money. Recent books full of new knowledge of Babylonia and of Egypt, in the dawn of history forty centuries before the era of Christ, enable us to make an exact and conclusive statement of the true origin and the fundamental idea of money. If, for example, we turn to Maspero's magnificent book on "*The Dawn of History*," in which he reports the earliest facts both of Egypt and of Babylonia, and to the equally admirable book of Erman on Egypt, we may easily glean the facts which reveal in the clearest manner how money originated, and how barter transactions became cash transactions; always and everywhere, in the long run, tending to a gold basis.

8. BUSINESS BY BARTER IN EGYPT.

Business, M. Maspero tells us, was mostly carried on in early Egypt by barter. Purchasers brought with them some product of their toil, — a new tool, a pair of shoes, a reed mat, pots of unguents or cordials; often, too, rows of cowries and a small box full of rings, each weighing a "tabnu" (91 to 92 grammes), made of copper, silver, or gold, all destined to be bartered for such things as they needed. When it came to be a question of some large animal or of objects of considerable value, it was necessary to be agreed not only as to the amount, but as to the nature of the payment to be made, and to draw up a sort of invoice, or, in fact, an inventory, in which beds, sticks, honey, oil, pickaxes, and garments all figure as equivalents for a bull or a she ass. Smaller retail bargans did not damand so many or such complicated calculations. Exchanging commodities for metal necessitated two or three operations not required in ordinary barter. The rings or thin bent strips of metal which formed the "tabnu" and its multiples, did not always contain the regulation amount of gold or silver, and were often of light weight. They had to be weighed at every fresh transaction in order to estimate their true value. The weighing of rings is often represented on the monuments from the eighteenth dynasty onward; not on the bas-reliefs of the Ancient Empire.

The rings of gold in the museum at Leyden, which were used as a basis of exchange, are made on the Babylonian pattern, and belong to the Asiatic system.

Erman remarks on barter among the Egyptians: "All the trade of Egypt was carried on by barter, and nothing was given in payment except goods or produce.

"It seems strange to us of the modern world that a nation should hold markets, sell cattle, lend on interest, pay salaries, and collect taxes without even knowing the use of small coin.

"But this is really not so difficult as we might imagine, and the Mahommedans of the negro countries in Africa may be cited as proof that a comparatively high standard of civilization is compatible with trade by barter.

"Barter of this kind never indeed remains purely as such for any length of time. The exigencies of trade soon require that some object should be set aside as an arbitrary standard by which the value of the various objects for exchange can be measured and compared.

"Thus, at the present day in the Soudan, if a man buys gunpowder, he may, perhaps, pay the merchant for it in fowls, but in order to know how much powder the one has to give, and how many fowls the other has to pay, they both reckon the present market value of their goods in a third commodity in common use, perhaps in amber beads.

"They may not make use of any amber beads in payment, or merely of a few to adjust some slight difference in value, but the beads have become an arbitrary measure of value in the market by which the price of goods can be reckoned.

"We see that in this case amber beads really play the part of money.

"Measures of value of this kind are still common in Africa, and the merchants who carry on trade with the interior have to acquire exact knowledge of the usages of the various markets and towns.

"In one place beads may be used, in another blocks of salt, in another iron spades or Styrian razors, or, perhaps, *Merikanis*, *i. e.*, pieces of bad American cotton goods of a certain size."

9. USE OF GOLD IN EGYPT.

In his "*Manual of Egyptian Archæology*," Maspero speaks especially of the use of gold in Egypt. The Egyptians were great lovers of jewelry. Not content to adorn themselves when living with a profusion of trinkets, they loaded the arms, the fingers, the neck, the ears, the brow, and the ankles of their dead with more or less costly ornaments. The quantity thus buried in tombs was so considerable that even now, after thirty centuries of active search, we find from time to time mummies which are, so to say, "cuirassed in gold."

The Egyptians, says Maspero, classified metals under two heads, namely, the noble metals, as gold, electrum, and silver, and the base metals, as copper, iron, lead, and, at a later period, tin. Erman mentions the interesting fact that the two wonderful papyri, which are famous as the oldest maps in the world, relate to the gold mines of Sety I. and his son Rameses II., the second and third kings of the

19th dynasty, which Rameses I. founded about B. C. 1400. Erman says of gold as an article of commerce in Egypt:

"For commercial purposes gold was as a rule formed into rings, which seem to have been of very variable thickness, with a uniform diameter of about five inches. Naturally these rings were not taken on trust, and whenever they were paid over, we see the master-weigher and the scribes busy weighing them and entering the ascertained weight in their books. We hear of enormous sums changing hands in this way."

10. SILVER IN EGYPT.

A remarkable illustration of the working of natural law, whether in temporarily or in permanently making the place of a precious metal, appears in the story of silver in early Egypt. Erman tells it as follows:

"The Egyptians regarded silver as the most valuable of all precious metals. It stands before gold in all the old inscriptions, and in fact in the tombs silver objects are much rarer than gold ones.

"This curious circumstance admits of a very simple explanation: no silver was to be found in Egypt. The 'White,' as silver was called, was probably imported from Cilicia; the Phœnicians and Syrians carried on this trade in the time of the eighteenth dynasty (under which the New Empire began at Thebes).

"Either the brisker trade in this metal, or the discovery of new mines, led to a fall in the value of silver under the New Empire, for later texts usually mention gold first in the same way that we do."

11. A GOLD-SILVER COMPOUND.

In Egyptian use, says Maspero, the gold was often amalgamated with pure silver. When amalgamated to the extent of twenty per cent. it changed its name and was called electrum (asimu). This electrum was of a fine light yellow color. It paled as the proportion of silver became larger, and at sixty per cent. it was nearly white. The silver came chiefly from Asia, in rings, sheets, and bricks of standard weight. The gold and electrum came partly from Syria in bricks and rings; and partly from the Soudan in nuggets and gold dust. The Egyptians, says Maspero, struck neither coins nor medals; but with these exceptions made the same use of the precious metals as we do ourselves.

Erman says of this gold-silver compound:

"In addition to gold and silver another precious metal, the *usm*, is frequently mentioned. Lepsius recognized this as electron, the mixture of gold and silver. The proportion of the gold to silver was apparently that of two to three. Under Thothmes III. an official receives a 'great heap' of electron, which, if we may believe the inscription, would be worth at least £200,000 — $1,000,000."

12. EARLIEST MONEY OF EGYPT COPPER.

A curious fact in the very earliest history of money is the use of copper for money, while gold and silver had not yet come to serve that purpose,.

but were exchanged as commodities. The fact seems to have been that small money was far the most needed, and that it sufficiently aided the ordinary transactions by barter. Maspero says of this use of copper, not as coins, but in small bits unstamped, and current by weight: "We must, perhaps, agree with Lenormant in his conclusion that the only kind of national metal of exchange in use in Egypt was a copper wire or plate bent thus **S**, but more flat."

And Erman again tells us:

"Under the New Empire in Ancient Africa (the Theban Empire in Egypt), a copper piece of one uten, *i. e.*, of ninety-one grammes, was in use as a measure of value. This copper piece was in the form of a spiral wire. (The word uten is read by Maspero *tabnu.*)

13. BABYLONIAN USE OF PRECIOUS METALS.

The Babylonians, says Maspero, like the Egyptians, were unacquainted with the use of money, but from the earliest times the employment of precious metals for purposes of exchange was practiced among them to an enormous extent.

Though copper and gold were both used, silver was the principal medium in these transactions, and formed the standard value of all purchasable objects. It was never cut into flat rings or twists of wire, as was the case with the Egyptian "tabnu." It was melted into small unstamped ingots, which were passed from hand to hand by weight, being tested in the scales at each transaction.

"To weigh' was in the ordinary language the equivalent for "payment in metal," whereas to measure denoted that the payment was in grain. The ingots for exchange were, therefore, designated by the name of the weights to which they corresponded. The lowest unit was a shekel, weighing on an average nearly half an ounce, sixty shekels making a mina, and sixty minas a talent. It is a question whether the Babylonians possessed in early times, as did the Assyrians of a later period, two kinds of shekels, and minas, one heavy and the other light.

14. AFRICAN COWRIES AS MONEY.

The cowries mentioned by Maspero as among the objects traded in by the early Egyptians, and passed from hand to hand in transaction of barter, became at an indefinitely remote date, first an article of common adornment with universal intrinsic value, a kind of shell jewelry, and on the basis of this universal value, a low-culture African cash — perhaps the oldest cash in the world.

"Cowry" or "cowrie" is the name of the shell of a family of Molluscs known as the Cyprœida. Upwards of one hundred species are known and they are widely distributed over the world in the shallow water along the shores of the sea. The best known is the money cowry or Cyprœa moneta. One authority describes this as "A small shell about half an inch in length, white and straw-colored without and blue within, which derives its distinctive name from the fact that in various countries it has been employed as a kind of currency."

Another authority says:—"A small yellowish-white shell with a fine gloss, used by various peoples as money." It is most abundant in the Indian Ocean, on the coasts of Africa and India and those of the East India Islands. It was used in China for money before the introduction of metal money. In Bengal its use lasted until recent times and called for one hundred and fifty thousand dollars worth every year. In other parts of India it is still in use, but its widest employment is among the natives of Africa. On the western coasts of Africa, where it is the usual money tender, the shells are fastened together in strings of forty or sometimes of one hundred each; fifty of the smaller strings and twenty of the larger, or two thousand cowries, representing a dollar; each shell therefore representing one-twentieth of a cent. Even among tribes who do not recognize cowries as money, they still have a value as fashionable decorations.

15. INDIAN WAMPUM MONEY.

The wampum of the Indians of North America consisted of strings of small shell heads which were used both as money and for ornament. It was of two kinds, white and dark purple or black. When first known to the English, six of the white or three of the black were reckoned equal to a penny, or two cents. The strings of shells, besides passing as money, were worn as bracelets and necklaces and wrought into belts of curious workmanship. The word wampum meant white, so that the name of the Indian money was the White, referring to the more common type of beads.

The full name of the common Indian money was wampumpeag, meaning white strung beads. The more rare variety was much less used. The name of the first, which was far the most common, became the ordinary name for money under the abbreviated form of wampum. The black variety, which was in fact dark purple, passed as of double value because it was less common and was more esteemed for ornament.

16. INTRINSIC VALUE THE BASIS OF MONEY.

These extremely primitive examples of money conclusively illustrate the fact that intrinsic value is everywhere and always the true basis of money. It was an especially pretty shell which became the money cowry, and in the same way a manufactured shell bead, of two kinds, differing in intrinsic value, became the Indian Wampum.

Mr. Jevons, in his able book on money, says on this point:

"A passion for personal adornment is one of the most primitive and powerful instincts of the human race, and as articles used for such purposes would be durable, universally esteemed, and easily transferable, it is natural that they should be circulated as money. The wampumpeag of the North American Indians is a case in point, as it certainly served as jewelry. It consisted of beads made of the ends of black and white shells, rubbed down and polished, and then strung into belts or necklaces, which were valued according to their length and also according to their color and luster, a foot of black peag being worth two feet of white peag.

Exactly analogous to this North American currency is that of the cowry shells used as small money in British India, Siam, the west coast of Africa, and elsewhere. Among the Fijians whales' teeth served in the place of cowries, and white teeth were exchanged for red teeth somewhat in the ratio of shillings to sovereigns.'*

17. REGULATED BARTER WITHOUT MONEY.

The principle which produces money has been very widely acted on in what may be called regulated barter. A great variety of articles of well-known intrinsic value have been, at different times and in different places, used as we use money. Furs or skins were thus employed in many ancient nations, and again in recent times in the traffic of the Hudson's Bay Company with the North American Indians. In that early stage of society represented in the poems of Homer, the extent to which cattle were a common possession led to estimating values in oxen; thus the shield of Glaucos was valued at one hundred oxen; that of Diomed, at nine; a tripod given as the first prize for wrestlers, at twelve; and a woman captive, guaranteed to make a good hired girl, at four. The Latin word *pecunia*, meaning money, is derived from the word *pecus*, meaning cattle. Our word *fee* is from the Anglo-Saxon word *feoh*, which means both cattle and money. In the ancient German codes of law fines and penalties were stated in terms of live stock. In countries where slaves are a common

* Money and the Mechanism of Exchange, p. 24.

and valuable possession they have been in all ages counted as we count money. Wheat, barley and oats have been so counted in Europe and Indian corn in America. Olive oil has been so counted in countries where it is a common article of produce and consumption. In Central America and Yucatan cocoanuts have been used as we use money; so also almonds in European countries where they are grown; but with great chances of variation in their nominal value according to their abundance or scarcity in any year. In Virginia, in 1618, the fiat of the governor made a pound of tobacco tender equal to three shillings. Young women imported as wives for the settlers were disposed of at one hundred pounds of tobacco each, and later one hundred and fifty pounds. Grain was made legal tender in Massachusetts in 1641. As late as 1732 Maryland made corn and tobacco legal tender. Alpine villages in Switzerland have used eggs as we use money, and Newfoundland has used dried cod fish. In many countries, remote from civilization, pieces of cotton cloth have taken the place of money.

But in all cases in which anything of this kind has been done, the invariable rule has been acceptance of some convenient article or articles to be used as we use money, on the basis of intrinsic value. Even where there have been touches of fiatism there has been no departure from the principle of employing articles in place of money according to their intrinsic value. And it is entirely a mistake to represent that these articles of barter, made to serve to some extent as money serves, were money. They were simply articles of barter, handled somewhat as we handle money. The wampum of the Indians and the cowries of Africa may be taken as savage money. To the savage mind the intrinsic value of the beads and the shells was like that of the precious metals to higher culture. They thus had a universally accepted real though very low value; they fulfilled all the offices of money; and they promoted universal resort, or at least very considerable resort, to what we should call cash transactions rather than barter. The fatal defect of cash of this kind was in the beads and the shells entirely lacking real intrinsic value, except among savages at a very low level of culture.

18. ABRAHAM'S CASH TRANSACTION IN REAL ESTATE.

For another glimpse of the earliest history of money we may turn to the Biblical book of Genesis. We read of Abraham, after he had left " Ur of the Chaldees," the Babylonian city of his nativity near the mouth of the Euphrates, and had lived a long time, first at Haran on the upper Euphrates and later in Egypt, that when he came to go "up out of Egypt, he, and his wife, and all that he had," he was " very rich in cattle, in silver, and in gold;" and when, at a considerably later date, Sarah having died in the Land of Canaan, Abraham wished to purchase " a possession of a burying place," there took place a transaction in real estate of which the following is the singularly interesting story:

"And Abraham rose up before his dead and spake unto the children of Heth saying, I am a stranger and a sojourner with you; give me a possession of a burying place with you that I may bury my dead out of my sight."

"And the children of Heth answered Abraham saying unto him, Hear us, my lord; thou art a prince of God among us: in the choice of our sepulchres bury your dead; none of us shall withhold from thee his sepulchre, but that thou mayest bury thy dead."

"And Abraham rose up, and bowed himself to the people of the land, to the children of Heth. And he communed with them, saying, If it be your mind that I should bury my dead out of my sight, hear me, and intreat for me to Ephron the son of Zohar, that he may give me the cave of Machpelah which he hath, which is in the end of his field; for the full price let him give it to me in the midst of you for a possession of a burying place."

"Now Ephron was sitting in the midst of the children of Heth: and Ephron the Hittite answered Abraham in the audience of the children of Heth, even of all that went in at the gate of his city, saying, Nay, my lord, hear me: the field give I thee, and the cave that is therein I give it thee; in the presence of the sons of my people give I it thee: bury thy dead."

"And Abraham bowed himself down before the people of the land. And he spake unto Ephron in the audience of the people of the land saying, but if thou wilt I pray thee hear me: I will give the price of the field; take it of me, and I will bury my dead there."

"And Ephron answered Abraham saying unto him, My lord, hearken unto me: a piece of land worth four hundred shekels of silver, what is that betwixt me and thee? Bury therefore thy dead."

"And Abraham hearkened unto Ephron: and Abraham weighed to Ephron the silver which he had named in the audience of the children of Heth, four hundred shekels of silver, current with the merchant. So the field of Ephron which was in Machpelah, which was before Mamre, — the field, and the cave which was therein, and all the trees that were in the field, that were in all the border thereof round about, — were made sure unto Abraham for a possession, in the presence of the children of Heth, before all that went in at the gate of his city."

This transaction involved payment by Abraham of something less than two hundred ounces of silver, and the account is conclusive that the silver was current, not by any fiat value of the shekel, but by weight. The word "money," which appears in our English version, is not in the original. It is by no means certain that the shekels of silver were then known as money. But there was an approach to it in the fact that they were in use as we use money, and were "current with the merchant."

19. FIRST PLACE GIVEN TO GOLD.

In the next passage of Abraham's life we find him sending a confidential servant, "the elder of his house, that ruled over all that he had," to Haran on the Euphrates, to procure from their kindred a wife for his son Isaac. The story relates how the man found Rebekah, a cousin of Isaac and a "damsel very fair to look upon," among the women who had gone to the well, on the outside of the city, to draw water; and how he presented to Rebekah "a golden ring of half a shekel weight and two bracelets for her hands of ten shekels weight of gold." The man further related to the family of Rebekah that his master possessed "flocks and herds, and silver and gold, and men servants and maid servants, and camels and asses:" and he "brought forth jewels of silver, and jewels of gold, and raiment, and gave them to Rebekah."

There seems to be decisive evidence here, not only of the possession by Abraham of gold as well as silver, but of the use of gold in preference to silver. The ring and the bracelets given to Rebekah were of gold, and their value was indicated by their weight. Whatever may have been the occasional preference of silver, the final choice everywhere of a precious metal of the highest intrinsic value, both for ornament and as a representative of value, gave gold a place which silver did not approach. It had been so for at least a thousand, and perhaps two thousand, years before the time of Abraham. The city of Abraham's nativity, "Ur of the Chaldees," was the Liverpool or New York, or we might more exactly say the Chicago, of that oriental world. Other cities more ancient and farther east had risen earlier as seats of ancient Babylonian culture. Ur was a comparatively new city at the extreme west of southern Babylonia. Its wealth and culture were largely represented in the art of which rings and bracelets of gold are a product. Those rings and bracelets were a type of value, and of value honestly estimated by true weight in the balance.

20. THE GOLD WEDDING RING.

The gold ring on the finger of the bride to-day stands for not less than six thousand years of the common opinion of mankind in favor of gold as a representative of value, of real intrinsic value, whether for purposes of ornament and of many varieties of artistic decoration, or for the purposes, which we include under the name of money. No doubt it might have been otherwise. There might have arisen everywhere, as there did arise at an early period in Egypt, a preference for silver, a higher estimate of the white metal above the yellow, but the conviction of mankind did not take that course. In proportion to the progress of knowledge and of culture, human thought, and feeling, and practice, definitely accepted gold as for all higher purposes very greatly preferable to silver. We may imagine the wedding ring and the bridal bracelets, not to speak of the setting of diamonds and other precious stones, done in silver instead of gold; but, does anybody want it? would anybody accept it? Suppose we give the jeweler an order to make a number of dollars worth of gold — we will say seven, the sacred number of tradition — into a ring; and to expend the same number of dollars in silver and make this into a ring. Can we imagine a single instance in which the silver ring would be accepted instead of the gold? Even the mummies of Egypt are found, as Maspero tells us, "cuirassed in gold." And gold it will be to the end of time.

21. THE MOSAIC SANCTUARY USE OF GOLD.

The directions in the book of Exodus, and the account of what was done pursuant to them, for making a tabernacle sanctuary, show a supreme estimation put upon gold, while silver and brass figured together for wholly secondary uses. The burnished brass in fact seems to have been esteemed next to gold. In making the tabernacle, the forty-eight boards, each a cubit and a half wide and ten cubits long, were overlaid with gold. The fifty clasps for the tabernacle curtains were of gold, while those of a tent stretched over the tabernacle were of brass. The only use of silver was in sockets into which the ends of the boards were fitted. The acacia wood altars were overlaid, that of incense with gold, and that of burnt offering with brass. All the fixtures of the latter, and the vessels used with it, were of brass; and all those of the former of gold. In constructing a court about the tabernacle the pillars rested in sockets of brass, and had hooks and fillets of silver. Of brass were all the pins used, and all the instruments required for the tabernacle service. The ark of acacia wood was overlaid with pure gold within and without. All its trimmings were of gold, and the staves used in carrying it were overlaid with gold. The mercy seat, or cover of the ark, was of pure gold, and the cherubim placed upon it facing each other, figures symbolizing divinity, were of gold. The shew-bread table was overlaid with gold; all its fixtures were of gold; and the bowls, flagons, spoons, and dishes used with it were of pure gold. The great candlestick, upbearing seven lamps on its seven branches, was "the whole of it one beaten work of pure gold." The breastplate and the ephod with their rings and chains, for the high priest, employed in the making no metal but gold, and their precious stones were all in settings of gold. Bells made of gold hung from the skirts of the ephod, and on a plate of gold upon the front of the turban were graven the words Holy to the Lord. The amounts used of the three metals "in all the work of the sanctuary," were, 29 talents and 730 shekels of gold; 100 talents and 1,775 shekels of silver (each of 100 sockets taking one talent); and 70 talents and 2,400 shekels of brass.

22. THE GOLD OF SOLOMON'S TEMPLE.

The use of gold by King Solomon, of magnificent Hebrew memory, affords one of the most significant historical illustrations of the law of value under which gold commands respect far above every other precious commodity. The marvelous "house which King Solomon built for the Lord," of hewn stone, and cedar, and gold, every part of the construction-material made ready for its place and use before it was brought, so that "there was neither hammer, nor axe, nor any tool of iron heard in the house, while it was in building," bore witness as splendid as it was costly to the supreme estimate naturally put upon gold. The most holy place forming the rear third of the structure was wholly "overlaid with pure gold." Moreover, we read:

" Solomon overlaid the house within with pure gold; and he drew chains of gold across before the most holy place; and he overlaid it with gold. And the whole house he overlaid with gold, until all the house was finished; also the whole altar that belonged to the most holy place he overlaid with gold. And in the most holy place he made two cherubim of olive wood, each ten cubits high. . . . And the wings of the cherubim were stretched forth, so that the wing of the one touched the one wall, and the wing of the other cherub touched the other wall; and their wings touched one another in the midst of the house; and he overlaid the cherubim with gold. And the floor of the house he overlaid with gold within and without. And two doors of olive wood, carved with carvings of cherubim and palm trees and open flowers, he overlaid with gold. And [the great folding doors of the temple itself, carved with cherubim and palm trees and open flowers] he overlaid with gold fitted upon the graven work."

"And Solomon made all the vessels that were in the house of the Lord: the golden altar, and the table whereupon the shewbread was, of gold; and the candlesticks, five on the right side, and five on the left, before the most holy place, of pure gold; and the flowers, and the lamps, and the tongs, of gold; and the cups, and the snuffers, and the basons, and the spoons, and the firepans, of pure gold; and the hinges, both for the doors of the inner house, the most holy place, and for the doors of the house, of the temple, of gold."

23. SOLOMON SOLD BONDS AND BOUGHT GOLD.

The London of the Ancient East, a thousand years before the Christian era, was the Phœnician city of Tyre, the centre of a broadly advanced civilization, and the seat of a rich commerce. The Hebrew record tell us that Hiram, king of Tyre, "had furnished Solomon with cedar trees and fir trees, and with gold, according to all his desire," during twenty years, " wherein Solomon had built the two houses, the house of the Lord and the king's house;" and that "Hiram sent to the king six score talents of gold." To pay for this gold "King Solomon gave Hiram twenty cities in the land of Galilee." As nearly as was possible for that time Solomon sold bonds and bought gold; and when the bonds were due he paid with "cities in the land of Galilee," which the story says so greatly disgusted Hiram when he "came out from Tyre to see the cities which Solomon had given him," that "he called them the land of Cabul (Dirty)."

24. SOLOMON'S DEMONETIZATION OF SILVER.

We read also that "King Solomon made a navy of ships in Ezion-geber, on the shore of the Red Sea, in the land of Edom. And Hiram sent in the navy his servants, shipmen that had knowledge of the sea, with the servants of Solomon. And they came to Ophir, and fetched from thence gold, four hundred and twenty talents, and brought it to King Solomon."

And when the Queen of Sheba "came to Jerusalem with a very great train, with camels that bore spices, and very much gold, and precious stones," "she gave the king an hundred and twenty talents of gold, and of spices very great store, and precious stones." And "the weight of gold that came to Solomon in one year was six hundred three score and six talents of gold, beside the chapmen [bringing gold], and the traffic of the merchants and of all the kings of the mingled people, and of the governors of the country. And King Solomon made two hundred targets of beaten gold; and three hundred shields of beaten gold. Moreover, the king made a great throne of ivory, and overlaid it with the finest gold. And all King Solomon's drinking vessels were of gold, and all the vessels of the house of the forest of Lebanon were of pure gold; none were of silver; it was nothing accounted of in the days of Solomon. . . . The king made silver to be in Jerusalem as stones for abundance."

This depreciation of silver by reason of its abundance, and preference, for all purposes of wealth and richness, of gold, in consequence of the fact that gold could be had, were the result of the natural operation of ordinary law. Nothing but extreme rarity and very high cost can bring silver anywhere near to gold in common estimation, and with an ample supply of gold and extreme abundance of silver, nothing can save the latter from being thrown out as a metal highly valued by the side of gold.

25. THE VULGAR DISPRAISE OF GOLD.

Among the most ignorant, or the most mendacious, of human prejudices, is that which has been directed against gold, as the most real and most esteemed article of wealth. Nothing else which is within human reach so perfectly represents sure and secure value. Precious stones, even the finest, cannot be known for value by assay for purity and by weight, but only by the opinion of experts, and of the market. A hoard of diamonds valued to-day at a million might prove ten years later, in expert and market opinion, worth very much less than that, especially if the occasion to realize their value in money were sudden and peremptory. A state treasury filled with diamonds at the cost of a hundred millions in gold might not prove worth half that for instant conversion into money.

The sureness and security of values in silver, even to hold for a short time, and still more to carry for an indefinite time, and to bring into use at any sudden moment, do not approach, and cannot be made to approach, the sureness and security of values in gold. Values in silver may slump disastrously. Values in gold will at the worst only decline, and that moderately. For high value, steadily maintained, and certainly known, gold is out of reach above silver.

26. ANTI-GOLD FANATICISM.

The perverse ignorance of fanaticism, if it be not the perverse mendacity of dishonesty, never went more wide of the mark of truth than an orator of silverism did when he said: "It has been well said that gold in its last analysis is the sweat of the poor and the blood of the brave. You can rob this world of gold and put enough silver in the world to make up for the loss of gold and commerce will move on, but rob this world of its silver, if you will, and try to fill its place with gold, and see how long your system will stand." (W. J. Bryan, speech at Syracuse, N. Y., Aug. 26, 1896.)

Gold in its last analysis is the most precious product of nature, the richest material gift of the Creator, and the commodity best representative of high, steady, and sure value. A world without silver would lack a most useful material for smaller secondary money, but could easily enough find a substitute in a mixture of gold and copper. Without gold the world would lack its supreme and most useful precious substance and form of wealth, the supreme stay and instrument of commerce, and altogether the richest material of ornament and art.

It is a hoodlum and rascal spleen which raises a cry against wealth, and especially against gold as the type of wealth, in terms of maudlin concern for the poor, the toiling, and the suffering of mankind. The mendacity of the complaint is not less than its absurdity, in face of the universal dominance in culture throughout the world, not indeed of perfect justice and kindness, but of an immensely developed and steadily gaining social order which has perfect justice and kindness for its ideal. The margin of wrong is not inconsiderable anywhere that we scrutinize human developments; but wealth under its accumulated form, held in the grasp of law, necessarily alive to wise self-interest, and under pressure of exceedingly strong agencies of humanity and religion, follows lines of truth and right quite as closely as any other form of the organic interests of mankind. If the enthusiasts, not to say the fanatics, of labor, were as subject to reason and knowledge, and as strictly under control of law and opinion, as wealth is, the most serious labor problems would disappear.

27. GOLD AS A RULE OF HONESTY.

A supreme service rendered by gold is that of a standard of honest reality in values. The intense scorn and hatred of gold which politicians have been known to feel or to affect, has been in great part the revolt of a sort of rascal libertinism against a veritable rule of honest reality. To speculative libertinism in politics, the dream of making that real which is not real, and of finding thereby a short and easy way to success in life, finds gold as a standard of reality in value very much in its way. The absolute clearness and certainty with which gold represents high value, and exceptionally steady and sure value, had given it a supreme position before Solomon built, or Moses planned, or Abraham traveled.

The same Senator Stewart who at a somewhat later date became a special pleader for Free Silver, made this record in 1874: Jan. 13—"There is nothing so satisfactory as the real measure of value —gold." Feb. 20—"Gold is the universal standard of the world." June 11—"I do not care how much you discuss it, or how many resolutions you pass; they do not make any difference. You must come to the same conclusion that all other people have, that gold is recognized as the universal standard of value. It is idle to talk about compromising on any other measure of value; the world will not accept it."

The notorious creator of "Free Silver" as a factor in American politics, Senator Jones, made in like manner a record of honest truth when he said, April 1, 1874:—"I believe the sooner we come down to a purely gold standard the better it will be for the country. Did any country ever accumulate wealth, achieve greatness, or attain high civilization without a standard of value? And what but gold could be that standard? . . . Gold is so exact a measure of human effort that when it is exclusively used as money it teaches the very habit of honesty."

Through Nevada impecuniosity in respect of gold, and use to excess of silver, at an ever declining, always uncertain, and altogether slippery value, Senators Stewart and Jones came later under impressions in regard to money which enabled them to grossly falsify the facts of gold. But the facts are not altered.

CHAPTER III.

THE GROWTH OF MONEY: ORIGIN OF STAMPED COIN.

28. THE NATURAL HISTORY OF MONEY.

Mr. W. Stanley Jevons, in his "*Money and the Mechanism of Exchange*," one of the best books for thorough study of the subject, has the following under the head of "Early History of Money:"

"The natural history of money is almost a virgin subject, upon which I should like to dilate; but the narrow limits of my space forbid me from attempting more than a brief sketch of the many interesting facts which may be collected."

The chapter which Mr. Jevons goes on to make, after this remark, fills ten pages with facts which bear less upon the history of true money than upon the story of what commodities have been made to serve in place of money, without actually fulfilling conditions which distinguish money used for cash transactions from commodities made to serve the purposes of barter. The matter is commonly dealt with much as if one should attempt a story of ocean steamers by collecting descriptions of canoes, rafts, launches, sailboats, etc., as means of travel by water, assuming that an ocean steamer is in the same category because it is a means of travel by water; whereas the fact is that an ocean steamer is essentially the application of the steam engine to travel by water.

The mistake thus made is that of counting as money various non-monetary commodities which have been used, as we have already shown, not properly as money, but as aids to trade, somewhat taking the place of money.

29. THE ESSENTIAL FACT OF MONEY.

Money essentially means the application of a precious commodity, notably a precious metal, or a substitute representative of such metal, to certain uses found necessary in the world of trade at large. How at a pinch various non-monetary commodities, as oxen, tobacco, and various products, have been used to make shift with for lack of money, or how savages have made low-culture money of pretty shells or shell beads, valued somewhat as ornament and thus available as a cheap money, is hardly pertinent to the natural history of true money, as intelligence and experience now understand and employ it.

30. ERROR OF COMMON VIEW.

Mr. Horace White says, on the opening page of his "*Money and Banking*," that "money is anything that serves as a common medium of exchange and measure of value — the agreed measure of any time, place, or people." He remarks, with reference to the fiat folly of Virginia in trying to make tobacco go as tender in place of money, that "Virginia grew her own money for nearly two centuries," adding that "hardly any form of currency could have been worse, the fluctuations in its value being extreme and incessant, and the social disorders produced by it enormous."

Yet Mr. White tells us that "the word money, as used in the colonies, always meant metallic money;" that a petition "asked that a sub-treasurer be sent to the colony to receive the rents and that he be instructed not to exact money 'whereof we have none at all,' but to collect 'the true value of the rent in commodity;'" that it was enacted, because "many and great inconveniences do daily arise by dealing for money," "that all money debts made since the 26th day of March, or hereafter made, shall not be pleadable or recoverable in any court of justice;" that "in 1742 it was enacted that persons not growing tobacco might pay taxes and fees to public officers 'in current money at such prices and rates for tobacco as shall be settled by the courts of their respective counties;'" that again, when severe drought had cut off the tobacco crop, "it was enacted that all tobacco debts, taxes, and fees, might be paid in money at 16s. 8d. per 100 lbs.;" and that "traders had generally kept their books in terms of silver money, although their dealings had been in tobacco," — facts which clearly show that the whole business was one of senseless fiatism seeking to regulate barter by making a fiat price of tobacco and giving this commodity a legal tender character. Nothing so absurd as counting tobacco as money was for a moment thought of. In the great dearth, or almost total absence, of money, an attempt was made to get along without money by legal regulation of barter. The true idea of money was not lost. It is, therefore, not historically correct, and certainly not true to any proper idea of money, to say that Virginia used tobacco as money. It was instead of money, and to get along without money, by making regulated barter take the place of money or cash transactions.

31. EARLY GREEK MAKING OF MONEY.

The facts already given, in Ch. II., under the head of "The Earliest Origin and Idea of Money," show how gold, silver, and a mixture of the two known as electron, together with copper, naturally came to the front as money, each according to its value by weight, and with a tendency of the most precious to take the lead; copper being in use in pieces as a cheap and easy common money for counting value and for making small change.

Further evidence in regard to the true natural history of money may be cited from the latest of our works of authority on the history of Greece, Adolph Holm's "*History of Greece*."

To get a clear idea of the places referred to, a glance at a map of ancient Greece will enable the reader to see the position of Argos, on the east side of the Peloponnese opposite to Attica, with the Saronic Gulf between them, and midway in that gulf the island Ægina. The city of Argos was regarded by the Greeks as their most ancient city, and one of its most notable kings was Pheidon. Looking directly across from Greece to Asia Minor the situation of Lydia is shown. Lydia is of importance in the history as representing Greek civilization before it had been planted in Greece itself. If now we remember the position of Argos, where Pheidon is said to have been seventh in its list of early kings, we shall be prepared to understand the statement made by Holm in his history.

"Pheidon," he says, "became famous according to Herodotus, by establishing a standard of weights and measures for the Peloponnese. He is said to have been the first to stamp coins in Greece. Long afterwards in the Heræum near Argos could be seen bars of silver, obeliskoi, which Pheidon had dedicated to commemorate his having done away with this kind of money and having replaced it by stamped coins. His mint was in Ægina.

"It is beyond question that Pheidon occupied a very important position in Greece. That he was master of Ægina is proved by the statement that he stamped his coins in that island. His appearance as president of the Olympic games was in the eighth Olympiad. Pheidon, however, has gained an especially brilliant reputation by his supposed introduction of a standard of weights and measures and of coinage into Greece, or, according to Herodotus, into the Peloponnese.

"In the civilized countries of Asia and Africa the precious metals had long served as a means of exchange, but they were taken according to weight, and the weight had in every case to be verified by the scales. Then the coin came into existence by the weight of a piece of metal being guaranteed by an official stamp, and thus the coin can be used for payment without further verification. The idea of using the stamp for this purpose originated, according to the ancients, not in the large civilized countries of Central Asia, nor in Egypt, but in Asia Minor, or, according to the opinions of some writers, with Pheidon in Greece. We must come to the conclusion that the discovery was only made at one place: in which case, as Asia Minor took the lead generally in civilization, Greece would have borrowed it from that country. In Asia Minor, Lydia was said to have been the first country that used coins. They were bits of the pale, impure gold known as electrum or electron, of which many have been preserved to the present day. The coins of Pheidon, on the other hand, were made of silver. Long afterwards, in the Heræum, near Argos, could be seen bars of silver, obeliskoi, which Pheidon had dedicated to commemorate his having done away with this kind of money; and having replaced it by stamped coins. Thus the originality of Pheidon may have consisted in his having introduced silver coins. This he is said to have done in Ægina, which means that the Ægina standard of coinage and the manufacture of the Ægina coin are ascribed to him. The Ægina standard was originally the most widely used in Greece. The coins bore a tortoise as a distinguishing mark. At first they had no inscription, but only images. Whatever Pheidon's share in the introduction of coinage, he took an active part in the regulation of weights and measures in Greece, and did much to make the Greeks a commercial people of the first rank.

"Much research and many volumes," Holm adds in a note, "have been devoted to the origin of coinage. In the opinion of the ancients, the question lay between Pheidon and the Lydians. Herodotus is in favor of the Lydians. Some ancient Lydian coins have come down to us, made out of pale Pactolus gold or electrum; also some old Ægina coins with the tortoise. Barclay Head, in his introduction to "*The Coins of the Ancients,*" asserts that the Lydians first made lumps of metal into money by stamping them, and that the Greeks of Asia Minor were the first to put regular images on the stamp, and that in any event they were the first to engrave names upon it. But it is not quite so certain that the Lydians were really the inventors of coins. We know that rings were used as a currency by weight in Egypt. If the ring shape is compatible with the idea of a coin, the Lydians can hardly have invented coinage. If, on the contrary, the lump shape is essential, the honor rests with the Lydians."

32. MR. GROTE ON PHEIDON'S COINAGE.

In regard to this celebrated king of Argos, Pheidon, who is known to have been president of the Olympic games in the year 747 B. C., and who enjoys the distinction of having been the first Greek ruler to coin metal money, and the first to establish a scale of weights and measures which was widely adopted, Mr. Grote, in his "*History of Greece*," * says:

"He first coined both copper and silver money in Ægina, and first established a scale of weights and measures which, through his influence, became adopted through Peloponnesus and acquired ultimately footing both in all the Dorian states and in Boeotia, Thessaly, Northern Hellas generally, and Macedonia, under the name of the Æginæan scale. . . . The Babylonian talent, mina, and drachma (one hundred drachmæ to a mina and sixty minæ to a talent) are identical with the Æginæan. The word mina is of Asiatic origin; and it has been rendered highly probable that the scale circulated by Pheidon was borrowed immediately from the Phœnicians and by them, originally, from the Babylonians. The Babylonian, Hebraic, Phœnician, Egyptian, and Grecian scales of weight (which were subsequently followed wherever coined money was introduced) are found to be so nearly

* Vol. II. pp. 240–241.

conformable, as to warrant a belief that they are all deduced from one common origin; and that origin the Chaldæan priesthood of Babylon. It is to Pheidon that the Greeks owe the first introduction of the Babylonian scale of weight and the first employment of coined and stamped money."

33. DR. CURTIUS ON PHEIDON'S COINAGE.

The interest of the early Greek facts appears still further from the following account by Dr. Curtius: "The times of the Homeric trade by barter were past. The Ionians had long learnt from the Lydians to shape precious metals in accurately weighed pieces and to provide them with the signs of their value. All the islands and coasts were acquainted with this Ionic gold, viz., the bullet-shaped gold pieces of a pale yellow color, formed out of the electrum of the Pactolus. But men hesitated to accept the strange money which possessed no currency in the land. Every business transaction in the Peloponnesian harbors gave rise to a complication of difficulties. For in Argolis also there existed none but a clumsy kind of money, of iron and bronze, founded (or cast) in bars, which were weighed out to each customer, totally unsuited on account of its form, its weight, and the inequality of its value for purposes of foreign trade. Pheidon accomplished a vital reform, by completely adopting the system of weights and money which Phœnicians and Lydians had spread from Babylon over the whole of Asia. The talent, a term used by Homer to express a perfectly indefinite value, henceforth became in the European country also the fixed unit for weights and money; it was divided into sixty parts, for which the Semitic name of *mna* or *mina* was retained, and each mina again was divided into one hundred *drachmæ*. The ancient bar money was suspended in the temple of Hera as a reminiscence of ancient times, and the new money was coined, first in Euboea,* then, on the territory of Argos itself, in [the island of] Ægina.† On this island was instituted, under public inspectors, the first Peloponnesian silver-mint, and the tortoise, the smybol of the ancient Phœnician goddess of the sea and of trade, was adopted as a stamp. At the same time a regular system was introduced of liquid and solid measures.

"The grand style in which Pheidon carried out these reforms shows that they were not intended for the narrow territory of a single city. They are the undertaking of a man who desired to found an empire, and who had received the first impulse towards this desire from Asia, where in the rear of the Hellenic cities (of Asia Minor — the Ionians) existed vast empires with well-ordered systems of commerce." ‡

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* Euboea was a specially convenient seat of commerce, an island stretching along from opposite Attica in the south to opposite Thessaly in the north, and separated from the eastward mainland of Greece by a narrow strait of water.

† Ægina was an island in the Saronic gulf, between Attica and Corinth, where it naturally became a notable centre of trade. of shipowning and naval development, and of manufactures. The shipowners of Ægina became in later times the richest merchants of the Greek world. They had trading places in distant parts, and became a seat of naval power. Dr. Curtius says of them: "They deemed no way of making money beneath them. Everywhere Æginetans were to be found, huckstering with utensils of bronze, vessels of earthenware, ointments, and other articles, which were produced on Ægina in large manufactories." (II. 227.)

‡ History of Greece, I. 272, 273.

34. GROWTH OF GREEK MONEY.

The essential facts of the growth of Greek money are clearly summarized in the following passages of Gardner and Jevons' "*Manual of Greek Antiquities,*" a very recent work of high authority.

"It is quite certain that in Homer's time, although coins were not yet in use, bars and rings of metal of fixed weight were current and generally accepted in all kinds of mercantile transactions.* Small wedges of silver were the principal medium of exchange in Greece very long before the seventh century B. C., and of these six were reckoned as a drachma or handful. Indeed, from very remote times the Babylonians and the Egyptians had formed for themselves systems of currency in metal bars, and had transmitted the custom to the nations of Asia Minor and Syria, with whom the Greeks were in constant contact. We cannot fix the date at which the custom spread to Greece also, but it must have been very early. And when bars of metal of fixed weight and fineness are in circulations, nothing is required to turn these into coins except the addition of an official stamp."

"It has long been disputed what people were the

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* This is a much needed correction of the common statement that oxen were the money of Homer's time. The principal riches of the chiefs, of whom we read in Homer, consisted in their flocks and herds and their slaves, and trade almost always meant exchanging cattle for whatever they bought of the foreign merchants who visited them. It was thus natural to speak of values in terms of cattle, but this reference to habitual and familiar barter by no means excluded the existence, and frequency even, of cash transactions, in which the money consisted of bars, and rings of gold, or wedges of silver, of fixed weight and fineness, which only needed to have a stamp on them to make a near approach to our modern coin.

first to substitute in their currency coins proper, that is, properly stamped lumps of metal, for the bars of metal of fixed weight which had preceded them. Modern opinion is inclined to the view that this discovery belongs to the Lydians. The first coins were made neither of gold nor silver but of a yellow metal compounded of the two and called electrum, which was found in large quantities in the beds of the Pactolus and other rivers of Asia Minor. About the reign of Gyges it occurred to some wise man of the Lydian court to have small balls of electrum marked with the official stamp of a city or a temple, to guarantee both its weight and its quality. Miletus and other Greek cities of Asia adopted the plan from their neighbors, and as early as the seventh and sixth centuries before our era a considerable quantity of electrum coins was circulating on the shores of the Ægean sea and the Euxine."

"Pheidon, king of Argos, is supposed to have been the first to issue money in Greece proper. This he struck in the Island of Ægina. The metal he used was silver, silver being the normal currency of Greece, as gold was of Asia and copper of Italy. The type was the tortoise, the symbol of the Venetian goddess of the moon and of trade, whom the Greeks identified with their own Aphrodite. There is no trace of any Athenian coinage before the time of Solon; for all Attic money is struck on the monetary standard introduced by him. Nor do most of the cities of Greece proper seem to have issued money until the time of the Persian wars."

"By that time Persia had a well established currency both in gold and silver. Crœsus had introduced in Lydia a regular state coinage in these two metals, in place of the irregularly issued pieces of electrum which had preceded him; and Darius, the son of Hystaspes, in his general reform of the Persian Empire, followed the example of Crœsus, adopting alike his metals and his standards of weights."

"Darius claimed the minting of gold as his exclusive prerogative, hence throughout ancient and early medieval history the issue of gold coin was the sign of a claim to complete autonomy. The Persian satraps were, however, allowed to issue silver. Also the Greek cities of Asia Minor were allowed, during a great part of their history, to issue electrum and silver money of their own. Meantime everywhere in Greece the state was stepping into the place of the temple as the issuer of coin. Hence throughout the flourishing period of Greek history the most usual inscription on the money is the name of the state which issued it or rather the people of that state."

"It has been ably maintained by Prof. Curtius that the origin of coins was religious. He considers that the need of a currency became most clear and strong at the religious festivals which took place at fixed periods in connection with the great temples of antiquity. The offerings of the people on such occasions would take the form of small bars or ingots of gold or silver, and these, on being accumulated in the temple would sometimes be stamped with the mark of the deity, — the lyre for Apollo, the tortoise for Aphrodite, the owl for Athena. Thus the earliest coins are everywhere ingots thus marked with the symbols and not the heads or figures of deities. In fact it is certain that in early times coins were closely connected with the deities and their festivals. The coins of Ephesus are closely connected with the temple of Artemis; those of Miletus with the temple of Apollo at Didyma. The coins of Elis bear every mark of a close relation to the Olympic festival. The Roman mint was the temple of Juno Moneta."

"The types or devices of early Greek coins are almost exclusively religious. The earliest money bore a mere indentation on the reverse, and on the obverse the symbol of some deity. The god or goddess selected for this honor was often the protecting divinity of the mint city. The symbol was frequently an animal; thus the wolf of Apollo is impressed on the early coins of Argus, the owl of Pallas on those of Athens, Pegasus on those of Corinth, etc. In later times, that is to say early in the fifth century, this symbol is in most coinages transferred to the reverse of the coin, while the obverse is reserved for the effigy of the deity to whom the symbol belongs. This is the most general rule, but the exceptions are very numerous; in fact, in every district of Greece the coinage has a distinct character. No city which was autonomous seems to have been too small to issue coin, with its own types and inscriptions, and each city struck on the standard of weight which best suited its markets and its monetary alliances. Hence the prodigious abundance of Greek coins differing in type, legend and weight one from another, which must have been very confusing and detrimental to commerce at the time."

35. RELIGIOUS CONNECTION OF COINAGE.

The connection of coinage with religion, and of money with the temples, comes out with special distinctness in Greek history. The worship of Apollo, god of light and of culture, found its chief seat in Greece at Delphi, on an isthmus situated exactly in the centre of commercial intercourse and in the meeting-point of all the routes by land and by sea. The annual festival was intentionally placed at the beginning of the most favorable season, in order that a visit to attend it might be made also a commercial journey. It was a mart of exchange, at which industrious men of business could open new connections and carry on commercial relations already begun. The earliest inns, halls of assembly, trading booths, etc., were in connection with the temple festivals. The art of road-making, and of building bridges, took its first origin from the sanctuaries to which people wished to make annual pilgrimages. The net-work of Greek roads took its origin from Delphi.

The worship of Apollo had come into Greece as a mission, and one of its supreme principles was that of missionary spread of culture. The whole matter of colonization stood under the special guidance of Apollo, who was regarded as the god of the sea and the coasts, a god of peace and prosperity. Not only were the holy places centres of protected and peaceful commercial intercourse, but in these trading fairs knowledge of articles of value grew rapidly and methods of exchange were developed. Here, therefore, the monetary system arose, and finance took its origin. Dr. Ernst Curtius, whose account our sketch follows, says of the temples as seats of wealth:

"Long before colonization had begun to spread in this grand and connected fashion, the holy places of the land were centres of an extensive commercial intercourse, which found peace and security in the sacred ports, on the sacred roads, and in the vicinity of the temples, whilst in the rest of the world a wild law of force prevailed.

"Herein lies perhaps the greatest and most permanent service rendered by the Delphic oracle. The exercise of this influence, however, was not confined to Delphi alone. Miletus was, like Chalcis, an Apolline city. The temple on Delos also, the Heræum at Samos, and the Artemisium at Ephesus, became the starting-points of an imposing maritime commerce, and of important explorations. The religious sense and the spirit of commerce, both so powerful in the Hellenic nation, penetrated one another in a remarkable degree. The gods were the wealthiest capitalists in the land, and their priests the first to understand the power of capital. The temples had in part large revenues from the proceeds of their lands, from the tithes of war booty and commercial gains, from fines and amercements, from the gifts presented for services rendered, for counsel and aid, for bodily and spiritual healing. With the gold-producing countries of Asia, Delphi maintained a lively intercourse; at

Delphi were established by Midas and Gyges the first treasures of gold in Hellas.

"With all the more important sanctuaries there was connected a comprehensive financial administration, it being the duty of the priests, by shrewd management, by sharing in profitable undertakings, by advantageous leases, by lending money, to increase the annual revenues and gather a treasure which not only sufficed for the maintenance of the dignity of religious worship, but was also an essential means of advancing the national power of the sanctuary. The treasure of the gods was preserved under the threshold of the house of the god or in special enclosures within the court of the temple under the oversight of the treasurers. There were no places of greater security, and they were, therefore, used by States as well as by private persons as places of deposit for their valuable documents, such as wills, compacts, bonds, or ready money. By this means the sanctuary entered into business relations with all parts of the Greek world, which brought it gain and influence. The oracles became money institutions which took the place of public banks. II. 46, 47.

36. ANCIENT MONEY WAS METAL BY WEIGHT.

The fact which stands out most distinctly in this history is the use of precious metals, not in coins of fiat value, but in bars, rings, ingots or other forms invariably current by weight. Coinage essentially meant a record on the piece of metal of its weight. The history of honest money is the history of various metals esteemed precious and current by weight.

Mr. Jevons in his "*Money and the Mechanism of Exchange*" * says:

"There is overwhelming evidence to prove that simple currency by weight is the primitive system. Before the invention of the balance, lumps and grains were no doubt exchanged according to a rude estimate of their bulk or weight; but afterwards the balance became a necessary instrument in all important transactions. In the Old Testament we find several statements clearly implying that the ancient Hebrews used to pass money by weight. Aristotle, in his Politics, gives an interesting account of his view of the origin of money, and distinctly tells us that the metals were first passed simply by weight or size, and Pliny makes a similar assertion. That it was so we may infer from the remarkable fact that even when no use was made of it the custom of bringing a pair of scales survived as a legal formality in the sale of slaves at Rome."

"There can be little doubt that every system of coinage was originally identical with a system of weights, the unit of value being the unit of weight of some selected metal. In the present day currency by weight is far more extensively practiced than might be supposed. In all large international transactions currency by weight is the sole method."

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* Pp. 88–91.

CHAPTER IV.

THE PRECIOUS METALS AS THE MATERIAL OF MONEY.

37. UNIQUE POSITION OF MONEY METALS.

Mendeleeff, the greatest of living chemists, points out the *double* character of "the perfectly unique position held by copper, silver and gold," — their chemical position and their monetary position. Thus he says:

"The perfectly unique position held by copper, silver, and gold, in the periodic system of the elements, and the degree of affinity which is found between them, is all the more remarkable, as nature and practice have long isolated these metals from all others by having employed them — for example, for metallic money — and determined their relative importance and value in conformity with the order of their atomic weights, etc. — silver between copper and gold."

The metals fall by their chemical characteristics into series, such as iron, cobalt, and nickel in one, osmium, iridium, and platinum as "the heavy platinum metals," ruthenium, rhodium, and palladium as "the light platinum metals," and copper, silver and gold as the series of precious metals.

The double series of platinum metals form a group of six metals, which are associated together in nature and are characterized by a number of common properties, both physical and chemical. They are called the platinum metals because platinum predominates so markedly over the others. The heavy series has atomic weights nearly 191 to 196; the lighter, 104 to 106. They are found in nature in a native state — not as iron, which is always found combined with some other element. They have great infusibility and tenacity, and small chemical energy — so Mendéeleff expresses it, but what should be said is that they do not readily accept union with other substances, but are proof against the attacking energy of such substances; oxygen, for example, the attacking energy of which is very intense. The predominance of platinum is shown by the fact that in the ores as they are found, 70 to 80 per cent. is platinum, 5 to 8 iridium, and a somewhat smaller quantity osmium; while the light series, palladium, rhodium and ruthenium occur in still smaller proportions.

38. COSTLY NOT THE SAME AS PRECIOUS.

Mr. Jevons speaks, though as barely more than a "scientific fancy," as if "some still more valuable metal, such as the scarce and intractable iridium or osmium, or the remarkable metal palladium, might possibly take the place of gold." But costly, from scarcity and intractability, does not mean valuable by the side of either gold, silver, or copper. Two things are to be considered in estimating the preciousness of metals, — intrinsic worth and cost. Intrinsic worth is determined by rare properties which give high value. Gold stands in this respect very much above all other metals. Cost is determined by the amount found and the difficulty of getting the metal in quantity. Gold is easily got and is found in very great quantity. This makes its cost low in comparison with quite a number of substances of greatly less intrinsic worth. The obscure metal gallium, belonging to the same group as tin, costs $200 an ounce, while gold costs but $20 per ounce. Palladium and thurium are very much alike, yet they cost, the first $8 per ounce and the second $160. Vanadium, a nearly useless black powder, costs $48 per ounce. Germanium closely resembles tin, yet it costs $95 per ounce. Rubidium, a greenish-gray powder, costs $88 per ounce. Santatun, which is very like rubidium, costs $80 per ounce. Baryllium, which resembles lead, is also worth $80 per ounce. Calcium, the oxides of which are so common and so familiar, is a white powder, worth $80 per ounce. Indium and didymium are each worth $72 per ounce; lithium, $64, erbium $62 per ounce; ruthenium $44, cerium, strontium, rhodium, and zirconium, each $40 per ounce; barium $32, borium $25 per ounce. A principal fact affecting the cost of these substances is the extreme difficulty of preserving them from oxidation, — that is, from being consumed by oxygen. It is very difficult to get them separate from the oxygen compounds in which they occur, and very difficult to keep them when got secure against the attack of oxygen. They are, in fact, costly because of being to such a large extent intrinsically worthless, in consequence of the fact that exposure to oxygen destroys them, as iron is destroyed by rust.

39. PLATINUM NOT GOOD FOR MONEY.

Platinum is more costly than silver, but that does not make it valuable for use as money. In price per ounce platinum takes a place nearly half way from silver to gold, but this is due to the demand for it in the arts and the comparatively small supply of it. Its price fluctuates remarkably, as from $8 an ounce to $4 an ounce during the ten years, 1875–1885; showing that it does not possess qualities to make it a highly precious metal if there were an ample supply of it for all uses. The Encyclopædia Britannica says (Vol. XIX. 190 and 193):

"Though a noble metal chemically, platinum has too modest an appearance to lend itself much to the jeweler's purposes. The Russian government used, for a while, to strike platinum coins, but soon came to give up the practice on account of the immense fluctuations in the commercial value of the metal.

"Almost all the platinum produced nowadays is made into chemical utensils. Platinum, in fact, is the metal of the chemist. 'Without platinum crucibles, which share the infusibility of porcelain with the chemical inertness of gold ones, the composition of most minerals' said Liebig, 'could not have been ascertained,' and chemistry generally could not have come up to its present level. In industrial chemistry platinum is used chiefly for the construction of those stills for the concentration of oil of vitriol, which, although a single one costs a fortune, are cheaper in the long run than glass retorts."

40. RELATIVE POSITION OF SILVER AND GOLD.

Silver is rarely found in the native state uncompounded with another element or elements. What we call silver ores are all more or less complex mixtures, in which less than half is silver. It is almost universal to find some gold in silver ores and some silver in gold ores. In $350,000,000 worth of metal taken from the Comstock lode of Nevada, the amount of gold was nearly equal in value to the value of the silver. Gold becomes loose from the ores in which it occurs, yet remains unaltered by exposure in nature, and is thus found in particles and nuggets. Silver, becoming loose, wears away or enters into a new mixture, so that it can be got only from the rocks in which it originally occurs. As the Encyclopædia Britannica says (Vol. XXII. 72), "the greater rapidity with which gold can be obtained has often influenced the legal relation of value between these two metals, and its bearing upon prices, commerce, and civilization."

Silver is originally as widespread as gold, but the amount of loose gold enormously extends the presence of gold, and its readiness to the hand of man, beyond the presence and readiness for use of silver. Most of the ores in which silver occurs are difficult to reduce, or separate into their parts, and it is therefore, says the Britannica, safe to regard silver as the last of the three great coining metals which come into use. Pure silver has a beautiful white color and luster. It is almost as plastic as pure gold, and, like it, very soft. It ranks next to gold in being proof against the action of caustic alkali lyes. It is too soft to make durable coins without an alloy of copper to harden it.

British coin silver is 925, and may be not more than 921 parts in 1,000 of pure silver. Only 900, or within three of 900, are required in the United States and in Germany, for all coins; also in France and Austria for the major coins. The minor coins of France, under one franc, are 835 parts silver, 93 copper and 72 zinc. The minor coins of Austria do not have more than 520 parts silver, and from that down to 375. For making alkali-proof vessels, an alloy found superior consists of 910 parts silver, 70 gold, and 20 nickel. British standard silver is too soft to wear well, far softer than the 900 alloy of the United States, Germany, France, and Austria.

The color, luster and power of resisting oxidation, which gold possesses, have caused it to be valued from the earliest ages. It is the only metal of a yellow color. It is nearly as soft as lead; is the most malleable of all metals; is extremely ductile, and it can readily be welded cold, making it a very simple matter to compress it into forms of any desired kind. It is found in nature chiefly as pure metal, and less frequently in combination with other metals, as silver, lead, and tellurium. For coinage, alloys with silver and copper are chiefly used.

In America and in the Latin Union countries the alloy in use has 900 in 1,000 parts of gold. The Norse 2-kroner gold piece has only 800 parts gold. For the Austrian reichsducaten copper is used with 986.6 parts gold. English standard gold is composed of eleven parts of fine gold, and one part of alloy, chiefly copper.

41. THE GOLD-SILVER COMPOUND.

The Greeks, as the Encyclopædia Britannica account states (Vol. X. 740), and as our story of early money has already shown, were familiar with natural alloys of silver and gold known under the name of electrum, and rough nuggets of which were frequently stamped and are said to have formed the earliest coins of the Lydians of Asia Minor, who were a very advanced people when as yet Greece had taken only the first steps of progress.

This ancient example has naturally raised the question whether we could not accommodate both gold and silver interests by an electrum coinage, mixing gold and silver in some definite proportion. It is, however, a suggestion in disregard of the true science of money. The first principle of that science is intrinsic value by weight of the material used as money; full value for standard money, and less than full for subsidiary. Be the shekels of copper, or of silver, or of gold, they may be made good money in proportion as they have intrinsic value, readily known.

42. EARLIEST CURRENT MONEY.

Money began by circulation of definite weights of one of the precious metals. Coinage was merely marking the weight. Our modern improved coinage is only an improved method of indicating and making permanently secure the weight of the coin. We could, with equal ease and advantage, make money of copper, silver, platinum, gold, or electrum, if they all alike served for coinage, on the principle just stated. As a matter of fact they differ very greatly, and we are shut up for good money to the metal or metals which best meet coinage conditions.

And here it is important to note that coinage, or the marking, and making secure the value by weight of a piece of metal, looks in two directions — that of minor coins of low value and limited use, and that of major coins of high value and unlimited use. It does not much matter about minor coins of copper, nickel, or silver even, because they only serve to count small values, which are payable in the major coins. It is for the major coins that we require exact and secure indication of the value by weight of every coin.

And for the major coins the fundamental principle is this, that that substance, that one of the precious metals, will best serve for money, and must for that reason be the standard, which most constantly and steadily keeps the highest line, or at least some definite high line, of value. As the output and market of the world now are, gold does this far beyond silver.

If gold mines were to greatly increase in number and output, and silver mines to correspondingly fail, so as to make silver to be steadily held at the highest line of value above gold, the effect would be to give silver the advantage above gold for purposes of steadily maintained value in coin form. If we could depend as well upon the value in trade of a definite weight of silver as we can upon that of a definite weight of gold, silver would be just as good as gold for money. If the two metals would stand together, and together rise or fall equally, and if possible only slightly either way, then we could have money in gold or silver indifferently, so far as relates to the goodness of the money as coined and current precious metal, the one great objection in such case to silver being its bulk and weight compared with gold. An immense experience, notably in France, has shown that bulk and weight alone are a fatal objection to silver as the chief or even the equal money of modern business. But far beyond this are found other objections, especially those of the invariably bad working of the double standard system, to which attention is directed in later chapters, and those which show silver never commanding any such estimate of its desirability and worth as gold always and everywhere commands. The historical facts for fully 2,500 years show gold alone standing at a high line of value constantly and steadily, and silver not only making no approach in value to gold, but constantly fluctuating in value; that is, in what it can be exchanged for in trade. We cannot, therefore, get away from the fact that gold works by itself in the major or standard coins better than anything else, far better than silver, and that the more silver there is coming upon the market, the harder it will be to make silver work equally well.

43 WHAT MAKES REAL MONEY.

The fundamental fact, we cannot too carefully consider, which makes real money, is its intrinsic value, the value of the substance of which it consists, such as a given weight of gold, or silver, or copper, or platinum, or nickel. But it is not indifferent what substance we select for making real money. If there were no gold, silver, or copper, real money could be readily made of platinum, with, perhaps, an approach to a satisfactory standard; but as substances are, in respect of the circumstances which affect their value for making real money, gold so decidedly stands at the top, out of reach of competition by or comparison with silver, that we may unhesitatingly say that in the nature of things gold enables us to make real money of the most satisfactory standard.

44. THE ULTIMATE STANDARD.

What is the most satisfactory standard, existing in the nature of things? It is the standard of steadily maintained value; not an absolute maintenance of value, but a maintenance the nearest to absolute that is practicable, and decidedly above that possible in the case of silver. While, therefore, we might use silver to make real money, and fare well in doing so, we yet can fare better by employing gold for our standard real money, making our silver money as good in reality as we can, and then raising its value as money to the level of gold by making it a substitute for or payable in gold.

45. WHAT VALUE CONSISTS IN.

If we ask what value consists in, the standard of which we get in its best form in a given quantity of gold, the answer, determined by the nature of things, is the estimate made in trade. Trade or barter is the fundamental fact never to be lost sight of. A true piece of money is a given amount of whatever substance serves well or serves best as money, and its value is what it can be exchanged for of that limited class of commodities which are most definitely valued in ordinary exchange. The balance measures money just as truly as it measures lead or wheat. The ideal piece of money is a given weight of gold or a given weight of silver readily exchangeable for gold.

We cannot take the value of gold in any great variety of commodities indiscriminately. We may take it in wheat, in wool, in cloth of a definite quality, the production of which is very general and steady and the uses of which are continuous and universal, but even so, we can only make an approach to a true estimate of what gold is worth to mankind at different times and in different places. If, for example, we compare the fifteenth century with the nineteenth, and ask how much wheat, or wool, or cloth an ounce of gold would be exchangeable for, the answer which we get is subject to qualification by anything affecting the comparative values of wheat, wool or cloth in the two centuries About all that we can arrive at is the conclusion that, in different ages and places, and with a sufficiently large development of normal conditions, gold fairly maintains not only a high value but the highest value among large exchangeable substances, and maintains this with less fluctuation than any other substance known to us.*

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*" It must not be assumed that gold is absolutely stable in value. When we speak of the value of the one thing which meas-

The money, then, which we make of gold, or the substitute money which we make of silver, fundamentally consists of one thing, and one only — a given weight of the standard substance, gold.

CHAPTER V.

THE MAKING OF MONEY.

46. METALLISM.

The study of money requires us to consider the meaning of such terms as metallism, monometallism, and bimetallism. Metallism properly means, in relation to the question of money, the use of a metal or metals as money. It might mean the use of any metal as money. As a matter of fact, with the experience of mankind establishing usages which are for the best, metallism comes to mean the use of any precious or convenient metal in the making of money. Gold and silver are found useful precious metals from which to make money. Copper is found a convenient cheap metal from which to make money in coins of small value.

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ures all value, we mean its purchasing power in terms of those commodities whose supply is unlimited, or not controlled by monopoly. The value of gold thus measured is subject to variations, but it is impossible to measure them with accuracy even when we compare prices during long intervals of time. Gold is subject to fewer changes of purchasing power than any other known substance. The fact that it is not wholly free from variations itself will not prevent it from becoming the sole and universal [standard] money of civilized mankind." Horace White in "*Money and Banking*."

47. FULL VALUE COIN.

There are two principles on which we can proceed in making pieces of metal serve as money. In regard, for instance, to cheap metal made into small coins and used as money, the law might require that whenever the mints coined copper they should estimate the actual value of a certain weight of copper from the average of prices for the previous twelvemonth, and should give in a one-cent coin one cent's worth of copper. If this were done, a man might gather a large quantity of copper coins with a certain measure of security that he could sell them for their face value for copper, and yet there would be a measure only of security. If the amount of copper coined was so large and its use so common that a man's bank account would stand to a considerable extent in a great weight of copper, with no chance to get rid of it except to sell it for its worth as metal, there would be many chances that such sale would be attended with some loss. As a matter of fact, there is no trouble with small cheap coins, because the principle of putting exact value of the metal into them is not only not followed, but is avoided. If it were attempted to be as exact as circumstances permit, it would be possible for traders to gather large quantities of the copper coins whenever they found the price of copper higher than that which was assumed in the making of the coins, and by selling the coins as metal they would make a profit. For this reason the wise principal of coinage of cheap coins is that of making them of sufficiently less actual value in comparison with the face value to remove all temptation to accumulate them for sale as metal.

48. FIAT VALUE COIN.

The second principle on which we can proceed in making pieces of metal serve as money is that of making them in whatever form is most convenient, and authorizing them to count as of a certain value for use as money. The law might say, for example, that a piece of copper worth ten cents as metal should pass as worth a dollar. This would mean that if we had a dollar to pay in taxes or a dollar to pay in wages for labor, or a dollar to pay in settling any debt, we could pay it with one of these coins intrinsically worth only ten cents. There is but one difficulty with money of this kind. If it exists only under the law in question it will not pass in the way proposed. People will universally insist that it is actually worth only ten cents, and all transactions will be made on the basis of its being worth only ten cents. There is nobody who will give more than ten cents for it, and, consequently, it cannot pass for more than that. Even if the government takes it for that it can get along only by requiring that a tax or a duty which ought to be one dollar shall be ten dollars. In the same way a laborer who ought to receive two dollars a day will require twenty in order to be fairly paid. If he gets only five or ten or fifteen, he will be cheated out of fifteen, ten or five. In all probablity with such money it would be practicable to steadily cheat the laborer, because of his difficulty in insisting on so high a figure as twenty dollars for a day's work; and, on the other hand, when he comes to pay for articles of food or clothing it will be again easy to make him pay more in proportion than he can get on the plea of the small value of the dollars which he pays. This kind of money made by law is called fiat money, and it has been called thieves' money, because just in proportion as it can be handled successfully those who handle it steal from those with whom they deal. They give a ten-cent dollar and take something worth nearer a true dollar. It is one of the worst and most cruel forms of dishonesty. It can be practiced, of course, on a different basis from that of ten-cent dollars. It might be said, for example, by our coinage laws, that ten cents' worth of copper should constitute a shilling, and that five shillings should constitute a dollar. Many people would not understand the trick in this, but would try to make it work, and would be cheated accordingly.

49. A NECESSITY IN CHEAP COINS.

There is one case, that of cheap coins, in which it is important to have the coin actually worth a little less than its face. It is the case of the cheap copper coins already referred to. If it were attempted to put full standard value into them a rise in the price of the metal above that standard value would tempt traders to get the coins in great quantity and sell them for metal instead of passing them for money.

Coinage laws recognize in the case of small coins that are not worth in metal their face value, that no one ought to be required to take them as money beyond a certain narrowly limited amount. They are made legal tender, that is, for only five dollars, or a similar small sum. One consideration requiring this is that of the objection to the bulk which would have to be handled in using such cheap coins as money for any considerable sum. A man might be tendered, in payment of a sale or a debt, a weight of copper which he could not carry away; but even if this did not make such coins objectionable for use as money to any extent, they would be objectionable solely on the ground of the difference between their real value in metal and their face value as coin.

50. FULL VALUE METALLISM.

If we now look higher up among the metals to platinum and silver and gold we find the same principles of money metallism applicable. The cornerstone of honest coinage is to stamp a piece of metal for what it is worth. But by "worth" may be meant the piece in itself, or what it can be exchanged for. We might stamp pieces of gold, silver, and platinum according to their weight in pounds, ounces, or grains. Our money might consist of gold coins weighing various numbers of ounces and of silver coins also weighing various numbers of ounces, and of platinum coins also weighing various numbers of ounces; and in all transactions of trade money would go by its weight, so many ounces of gold, or so many ounces of silver, or so many ounces of platinum. Platinum, it may be said here, is not much thought of for use as money, yet Russia had it in use at one time, and it might be used but for the extent to which there are objections to employing it as money. It is useful in discussing the subject to keep platinum in view, because it is a really precious metal, and can be very well used as money, and also because a view of the objections to platinum as money will help us to understand some other points of the question of money.

51. METHOD OF KNOWING COIN VALUES.

If we were, as suggested, to have for money pieces of gold, of silver, and of platinum, passing according to their weight, it would necessitate constant knowledge of the relative values of the three metals, and that knowledge would be determined by the prices at which the metals sold in the accepted metal markets. We would have telegrams from all the great money centers giving daily information as to the amount of silver necessary to balance an ounce of gold, and the amount of platinum necessary to balance either an ounce of silver or an ounce of gold. Transactions would be figured on the basis of the daily relative values of the metals. All settlements would have to be on the basis of counting the different weights offered of the three metals according to the estimate based upon their relative value at the moment of settlement. If, for instance, a trade had been made thirty days since on the basis of paying in a certain weight of platinum, or its equivalent, the equivalent would have to be taken in either silver or gold, according to the market rate on the day of payment. It might have seemed when the promise of payment in platinum was made that platinum was likely to be at the end of thirty days lower than the average in price, and that the equivalent for it in gold or silver would be, say in sixty days, a considerable advance upon the platinum value; and so with reference to either of the other metals. Every transaction would necessarily call for either so many ounces of gold, or so many ounces of silver, or so many ounces of platinum, or their equivalent, on the day of payment. A transaction might, indeed, adopt the relative value on the day of sale of the three metals as the value to be followed on the day of payment, and the promise to pay might refer definitely to given weights of either one of the three metals. But whatever the exact character of particular transactions, the principle underlying them all would be that of observing from day to day the relative values of the three metals in use as money by means of pieces of definite weight. The market would steadily and constantly determine just what weight of silver stood for that day as equal to an ounce of gold, and just what weight of platinum stood for that day as equal to an ounce of gold, or the equivalent to an ounce of gold in silver.

52. HISTORIC BASIS OF REAL MONEY.

All human experience from the beginning during not less than six thousand years, has shown that the foundation of money is either metallism on the basis of the intrinsic value of the metal, or something similar to metallism of that kind, with a tendency to come to metallism pure and simple. The real principle is that of trade or barter. At first anything may be traded for anything, but convenience soon fixes on something particularly precious to serve as a type of value. A civilization which is a little agricultural, but mostly pastoral, and with very large development of the raising of cattle, might find it convenient to make cattle the type of value, so that, for example, a transaction for the purchase of certain rights of pasture should be made in terms of so many cattle. This would probably mean so many cattle with two or three classes of cattle compared relatively. A payment might mean, for example, ten oxen, or thirteen cows, or twenty yearlings, or a part of each, with this scale of relative value. History, however, shows an invariable tendency to metallism as the true method of money.

53. SILVER METALISM.

To a very large extent, if not universally, there has been quite as much readiness to accept silver metallism as gold metallism. During many ages of knowledge of the precious metals, silver seemed quite as good a type of metallism as gold, in spite of the fact that a given weight of gold was estimated to be worth, perhaps, twelve or thirteen times as much as the same weight of silver. There were some quite special reasons during the earlier ages of human experience for appreciating very highly the qualities of silver, and for placing it by the side of gold, in spite of the more than ten-fold intrinsic value of the gold. So long as this state of things existed, nothing objectionable resulted from recognizing it, and acting accordingly. One of the first principles of money is that of being guided by whatever universal estimate exists. If, for instance, it were possible for copper to become so rare as to be precious because of rarity, and for some new electrical treatment of copper to give it even greater interest than gold, the relative value of copper might rise above even that of gold, and it would then be not only legitimate but necessary to recognize that relative value and to act upon it.

54. GOLD METALLISM.

Another thing which history shows is the invariable tendency of trade, of market opinion, and of the common sense of mankind everywhere to consider the most precious of the metals as the type of metallism. If, for example, there becomes established the use for money of stamped weights of gold, silver, and platinum, convenience at once demands that one of them stand as the type. But this type cannot be arbitrarily chosen. The convenience in question turns entirely upon which of the metals is, by its intrinsic value and by its steadiness in relative value, superior to the others. There has never been a doubt as to the immense superiority of gold in intrinsic value as compared with silver. The earliest coinage of which we have any knowledge made gold worth twelve or thirteen times as much as silver, weight for weight. But this alone, decisively as it determines the type of intrinsic value, might not of necessity determine the type of money metallism. If it were the fact that silver at thirteen to one, or sixteen to one, or twenty to one, or at whatever ratio, held a steady relative value, fluctuating less in relative value than gold, that would give it for money purposes the superiority as a type of metallism But all experience testifies to the exact opposite of this. It is gold, with its greatly superior intrinsic value, which is greatly superior also in the steadiness with which it maintains its relative value. The convenience, therefore, of counting in gold value and calculating from gold values is greater than any other. It is not, indeed, perfect; that is to say, if we take a variety of important values, values of various food products, and of other articles of universal trade from year to year, and from generation to generation, and take their value relatively to the value of gold, or what is the same thing, the value of gold relatively to their value, we may readily enough perceive that there is some fluctuation in the relative value of gold. This, however, does not alter the fact that in gold we have the type which is far nearer the perfect than any other which we can have. Platinum is out of sight below it because of the very great variations in its market value, making it extremely objectionable for employment as money, or, in other words, as a precious metal of steady value. Silver stands between platinum and gold. As a precious metal of steady value it ranks not only below gold but far below it. It cannot be made a type, and to that extent a standard of value anything like as conveniently as gold can, simply because its variations in market value are very much beyond those of gold.

55. GOLD THE STANDARD.

Inevitably, therefore, the money metallist in all trade everywhere throughout the world must take his point of judgment for values from gold instead of from silver. Even if we use three precious metals, gold, silver, and platinum, as money, and cheaper metals as nickel and copper for coins of small value and of limited use as legal tender, the whole system, in order to be the most convenient, the best in working, and the safest and most satisfactory, must have its basis in gold, so that all transactions can be conducted by calculating the values of everything in gold. This requires that whatever coinage of silver is attempted, or whatever coinage of platinum is attempted, the principle shall be followed of harmonizing the use of these coins with the use of gold as a standard of value.

56. SPECIAL CASE OF SILVER.

The application of this principle is especially important in the case of silver, because silver, although considerably less desirable than gold for use as a standard or basis, is yet capable of such use. If silver is coined at as nearly as possible its intrinsic value at the time of coinage, that is, its value relatively to gold, there might happen later a rise in the price of silver which would make it of intrinsic value greater than its face value. The result of this would be that traders in money would accumulate the silver in exchange for gold, and sell it for its value as metal, for the sake of the profit which they would make on the difference between the coined value and the intrinsic value. It is, therefore, to the interest of steadiness in the use of silver money that its intrinsic value should be kept somewhat lower than its face value. On the other hand, the same interest requires that there should not be too much difference between the face value and the intrinsic value. If the difference is large, thirty or forty cents on the dollar for instance, then the silver coin is in reality a promise to pay, secured by the sixty cents' worth of silver, and requiring further security for the other forty cents. This further security has to be provided for, and provision of such security, on a very large scale, through a very large use of silver as money, can be secured only in one way, by the accumulation by government of a corresponding gold reserve, or at least such a large reserve as will show that the government is in a position to promptly meet both this and any other possible demands upon it for what may be called full value payment.

57. GOLD COMMANDS CONFIDENCE.

One remarkable illustration of the opinion of the world in regard to money is the fact that the great nations of Europe, whose circumstances compel them to contemplate the possibility of having in hand a great amount of money for war purposes, are doing all that they can to lay up a great store of gold. They know that gold is a precious metal of steady value, and that whatever theories may be in vogue, or whatever practice nations may adopt, the universal market will recognize their gold according to its intrinsic value as standard money which can be depended upon. If they were to accumulate in the same way an immense stock of silver, they would take the chance of finding the silver greatly depreciate on their hands. They might have $500,000,000 in silver, that is $500,000,000 worth that in gold at the time the silver was purchased, and by the time they got ready to use it it might have fallen forty or fifty per cent. in value. In 1873 silver was worth a little more than 16 to 1, and a United States silver dollar was worth a little more than a gold dollar. For eighty years silver had been worth as much or more than 16 to 1 of gold, but in 1894 it was worth less than half that. The silver in one of our present silver dollars is worth about fifty cents. A visitor to Mexico has recently given this illustration: In paying at a restaurant for a dinner, the charge for which was one dollar in Mexican money, he handed out an American silver dollar, and got in change a Mexican dollar containing seven and one-half grains of silver more than the American, and therefore intrinsically worth more than the American. The secret of the exchange was that the American silver dollar was construed as a United States promise to pay one dollar in gold, and it therefore passed for more than twice its intrinsic value.

58. THE CHIEF PROBLEM OF METALLISM.

By far the most important problem of metallism is that of two kinds of money, one standard, and the other subsidiary; the standard money to be in the standard precious metal, gold, and the subsidiary money to be in the subsidiary precious metal, silver. If this relation of the two metals and of the two kinds of money is not accepted, it means a fight between silver and gold, with the absolute certainty of victory for gold and defeat for silver, carrying injury wherever dependence has been placed upon silver, and prosperity wherever the basis trusted has been gold. This is a result of the nature of things. We might like to have it different, and we may be able to show by argument, that it could be different, and ought to be; but the fact is it will not be as long as the arrangements of mankind are what they are. A single nation, having no relations whatever outside itself, could adopt a system irrespective of the rest of mankind, but nothing of the sort is possible in matters of finance. Even so immensely strong a nation as the United States is to a large extent necessitated to do what the world at large considers best. The world at large considers best the use of the precious metals for money on the general basis of security by intrinsic value for nominal value; and it further considers that security, in intrinsic value, is much steadier, more certain, and more satisfactory, to be in gold value rather than in silver value. Silver, therefore, is placed by mankind in a subsidiary position, and the interests of silver require that the best be made of that position.

59. THE TRUE INTEREST OF SILVER.

What is best for silver turns entirely upon the relative intrinsic value of silver. The maintenance of the subsidiary position requires two things, first, a sufficient intrinsic value in the subsidiary coin to maintain an average near approach to face value, and, second, a sufficient face value above the intrinsic value to give security against the latter being carried by changes in the market price above the former. A silver dollar, that is, should employ as much silver as is not likely to become worth more than its face value. The bulk of silver coinage will thus stand appreciably near in value to the value for which it passes, yet without rising above its face value, with the effect of displacing, for the time, the gold standard.

It is misleading to speak of the two moneys, gold and silver, as "equal standards of value." We may say "two moneys, gold and silver, side by side," but to make them work together for the best advantage, both of the public interest and of the silver interest, it is absolutely necessary to make the gold the standard of value, and to place the silver, in the matter of the amount of intrinsic value in silver coins, in a subsidiary position. To attempt to give both metals standard or first place is to have no secure standard, and no steady place for either. Silver will stand best both as coin largely employed and as metal in the markets of the world, if we keep it in the best possible subsidiary place, and do not allow it to rise by the changes of the market to a standard place.

The question of coinage of silver, the question, that is, of the amount of intrinsic value relatively to the nominal value to be put into silver coin, ought to be left to the coinage experts. It is a matter for the mint, not a matter for legislation. Legislation should determine the principle on which the mint shall turn out silver coins as near full value as will not violate the subsidiary basis, but no more than that. The mint experts will readily determine, from experience in matters of coinage, just where the line should be drawn in silver coins between face value and intrinsic value.

60. GOLD BIMETALLISM.

If these principles are carried out we obtain a system of gold bimetallism, that is, money metallism based upon both gold and silver, but with gold as the standard money and silver as the subsidiary money. Any other system for coinage of silver, regardless of the preservation of the gold standard, can only have the effect of depriving ourselves of the use of either gold or silver. If we coin silver with a value of metal in each coin above the face value, even if only a little above it, it means that we offer to all comers more than a dollar's worth of silver for a dollar in gold. Everybody that knows enough to trade in money will hand in the gold and take our silver, and we shall find ourselves entirely sold out of the silver and on a basis of gold monometallism. On the other hand, if we make silver coins which are less in intrinsic value than their face value, even if only a little less, and make them full legal tender for their face value, we at once set in motion an effort of all who have our silver to exchange it for our gold, because by the exchange they will make something; and the result of this will be to get all our gold and leave us with only silver. This will be silver monometallism at a cost represented by the difference between the value of our stock of gold and the silver which we have taken in place of it. If, for example, we coin silver at 16 to 1, and make such coinage of silver dollars full legal tender, there will be a very rapid taking away of our gold in exchange for silver with a loss on every dollar, at the present price of silver, of nearly or quite half a dollar. Even if circumstances should considerably carry up the price of silver we would still be in the same fix, that of losing our gold and getting in place of it silver of less value. If it were possible to make our silver coins of almost exactly the same face value as their intrinsic value, we would still have one or the other of the difficulties mentioned. Silver fluctuates in value much more than gold does, and for most of the time the intrinsic value would be either above or below the face value, and we should have one or the other of the difficulties of which we have spoken. We should, in short, have silver monometallism or gold monometallism, as to money in circulation, just according as the one dollar or the other, silver or gold, stood relatively lowest in market value. The lowest always remains as money, while the highest is disposed of as merchandise. Issue of the lower as legal tender equal with the higher is the same thing exactly as sale of the higher at a profit to the money mongers equal to the difference in value of the two. If the United States, for example, with its present stock of six hundred millions in gold, should issue, and make standard and legal tender, silver at 16 to 1, when the market ratio is nearer 32 to 1, it would be exactly the same as offering the six hundred millions for sale at half price, every full-value, or double-value gold dollar for a half-value silver dollar, and of course the foreign money market would take the whole of it, and make three hundred millions, gold value, or six hundred millions new American silver value, by the transaction. A more thoroughly criminal financial operation it would be difficult for even the wildest intellectual hoodlumism to propose.

CHAPTER VI.

THE USES OF MONEY.

61. MONEY MEASURES VALUE.

The things which money will do, or the uses to which we may put it, may all be covered under four heads. In the first place, it enables us to readily estimate the comparative value of different commodities. We become familiar with the steadily maintained value of the precious metal, and we are able to ascertain how much of the metal represents the value of any given commodity and at what values the respective commodities can be offered for exchange. Money thus serves primarily as a standard of value. It has been said that the idea of general value could not be formed without the existence of money. This, however, is an entire mistake. The comparison of commodities necessarily results in a general idea of comparative values, and primitive culture shows the rise and prevalence of this idea at many different stages of comparison of commodities, all the way up to that of comparing all others with the supreme commodity, gold. But it is true that without the existence of some such commodity as gold it would not be easy to form ideas of comparative values and to count these values as they are counted by the use of money.

62. MONEY REGULATES EXCHANGE.

In the second place, money serves to facilitate exchanges or trade. It does this solely in consequence of and subsequent to the service rendered by money as a ready means of estimating comparative values. Writers of distinction have placed the facilitating of exchanges first. But this is not the order of the facts. That order begins with the use of money as a means of determining comparative values, and only after this does money serve as a medium of exchange. The use of money as a medium of exchange is so conspicuous as to naturally take the first place in common observation, but some reflection will show that this use arose wholly in consequence of the fact that whatever was employed to facilitate exchanges had shown itself a convenient measure of value. To exchange oxen for wheat through the medium of gold shekels, the oxen must be valued in gold shekels and the wheat also. It is by an unconscious inaccuracy that writers who thoroughly know the subject, mention promotion of exchange as the first func tion of money, and measuring of values as the second.

63. ARISTOTLE ON MONEY.

Aristotle, the most scientific of the Greek philosophers, speaking of the resort of the various tribes of mankind to barter, and the part which it played in the economy of human society, went on to say:

"From this it came about logically that as the machinery for bringing in what was wanted, and of sending out a surplus, was inconvenient, the use of money was devised as a matter of necessity. For not all the necessaries of life are easy of carriage; wherefore, to effect their exchanges, men contrived something to give and take among themselves, which, being valuable in itself, had the advantage of being easily passed from hand to hand for the needs of life; such as iron or silver or something else of that kind, of which they first determined merely the size and weight, but eventually put a stamp on it in order to save the trouble of weighing, and this stamp became the sign of its value." (Aristotle's *Politics*, I. 9.)

It was not so much that men contrived an instrument of exchange. They found commodities the value of which everywhere and always could be estimated with comparative ease and certainty. The cowry money shells, pretty shells everywhere the same, so common as to have a steady low value, offered themselves as types of value, value-measurers. So of gold or silver or copper by weight. It was easy to employ them as measurers of value, because estimate of their value was relatively easy and certain. After such measurers of value became known, the practice of using them to promote exchange sprang up.

64. MR. HORACE WHITE ON MONEY.

Mr. Horace White says, for a definition of money, "anything that serves as a common medium of exchange and measure of value." But he also says: "The simple truth is that gold is the only money of civilized nations" (p. 112); and again: "The money of the country consists of all the gold, plus all the other instruments of exchange which are redeemable in it." (P. 226.) He further says, in the opening of his chapter on "General Principles:" "Roescher correctly observes that if money were nothing but a measure of value it would on that account, if on no other, possess value. This fact is often contradicted, and still oftener lost sight of. No invention or discovery since the world began has been of so great service to mankind as that of a common measure of value."

"As a matter of fact, however, all the things that have been used as money have possessed other value, and we have the best reason to believe that this other value led to their use as money in every instance without a single exception. We cannot conceive that gold would ever have been brought into use as money if it had not possessed certain qualities of beauty, portability, durability, etc., which caused it to be prized as an article of adornment." (P. 24.)

The accuracy of this statement of facts cannot be questioned. It brings out very clearly the foundation fact of money, the convenience of making certain commodities serve as value-measurers, not under a contrived plan to make them such, but because they manifested themselves as such.

To be perfectly accurate, therefore, Mr. White's definition should say "a common measure of value and medium of exchange."

65. MONEY AS A STANDARD OF VALUE.

The third function of money is that of a standard of value applicable to the more or less indefinite future. It is one thing to say that an ounce of gold is of a certain value in trade at the present time and quite another thing to say that it shall be of the same nominal value ten, fifty, or a hundred years from now. Money in proportion as it is good for its purpose, — not to say perfect for its purpose, — will serve as a standard for future value, not less than as a standard for present value.

And here it is of special importance to observe that the urgent necessity for good money of one standard, and that the best which is possible in the nature of things, becomes more urgent still when money is used as a means of designating future values. If we designate the value ten years hence of a hundred acres of land as ten thousand dollars it may make, and in all probability will make, a very great difference whether that is ten thousand dollars in gold or in something else that may be legal tender as dollars ten years hence. Even with the best efforts which could be made to supply silver money along with gold, but without the tie to gold of a substitute coin payable in gold, all the chances are that the ten thousand dollars at the end of the ten years, if paid in silver, would not exactly and fairly pay the debt. One chance at least would be that it would more than pay the debt through the value of silver at the time. But nearly all the chances are that if there were any change it would be in the other direction.

66. LABOR AND MONEY.

The use of money as a standard of value is especially important when looked at from the point of view of labor. Labor depends on future payment in some definite money. No interest is more imperative than that which labor has in the making of money of the best known substance. The payment of labor in pieces of gold always and necessarily means more than any other payment which labor can accept. There might be indeed good payment in good silver money; that is, money made as nearly as possible of a real value in silver equal to its nominal value. But all the chances are that payment in silver would fall short, at least a little, of full and fair payment, and that absolute security for a full wage could not be had except on the basis of payment in gold or in substitute money exchangeable for gold.

Of all the varieties of ignorance blinding mankind to their true interests, there could hardly be named one more lamentable than the ignorance which should permit labor in the modern world at large to demand the adoption of a money the sole result of which to labor must be the substitution of part payment for whole payment. True as it is that half a loaf is better than no bread, it is simply insane to insist on having a half loaf instead of a whole loaf. Under all circumstances whatever the use of money means trade, and when labor is offered in trade for wages, the labor gains or loses just in proportion as the money in which wages are paid is real money of an intrinsic value fully equal to the nominal value. No class of traders have more interest in gold, as money of the highest standard quality, than that great class some of whose misguided leaders are everywhere proposing general acceptance of a system of money which will regularly cheat them out of a part, and perhaps a large part, of their wages.

67. MONEY AND CREDIT.

Under the head of "A Store of Value," Mr. Jevons remarks on a possible fourth function of money as follows:

"It is worthy of inquiry whether money does not also serve a fourth distinct purpose — that of embodying value in a convenient form for conveyance to distant places. . . . At times a person needs to condense his property into the smallest compass, so that he may hoard it away for a time, or carry it with him on a long journey, or transmit it to a friend in a distant country."

The obvious justice of this might be conceded without looking farther, but a moment's consideration of what use of money all organized business, and notably the business of banking, involves, and of the basis upon which properly issued paper can be made to answer as money, will show that as a store of value capable of supplying a basis of credit, whether in the form of ordinary capital or in the special form of banking capital, money has a fourth function of immence significance.

68. MONEY AS CAPITAL.

In the case of any organized business a store of money is the foundation upon which the business, including a certain amount of credit, is built. The incalculable importance of money thus serving as capital, and thus creating credit in aid of the business, cannot be too strongly expressed. A certain prejudice widely felt against capital would undoubtedly disappear if the necessary and beneficent uses of even the largest and most questionable aggregations of money, in the notable fortunes of the multi-millionaires, were better understood. What the public good demands is not repression of capital as in any way an evil, but improved service by capital, and this can be got, in all probability, more easily rather than less easily, from the administrators of great aggregates of capital.

69. MONEY AND BANKING.

The use of money to create credit, and to carry on the constant supply of organized credit in aid of all kinds of business, is one of the largest and most important facts of the present organization of human affairs. After a lucid explanation of just what banking is, and how it involves (1) money, and (2) bank credits which may be four or five times the amount of the money, Mr. Horace White says:

"It is found in practice that $200,000 of loans and discounts may be easily carried on $50,000 of cash. Thus, the loans of all the national banks in the United States in October, 1894, were $2,000,000,000 and their cash, including silver certificates and silver dollars, was a trifle less than $400,000,000, or only one-fifth the amount of the loans. The other four-fifths was credit, and perfectly sound credit, too, for it had passed through one of the severest panics in our history." *

70. VALUE OF SOUND BANKING.

How much banking means may be understood if we recall how Mr. Chase, Secretary of the Treasury in Mr. Lincoln's cabinet, began his great financial operations by insisting, against the wise and honest counsel of the great bankers, on taking $170,000,000 of gold and paying it away, instead of drawing checks upon the banks and letting them pay, as usual, in bank notes secured by their gold reserve. Mr. Chase by this operation broke the back of the bank power of the country to grant loans and discounts to the amount of $850,000,000. The banks could have loaned him $350,000,000 with less danger than the giving up of $170,000,000 of gold involved. If Mr. Chase had been one of the great kings of finance, and had foreseen how great the war demands would be, he would have bought gold from abroad with bonds until he had put $250,000,000 of gold into banks, and enabled them to lend him a thousand millions to carry on the war. But Mr. Chase, as we shall presently see more fully, had no proper knowledge of the dictates of wise and honest finance.

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* *Money and Banking*, p. 237.

CHAPTER VII

THE MINTING AND ISSUE OF MONEY.

71. COINAGE.

The work of the mint in the coining of money is that of making pieces, of gold, or silver, or other metal, according to a rule of weight and fineness, which in the case of government mints has been enacted as law. Aristotle says that the first coins were pieces of metal with only the weight stamped upon them, and that the weight stamp became the indication of the value of the coin. Such terms as shekel, talent, drachma, pound, penny, peso, livre, and mark, designated weights at first, and so came to designate values. Payment by weight was expressed in Latin by the term *stipendium*, from which comes our word stipend, applied especially to the pay of a clergyman or other ecclesiastic, because the church so long used the Latin. Our English words expend and expense are from the Latin *expendo*, which means to weigh out.

72. AMERICAN MINT LAW.

The Congress of the United States passed, April 2, 1792, "An Act establishing a Mint and regulating the coins of the United States." The unit adopted in this law was the dollar, "of the value of the Spanish milled dollar," with a specified weight of silver.* The gold eagle was ordered to

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*" 371.25 grains of pure silver."

be made "of the value of ten dollars or units." The standard was made silver on the very natural ground that silver was the money of common use. In Queen Elizabeth's time in England silver was the common measure of value because it was the money of the people; and gold was employed in large payments in quantities counted by its current value in silver.* When the celebrated John Locke studied the subject, he advised making silver the standard, with gold coined as commercial money, to pass, not as legal tender, but at its market value in silver. In France Mirabeau took the same ground, and when, in 1834, the United States law was altered, Raguet, who represented the best knowledge of that time, saw the matter as Locke and Mirabeau had seen it, — silver, the common money of the day, as the standard, and gold trade money, passing at its commercial value. No one yet understood how bad a standard of value silver might prove to be, from its greater liability than gold to drop from a higher market value to a lower; nor how it might become, from its bulk and weight, a terribly inconvenient medium of exchange.

73. ORIGIN OF THE DOLLAR.

The term dollar, daler or thaler, comes from the German word thal, which is the same as dale in English. The Count of Schlick set up a private mint at Joachimsthal, or Joseph's-dale, in Bohemia, in 1581, and turned out, what was rare then, coins of such uniform goodness as to become very widely

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* Jevons' *Money and the Mechanism of Exchange*, p. 17.

acceptable. These coins were called Schlicken-thalers, or Joachimsthalers; then for short thalers, which gave dalers or dollars. The term Dollar is thus an historic monument of German science and honesty.

It was the Spanish dollar which the Congress of the Confederation, in 1785, declared the monetary unit of the United States. This was because, although the colonies were English, and accounts were kept in pounds, shillings, and pence, there were no English coins in circulation, and the silver coins in actual use were nearly all the Spanish or Mexican silver dollars. When gold and silver were both declared full legal tender in the United States, in 1792, the division of the dollar into hundredths, or cents, was first adopted. This gave it great value as a unit of account. The law of 1792 made dollars, dimes, and cents, the money of account of the United States, but until after the civil war old colony usage, differing in different States, kept on with the divisions of the dollar which the early use of Spanish silver had made familiar. New England had a shilling which was six to the dollar; New York one which was eight; and Pennsylvania one (a levy, or *eleven* pence) which was seven and a half, and the half of which was a fip (or five pence). The dollar with its decimal divisions is now completely established. Mr. Jevons says of it:

"It is firmly adopted as the money of a nation, which, as far as human wisdom can penetrate the future, is destined to be the most numerous, rich, and powerful in the world. That nation, which has arisen from the best stock of England, has absorbed much of the best blood of other European nations, and has inherited the richest continent in the world, must have an importance in coming times of which even Americans are barely conscious." *

74. FAILURE OF HAMILTON'S DOLLAR.

The Spansh dollar familar to the early American colonies was brought in by the trade with the West Indies. The American dollar, made upon Hamilton's plan, passed in trade in the West Indies, as equal to the Spanish. But it was in fact a trifle (2 1-2 grains) lighter than a new silver Spanish dollar. For every American dollar sent to the West Indies a Spanish dollar a trifle heavier could be had, and by getting this recoined into an American dollar, a trifle of silver would be left over for the operator. The recoinage was done by the mint free. It only paid about one cent on every dollar, but all the American coinage went to the workers of the operation, the public got the benefit of hardly any of the coins made for them, but had to get along with old and worn foreign coins, and the mint was running almost wholly for the benefit of the moneymongers.

75. PRESIDENT THOMAS JEFFERSON SUSPENDS COINAGE OF THE SILVER DOLLAR.

President Jefferson, seeing what a failure Hamilton's dollar was, stopped the coinage of it, and this suspension lasted until 1836, making forty-four

* *Money and the Mechanism of Exchange*, p. 172,

years of failure of the original American dollar.*

To May 1st, 1806, there had been coined only 1,433,457 of Hamilton's dollars. Jefferson's order to Robert Pattison, director of the mint, to which the name of James Madison, Department of State, was signed, was in these words:

"The President directs that all the silver to be coined at the mint shall be of small denomination, so that the value of the largest pieces shall not exceed half a dollar."

The fractional pieces were at that time of full value, and nearly all of them went the same way that the dollars had gone. The report of the House Committee on coinage in 1832 stated that to 1830 there had been a total coinage at the mint of $37,000,000, of which four-fifths had been taken out of the country, and not more than one-fifth had been circulated. The law legalized the circulation, in 1793, of a variety of foreign coins, which were worn and light weight, and these were the principal money of the people. As Mr. Upton says: "The effort of the country to provide coin for circulation of any kind was a dismal failure."

76. HAMILTON'S GOLD A FAILURE ALSO.

At the same time that Hamilton's plan failed to give silver, it failed also to give gold coin. Under the ratio of 15 to 1 gold coin were worth more to sell than to circulate, and however many the mint turned out, the moneymongers took all of them and the public had none. Gold began to grow

* White's "*Money and Banking*," p. 41.

scarce, says Mr. White, in 1810, and had wholly disappeared in 1817. Raguet, the finance expert of the time, wrote in 1820 of "the disappearance of gold from the United States." Two years later he said that "although the coinage of gold continued to be large ($1,319,030 in 1820), not a gold coin was anywhere to be seen in circulation." As Mr. White says: "The facilities of the mint were simply used by merchants to certify the weight and fineness of gold for exportation." Under the law, as Hamilton's ideas shaped it, the mint was run, in making silver coin and in making gold coin, for almost the sole benefit of the moneymongers. The United States had two standard moneys, silver and gold, but none, or next to none, in use. The monarchies of Europe, said Thomas H. Benton, in 1834, had the use of gold; so had the young republics of South America and even the negroes of San Domingo; but for twenty years the yeomanry of America had had none; not even though their mint was making it all the time. Of the mint Benton said:

"It has coined, and that at a large expense to the United States, 2,262,717 pieces of gold worth $11,852,890, and where are these pieces now? Not one of them to be seen; all sold and exported."

77. SILVER THROWN OUT BY PRESIDENT ANDREW JACKSON.

President Andrew Jackson, June 28, 1834, signed a bill the purpose of which was to put an end to conditions of coinage which had made the United States mint, to use Mr. Upton's words, "a most ridiculous and absurd institution." The bill altered the ratio from 15 to 1 to 16 to 1. There was no gold in circulation and only about eight millions of fractional silver. The United States Bank had some $13,000,000 of its notes in circulation. The new bill was expected to provide gold, and at the same time get rid of the bank. The actual result was to make a complete riddance of our silver. The ratio 16 to 1 was borrowed from Mexico, through the proposal of Senator Thomas H. Benton, and against the advice of financial experts, who put the market rate at 15 5-8. The result of this 16 to 1 ratio was to make the silver coin, even more than before, worth more to sell than to keep in use as money. The mint coined the standard silver dollars, but only to enable the holders of silver to have it in good shape to sell. None of it went into circulation as money. Mr. Upton says: "Silver was taken out of circulation under the operation of the new ratio as effectually as if its further coinage had been prohibited under the penalty of death, and those voting for the measure understood that such would be the result, and when it came they did not plead ignorance or refer to the act as the crime of 1834."* The reason for this was the universal desire to have gold.

78. HORACE WHITE ON "THE GOLD BILL" OF 1834.

Mr. Horace White says of the bill of 1834, that it was termed the Gold Bill, and that it came from a special committee of the House, of which Mr. Camp-

* *Coin Catechism*, p. 31.

bell P. White, of New York, was chairman. Of the passage of the bill Mr. Horace White gives this account:

"The bill, as reported to the House by Mr. White, provided for a ratio of 1 to 15.6, but when it came up for discussion Mr. White moved an amendment making the ratio 1 to 16; and this amendment was adopted without a division. Then another amendment was offered making the ratio 1 to 15.625, and it was supported on the ground that it was the true market ratio, and that it would keep gold and silver in concurrent circulation. The adoption of the ratio of 1 to 16, it was contended, would drive silver out of circulation. Nevertheless, the amendment was voted down — yeas, 52; nays, 127. The bill was then passed in the House by 145 to 36, and in the Senate by 35 to 7. It was perceived on both sides that the passage of the bill would make the United States a gold-standard country in practice."

The desire to have gold in circulation, the hope of promoting the production of gold in the Southern states, where the output was already considerable ($868,000 in 1833), and the wish to make gold coin take the place of bank notes, found an opportunity to strike a blow at silver in the fact that it had proved a dismal failure. The absentee, good-for-nothing-for-money, merely moneymongers and merchandise silver dollar, was left a fact in law, partly because many contracts were in existence expressly calling for payment in silver, and partly because the halves, quarters, and dimes which were the small money of the people, were fractional parts of the silver dollar, made under the same law, and how to make them otherwise was not yet understood. As a matter of fact the small coins were about as hard to keep in circulation as money as the dollar, unless they were worn and so of light weight, but the effort to have them could not be given up; and so the dollar and its parts were still coined, and the double standard was retained in law although discredited by all experience from 1792 to 1834, and although discarded in practice.

79. FIRST AMERICAN SUCCESS WITH SILVER.

Although the law of 1834 gave the United States gold money, the old difficulty, the constant taking away of the silver, was worse than ever, because gold worth less than its face value could be used to buy not only all fresh native silver coins, but even the best of the foreign coins, leaving very few small coins for use as the necessary money of the common people. In 1852, when the American mint had been sixty years in operation, it had not at any time given the American people silver coin so made and issued as to be of service. A bill which became law February 21, 1853, borrowed from English practice a coinage plan for fractional currency of about seven per cent. less real value than the face value, to be given out at the face value, and to be legal tender for small sums up to $5. Three years later the foreign silver pieces were made redeemable at a rate slightly above their market value, with the result of buying them all in and having only American coins in circulation. "The country then," says Mr. Upton, "had for the first time in its history (1776–1856—80 years), its own gold and silver coins circulating side by side, ample in amount, throughout the country, neither driving the other from circulation or skulking because foreign coins were treated better in law than they were." *

80. THE SILVER DOLLAR STILL A FAILURE.

The standard silver dollar was not affected by the law of 1853. It still held its position, but this only meant that the American mint supplied the trade in silver with the American honorary silver piece. It cut no figure as money; had never done any service as money; was an absentee, and destined to remain so until 1873, when ninety years of continuous failure would bring about its dismissal from service. Mr. Upton says of "the total amount and the character of money in circulation in 1860:"

"According to an estimate of the Secretary of the Treasury the amount was $435,000,000, of which $180,000,000 is known to have been represented by bank notes, leaving $255,000,000 of coin. This coin was admittedly made up of our gold and subsidiary coinage, of which the latter was probably not above $43,000,000. The estimates of aggregate specie circulation and of its division between gold and silver at that time vary somewhat, but in no case does the estimate include any silver dollars as in circulation." †

* *Coin Catechism.*
† *Coin Catechism*, p. 39.

81. THE LEGAL TENDER PAPER DISASTER OF 1862.

The progress of the United States in the direction of good money, of the right kinds, both gold and silver, and ample in amount, was arrested in 1862 by one of the most discreditable and disastrous departures from sound money principles on record in history. For the purposes of the great civil war which began in 1861, the United States, by August of that year, needed large sums of money, which could be had only by large use of the national credit. The Secretary of the Treasury was Salmon P. Chase, a man of unsurpassed character and general ability, and the representative, in Mr. Lincoln's cabinet, of Ohio, a State deservedly counted as the heart of the Republic. The sole question confronting Mr. Chase was how to wisely and honestly use the national credit in getting large sums of money; it might be many of them, one after another, into the indefinite future. But the high intelligence and lofty patriotism of Mr. Chase not only took no note of the plain dictates of wisdom and honesty in finance, but they pushed aside the advisers who knew those dictates thoroughly, and plunged him into precisely the abyss which the worst rascals of criminal finance would have dug for him, that of getting money on the unsecured and irregular paper of the United States, instead of on regular paper with the best possible security. The better the paper the more would it be honestly handled; the worse the paper the more would the rascals be able to use it to their profit. Mr. Chase put the United States completely into the hands of the rascals, with a profit to them of hundreds of millions, every dollar of which might have been saved by wise and honest dealing with the accredited experts of finance.

82. HOW MR. CHASE BROKE THE BANKS.

The amount of gold in the country was unusually large and banking operations based on it were unusually safe. The most obvious wisdom was to make the most of this, carefully guarding the gold as a reserve in the banks, and borrowing of them, not by taking their gold, but by an arrangement to draw checks upon them, which they would pay in the usual way, to some extent, perhaps, in gold, but presumably in their notes. Mr. Chase negotiated three loans of fifty million dollars each, at a meeting, August 9, 1861, with the representatives of the chief American banks, in New York, but he refused their advice to take the money through checks drawn upon them, and insisted, with lofty but terribly mistaken self-consciousness of high honor in finance, upon having the gold, and upon having demands paid in gold which could just as well as not have been paid in bank notes. One hundred and seventy million dollars in gold were at considerable expense carried to different parts of the country, and paid away, when it was in reality worth more than its nominal value, and as the bank reserve of the country was worth vastly more than Mr. Chase got for it. A worse blunder of opinionated ignorance could not have been made, at that moment, but the moment speedily came in which the opportunity for worse was presented, and meanwhile Mr. Chase had not learned to take advice from those who knew the dictates of wisdom and honesty in finance.

83. SEVENTEEN YEARS OF PAPER MONEY.

The effect of Mr. Chase's disregard of the advice of James Gallatin and other representative American bankers, not to take away from the banks the coin basis of credit, was to reduce them to suspension of specie payment, December 28th, 1861, — a suspension which lasted until December 31, 1878, and left upon the greatest period in American history a blot of discredit and dishonor which the patriot cannot sufficiently regret. Mr. Upton's excellent "*Coin Catechism,*" after briefly sketching what was done in the old days of colonial inexperience and perhaps desperate necessity, raises the question whether anything of the kind could have happened under a government organized on the basis of our Constitution; and the facts compel this answer:

"In 1862 the government of the United States authorized paper promises in the form of notes, silent as to the time of their redemption, to be equal in debt-paying power to the metallic money they represented, though at the time the promises were worth in current exchange less than one-half as much as the coin itself."

"The Supreme Court of the United States held that the National government by its inherent power of sovereignty had a right to change the terms of all contracts whenever the law-making power deemed such a change necessary for the welfare of the country."

But it was not a question of desperate peril to the country; not in the least; it was a question of wisely and honestly using the national credit to get money to carry on the war; a question of straightforward honest borrowing, at a saving, as it would have proved, of hundreds of millions, or of round-about, rascally, lawless borrowing, at a loss of hundreds of millions, not to speak of the cheating, by payment in half worthless money, of all persons under contract to give service at fixed rates. The issue of unsecured, irregular promises to pay, making them legal tender, and requiring that they should be used as money, the payment of duties on imports and of interest on the regular public debt being alone excepted, was a long way off from the easier, the cheaper, and the more honest, not only borrowing of money, but carrying on of the business of the nation. It was an act of financial and moral lawlessness, absolutely inexcusable, and impossible to have occurred, had not our system put in the place of chief responsibility a man who could venture to disregard the advice of financial experts, in dependence upon his own uninstructed, and in fact lamentably incompetent judgment on questions of money.

CHAPTER VIII.

FIATISM AND CURRENCY.

84. LEGAL FIAT AND MONEY.

Fiatism is a method of making current by law, making to pass, that is as money, or to pass in barter instead of money, something which would not pass at all, or would not pass exactly the same, but for the law. For pure honest money in gold and silver current by weight, there is no necessity for any government fiat, but there is convenience, first in a government stamp certifying the weight and fineness of either bars or coins of gold or silver, and second in a law designating the conditions of legal tender of such bars, ingots, coins, or other pieces of precious metal. As with other matters of recognized right the administration of which is facilitated by state organization and state laws, all matters of money are given security by laws properly recognizing what is right and what the public interest requires. Coinage of gold and silver done by government and with the government's stamp upon it, is the highest practical security to those who handle coins, that they are what they profess to be. Governments usually forbid coinage by private persons, not because it could not be done, but because the opportunity to cheat is such as to make it extremely difficult to provide securities against it. It is of value, therefore, even for gold and silver current by weight, to have the pieces weighed and stamped by the government, and to have distinct notice by law of the manner of their currency. So far, moreover, as money consists of coins in a secondary position, like those of gold under a silver standard, or those of silver under a gold standard, and all subsidiary small coins, legal fiat is necessary to determine how such coins shall pass; to what amount they shall be legal tender, and whether they shall be passable, up to the limit of tender, on a parity with the standard superior money.

85. LEGAL FIAT AND THE STANDARD.

A supremely important governmental act is that of determining a money standard of value. For many centuries the nations of Europe had no system of proper regulation and the result was a confusion of varying standards enormously injurious to the public, and as enormously beneficial to the money brokers. In the seventeenth and eighteenth centuries most, if not all civilized countries, employed both gold and silver as money of full legal tender, the legal ratio between them being fixed by some such fiat as that of 15, 15 1-2, or 16 to 1, which means that 15, 15 1-2, or 16 ounces (or pounds) of coined silver shall pass as equal to one ounce (or pound) of coined gold; the theory being that this is the ratio of value between the two metals by weight in the metal market, or at least near enough to it to answer coinage and currency purposes. Experience, however, has always shown the impossibility of keeping the metals at parity of value with each other, and the absolute certainty that whichever of the two standard metals chanced at any moment to be of a higher value than the other in the market, the money changers would take all of it out of circulation, giving in exchange coin of the cheaper metal, and making a profit for themselves by the transaction in proportion to the value of the one above the other. What may be called the see-saw of the standards has been for ages the money brokers' opportunity to regularly fleece whatever governments and people undertook the foolish experiment of trying to have two standards of value.

86. THE ENGLISH LAW OF STANDARD.

The first nation to comprehend the situation, and to provide a remedy by choosing of the two standards that one which was manifestly the best, and which could be made the steadiest and most secure, was England, in the adoption in 1816 of the gold standard. One of the most famous monetary studies ever made was that made by the Earl of Liverpool, whose "*Treatise on the Coins of the Realm*" first set forth the principles of a composite money system, in which gold should take the place of a standard, and silver should occupy a subordinate position, with limitations to its coinage and use suited to keep it in that position. In this composite system coins of gold, such as the English sovereign and half sovereign, are adopted as the standard of value and principal legal tender, and subordinate coins of silver are furnished for the purpose of sub-division and as legal tender for limited amounts only. These subordinate coins are made of such weights that their value as metal cannot rise above the nominal value at which they are exchangeable for gold.

The essential part of the Act of Parliament of 1816, on which the English monetary system is based, was in these words: "And whereas at various times heretofore the coins of this realm of gold and silver have been equally a legal tender for payments to any amount, and great inconvenience has arisen from both those precious metals being concurrently the standard measure of value and equivalent for property; and it is expedient that the gold coin, made according to the indentures of the mint, should henceforth be the sole standard measure of value and legal tender for payment, without any limitation of amount, and that the silver coin should be a legal tender to a limited amount only, for the facility of exchange and commerce: Be it therefore enacted, that from and after the passing of this Act, the gold coin of this realm shall be and shall be considered and is hereby declared to be the only legal tender for payments, except as hereinafter provided, . . . and no tender of payment of money made in the silver coin of this realm of any sum exceeding the sum of forty shillings at any one time, shall be reputed a tender in law."

87. THE ENGLISH LAW OF SILVER.

For securing the subordinate position of silver, in this English system of gold-bimetallism, the weight of the silver coin was reduced about six per cent.; and with the recent considerable fall in the price of silver, this now means that an English silver coin is worth hardly more than half its face value, and justice to silver as good money kept reasonably near in intrinsic value to standard money, although not itself a standard, manifestly demands considerable increase in the weight of the silver coin. This, however, is of less importance to England from the fact that the coinage of silver, which is at the discretion of the mint, is kept within narrow limits; limits, in fact, which go far to make the English practice one of gold monometallism of money, qualified by the use of Bank of England notes, which are paper payable in gold; and yet the case of India, a part of the British empire, with its enormous employment of silver as money, practically makes the whole British system one of gold standard bimetallism of money.

88. FRAUD BY FIATISM.

The fiatism which has had the largest place in history, and which still lingers to plague the world with its iniquitous and mischievous operations, is that by which governments have issued as money either coins or paper more or less false and fraudulent in character, or at least more or less doubtful and worthless, for lack of security, or even expectation of security, for their payment. The chief Impenitent Thieves of history in this matter have been unscrupulous kings and reckless despots, undertaking by criminal monetary schemes to rob their subjects. So constantly, however, and so largely was this method of criminal finance worked, during centuries of universal ignorance and general denial of popular rights, that something like a tradition of its legitimacy was established, as in the same way a tradition of the legitimacy of lotteries was established. Hence the possibility of such an extraordinary, and we must say such disgraceful exhibitions of facility in criminal finance as appeared in the early American colonies, and during the American Revolution, in the issue of paper money, under circumstances not only doubtful to the last degree as to proper prospect of payment, but thoroughly discreditable and dishonest in respect of the means taken to provide securities for payment.

89. EARLY AMERICAN FIATISM.

In the early history of the American colonies fiatism was very largely and very disastrously applied, both in the regulation of barter, to make commodities pass at a price fixed by law, or at the current price, and in the issue of paper money. In Massachusetts in 1631 a fiat of the General Court ordered that corn should pass for payment of all debts at the price it was usually sold for, unless money or beaver skins were expressly stipulated. This legislative fiat continued in force and operation for more than half a century. In 1635 musket balls, to the extent of twelve pence in one payment, were made passable the same as coin. In 1640 the prices at which different grains might be tendered were fixed by law; Indian corn at four shillings per bushel, wheat at six shillings, rye and barley at five shillings, and peas at six shillings.

The currency of Indian wampum money was in part left to trade estimate, depending on the fact that the Indians would take it in payment for beaver skins and that the beaver skins were a good commodity for export. In course of time the beaver trade declined and this destroyed the value of the wampum money to the whites. A fathom of wampum, consisting of 360 white beads, passed as worth sixty cents. In the years 1641–1643 a Massachusetts fiat made wampum legal tender to the amount of ten pounds. This was then reduced to forty shillings, and for taxes the wampum money was not received at all.

The story of fiatism in Virginia, applied to the regulation of barter, affords a most remarkable illustration of ignorance and folly seeking the public good, yet accomplishing little but mischief and injury. The attempt especially to make tobacco pass in trade at values fixed from time to time by law, showed many varieties of failure without any example of success. The public opinion which sustained it was largely that of the planters and farmers, who thought they would be benefited by fiat values put upon their produce; but no matter what scheme was tried, failure and failure only was the invariable result.

90. A CELEBRATED INSTANCE OF EXTREME FIATISM.

One of the most desperate fiatist attempts ever made was that of France when her finances were under the control of the celebrated financier and projector of commercial schemes, John Law. On the 11th of March, 1720, a government fiat, designed to help the value of paper money, decreed that, after the first of May, gold should no more be used in the payment of debts, nor silver after the first of

August, and that no more of either metal should be coined; but the utmost efforts of a despotic government to carry out this fiat proved of no avail whatever. Gold and silver held their own exactly the same, and the value of the paper decreased faster than before. The experience of one month compelled the withdrawal of the decree, and although other fiat efforts were made, and in the course of fifteen months the fiat value of gold was changed twenty-eight times and that of silver twenty-five times, no real effect upon the market value of these metals was produced, nor anything whatever accomplished in support of the value of the paper money.

91. THE COLONIAL FIAT MONEY CRAZE.

The colonial paper money story of America, Massachusetts in the lead, is one of the most discreditable in monetary history. It reveals patriotism in alliance with financial crookedness of the most unblushing character. In 1690 the General Court of the Colony of Massachusetts issued £40,000 in due bills, not legal tender and not bearing interest. It was a dishonest forced loan. The bills were not payable at any particular time, and they were receivable only for taxes and for such commodities as the colonial treasury might have in stock. They were issued in payment of the wages of soldiers who had served in an expedition against Canada. The soldiers lost two-fifths of their face value, from the cut-rate at which they had to pass them. In 1692, when it was too late to be of any benefit to the soldiers, the bills were made legal tender in all payments, receivable for taxes at five per cent. better than silver, and redeemable in silver at the end of twelve months; provisions which caused them to pass at par with silver. The doubtful character of even the later form of these promises to pay was not seen. It did not occur to a public without experience of finance, that such promises would prove worthless if they should be issued in excess of ability of the treasury to take care of them. They were so issued with reckless disregard of consequences. The success of Massachusetts in making paper pass at par with silver in 1692, before experience had begun to show how the scheme would ultimately work, started throughout the colonies an epidemic of confidence in paper money.

92. ELEMENTS OF THE DELUSION.

Even when the intelligent and honest saw how certainly the criminal folly of the scheme would work disaster and dishonor, they were powerless to arrest the delusion. The ignorant, the debtor class, vaguely counting partial escape from payment of debt one of their rights, and the speculators who could profit by monetary disorder, were a majority of the voters. The intellectual and moral hoodlumism of the movement for cheap money and plenty of it, went to the extreme of carrying laws to compel owners of property offered for sale to accept paper the same as silver.

93. THE OUTCOME OF FIATIST FINANCE.

Those who had been compelled to take the paper naturally supported in many cases efforts to make it pass. But with a great deal of robbery and outrage, of cruel wrong unwittingly done and of scoundrelism rampant, the invariable result, wherever paper money was issued, was depreciation and loss, disaster and dishonor. The bills of the colony of Massachusetts became worth only one-eleventh of their face, and to return to specie payments Massachusetts used the rascal method of repudiating nine-tenths of her outstanding promises to pay. The trouble was greatest in the four colonies which then constituted New England. Puritan patriotism went shamelessly wrong through the craze of the uninstructed and unprincipled for cheap money, for escaping honest payment of debts, and for making gain by legal manipulation instead of by honest labor. Mr. Horace White, in a full chapter on the subject, showing how Massachusetts led the way, and how the plague spread to the other colonies, does not exaggerate when he says: "No kings, however tyrannical, ever debased the money in circulation so recklessly, persistently, and outrageously, as the colonial assemblies." * The celebrated freethinker, Thomas Paine, all whose prejudices were popular and patriotic, said, in an essay written in 1786, that "the concise history of paper money schemes" would show that they originated with speculators planning some swindling operation and debtors who hoped to cheat their creditors. One of the uses to which fiat paper was put was that of making loans to private persons, and especially to the land-owners, who everywhere controlled the legislative assemblies, and carried their

* *Money and Banking*, p. 121.

corrupt schemes. The manifest shameless criminality thus introduced into political business throughout the colonies provoked Paine to declare that a man who proposed a law of legal tender ought to be put to death.

94. FIATIST ZEAL FOR AMERICAN INDEPENDENCE.

There is no more impressively significant lesson, for Americans of English descent to ponder, than that of the story of colonial bluster against English effort to keep American money sound and honest. The colonists were not disposed to cease to be English; it was to their rights as Englishmen that they appealed; and foremost among those rights they placed, and stoutly contended for, that of disastrous and dishonest issue of paper money. Nearly the whole of the earlier quarrel of the colonies against the mother country, for the space of seventy-five years, was the shameless quarrel of the colonial populace and demagogues against perfectly just and wise restraint, through the colonial governors, of unbridled license to work iniquity, not against England, but against their own people; the cruel iniquity of putting out paper money, through the handling of which large numbers of the unscrupulous and crafty could unmercifully rob those with whom they had to deal. It was not, indeed, American; the scoundrelism was imported from England, and much of it made a stern conscience of wild west new world Yankeeism, scorning to know either instruction or restraint; the real intelligence and conscience of the makers of new commonwealths were overborne, sometimes even dragooned by circumstances into figuring conspicuously on the wrong side, or even swept away in the delusion; but that large sense of liberty and law which was to characterize American development of the better and the dominant type, would have kept American money honest and American finance sound. But it was not to be until after the Revolution; and after the Civil War; and after the final education of the American masses to comprehend the wickedness and the folly of fiatist cut-value fifty-three-cent dollars of cheap silver.*

95. CONTINENTAL FIATIST MONEY.

The Continental Congress, in respect of financial matters, and most of all in its issuing to its own people of absolutely worthless paper money, was little better than a den of thieves — strictly honorable thieves, orators of lofty eloquence, zealots of liberty, enthusiasts for freedom, and in some respects among the greatest men in history — yet hardly less issuers of fraudulent paper and robbers of the American people, to whom they gave that paper in payment of supplies for the army, than if they had been a band of counterfeiters. By the time Yorktown was fought they had justly earned the detestation of their subjects, as much as any robber despot could have done, and but for the colossal honesty and discretion of George Wash-

* Mr. Horace White's chapter in "*Money and Banking*," pp. 120–134, on "Colonial Paper Money," goes more fully than the above summary account into the facts of colonial kicking against the pricks under the administration from England of righteousness in matters of money.

ington, they would have wrecked the cause which they undertook to direct.

Mr. Horace White relates, in his chapter on "Continental Money," the story of this discreditable and disastrous fiatism, undertaking to make practically worthless paper pass as money. After noting the fact that $15,000,000 of this continental currency had been issued before independence had been declared, Mr. White says:

"From this time the demon of fiat money had possession of the country and worked its will on the inhabitants. The issues ran on in an increasing volume till they amounted to two hundred and forty-two million dollars in the year 1779. In 1781 the whole mass became worthless. Mr. Pelatiah Webster, a merchant of Philadelphia and an ardent patriot, wrote while the money experiment was going on: 'We have suffered more from this than from every other cause of calamity; it has killed more men, pervaded and corrupted the choicest interests of our country more, and done more injustice than even the arms and artifices of our enemies.' Mr. Webster, in one of his essays, said that not more than one man in ten thousand was capable of understanding the subject. . . . With the mass of the people nothing could be done. All of them, the wise and the unwise together, were hurrying to a cataclysm. 'The fatal error,' says Webster, 'that the credit and currency of the continental money could be kept up and supported by acts of compulsion entered so deep into the mind of Congress and all departments of administration through the states that no consideration of justice, religion, or policy, or even experience of its utter inefficiency, could eradicate it. It seemed to be a kind of obstinate delirium, totally deaf to every argument drawn from justice and right, from its natural tendency and mischief, from common sense and even common safety. This ruinous principle was continued in practice for five successive years, and appeared in all shapes and forms, that is, in tender acts, in limitations of prices, in awful and threatening declarations, in penal laws with dreadful and ruinous punishments, and in every other way that could be devised, and all executed with a relentless severity, by the highest authorities then in being, namely, by Congress, by assemblies and conventions of the states, by committees of inspection (whose powers in those days were nearly sovereign), and even by military forces; and though men of all descriptions stood trembling before this monster of force without daring to lift a hand against it during all this period, yet its unrestrained energy ever proved ineffectual to its purposes, but in every instance increased the evils it was designed to remedy and destroyed the benefits it was intended to promote. Many thousand families of full and easy fortune were ruined by these fatal measures and lie in ruins to this day, without the least benefit to the country or to the great and noble cause in which we were then engaged.' "

"Judge Story," says Mr. White, "referring to the Revolutionary and post-Revolutionary legal tender laws, says: 'They entailed the most enormous evils on the country and introduced a system of fraud, chicanery and profligacy which destroyed all private confidence and all industry and enterprise.' "

The excessive fanaticism into which zeal for liberty is easily betrayed had the effect then, as it still has the effect, of making men blind, not only to the dictates of sound policy but to the demands of common honesty.

96. THE CIVIL WAR "GREENBACK" FIATISM.

In a further chapter on "The Greenbacks," Mr. White shows by an unanswerable statement of facts how the issue of legal tender notes, and of the treasury notes known as Greenbacks, was an altogether discreditable and disastrous resort to fiatism, when the only honest and rational method of meeting the expenses of the government, even in the greatest crisis, was that of taxation and of borrowing upon the security of bonds.

The financial incompetence of Secretary Chase, of the Treasury Department, together with the personal credit which his commanding intellect and high character gave him, were in large part, as Mr. White shows, responsible for the wretched fashion in which, by fiatism of the most illegitimate character, the nation's finances were mismanaged. Mr. E. G. Spalding, of Buffalo, a successful banker, Mr. Samuel Hooper, an eminent merchant of Boston, and Thaddeus Stevens, of Pennsylvania, chairman of the committee of ways and means and leader in the lower house of Congress, assisted to give character to a scheme which the great representatives of American banking interests and the chief representatives of American finance remonstrated against. The plan urged by the bankers for borrowing honestly in the money market by the sale of bonds for what they would bring was violently objected to by Mr. Spalding as likely to knock down government stocks to seventy-five or even sixty cents on the dollar, but under the plan adopted to carry out Mr. Spalding's views, the government paper went down to forty cents on the dollar, and the creditors of the government, including the soldiers and the laboring men, were incidentally cheated out of more than half their dues.

The whole scheme, as Mr. White shows, added $870,000,000 to the cost of the war. As Mr. White unanswerably demonstrates, the large general way in which Secretary Chase commanded the confidence of the country and the effort which he made to carry his head high and not let the United States appear as a borrower selling bonds below par, worked most disastrously for the national finances.

97. THE COSTS OF AMERICAN FIATISM.

However great our country, and however excellent the motives governing our statesmen, we are punished none the less severely for whatever financial mistakes we make. Benjamin Franklin, the wisest man of the colonial times, and especially notable in history as a laboring man who, by self-education and genius rose to the highest distinction, both in statesmanship and in science, urgently advised against continental paper money without any security for the payment of the interest at least in "hard dollars." The patriot Congress voted that it was impracticable, but in this they were grievously mistaken. The determination to pay in honest hard dollars may not go very far at the time in getting the dollars, but it goes much farther than fiat issue of paper, and it secures credit for borrowing upon terms much better than those to which we have always had to come after resort to fiatism. It may be set down as beyond doubt that the United States, taking the colonial times with our own times, have fooled away, by resort to fiatism with its inevitable and invariable failure, not less than $1,000,000,000. The fact that we have been a great country, and are on the way to become the greatest of countries, and that the average of intelligence and character in our people is higher than anywhere else in the world, cannot in the least save us from the discredit and dishonor, the disaster and destruction of national interests, which are the inevitable result of any fiatism whatever, by which it is attempted to make a paper or other substitute for honest hard dollars.

CHAPTER IX.

BIMETALLISM.

98. "WHAT IS BIMETALLISM?"

A public journal of July 17, 1895, had the following under the head of "Meaning of Bimetallism."

"In the agitation going on over the financial question it is time that, if possible, some authority should establish the meaning of the much-used word, 'bimetallism.'

"In a volume recently published by Mr. Muhleman, deputy assistant treasurer of the United States, entitled 'Monetary Systems of the World,' the author gives the following definition: 'By bimetallism, strictly defined, is meant the free and unlimited coinage of both gold and silver into coins of full debt-paying power. Not the mere use of the double standard, but the actually open mints on the terms given above. No country in the world is, therefore, bimetallic to-day, since those conditions do not exist anywhere.' Other authorities just as competent as Mr. Muhleman define bimetallism as 'the concurrent circulation of gold and silver coins at a fixed ratio.' "

"It is absurd to hold that 'bimetallism' and 'free silver-coinage' are synonymous. The report of the director of the mint gives the following as the bimetallic countries: United States, France, Belgium, Roumania, Netherlands, Turkey, Japan, the Straits Settlements and Cuba. When two government officials like the director of the mint and the deputy assistant treasurer disagree as to the meaning of a word, to such an extent, it is time for its meaning to be fixed by some competent authority."

The difficulty with the whole subject grows out of the fact that no proper study of the history is made the basis of the explanations offered. Such study would show very clearly that historic bimetallism had no theoretical ground, that it was an effort to have both gold and silver money together, and that it adopted one or another plan to secure this, as very imperfect knowledge suggested, and got upon the ground of the double standard, free coinage, and equal legal tender of both gold and silver, because the bad finance involved was not yet understood.

99. SIDNEY SHERWOOD ON BIMETALLISM.

Sidney Sherwood, in the eleventh of his lectures on "The History and Theory of Money," says:

"What is bimetallism? It is the policy of using both gold and silver as money, the mints being open to the free coinage of both of these metals, and both kinds of money being full legal tender. There is also this requisite, that by law there shall be a fixed ratio between the units of these two coinages. All of these elements are necessary to real bimetallism. Hence the situation in the United States to-day, in which there is free coinage of one metal (gold) and not free coinage of the other, is not bimetallism, although both moneys are made full legal tender."

The supreme fact of the history, an attempt to have both gold and silver money, making bimetallism of money, is left out of view in the above statement. Prof. Sherwood's view of the matter rests entirely on the assumption that the bimetallism of the past, on the old bad plan of two kinds of standard money, both gold and silver, is the only possible bimetallism. This is an assumption which has been naturally made, but without sufficient study of the subject, and with much more than a chance that the progress of education in economics will open an entirely different view, and permit advocacy of another kind of bimetallism. It is, however, beyond all doubt that the bimetallism of the past, gold and silver yoked together to make a double standard, could not survive the revelations of modern economic science.

100. SHAW ON BIMETALLISM.

Mr. W. A. Shaw, in his "*History of Currency—1252 to 1894*," has the following remarks in his Preface:

"The total omission of the historic, reasoned, and consecutive study of currency history — the most important domain of practical economics — from the curriculum of every university in the land, is matter for surprise and regret, and can only be attributed to the lack of an initiative and of a handbook."

"The verdict of history on the great problem of the nineteenth century — bimetallism — is clear, and crushing, and final; and against the evidence of history no gainsaying of theory ought for a moment to stand."

"Throughout mediæval Europe and up to the close of the eighteenth century, the currency of Europe was practically bimetallic."

"The conception of a law of tender is quite modern. And the evolution of the idea of such a law has gone hand in hand with the evolution of a conception of monetary theory on the part of the legislator. . . . From the thirteenth to the eighteenth century, both gold and silver had been actually employed in European commerce without any idea either of declaring or of restricting the tender, whether of the one or of the other."

"The final outcome of the application of the law of tender was the development of the modern monometallic system. It was only at the close of the eighteenth century that England evolved this system and flung away the last remains of that mediæval ignorance which had brought with it such a dower of mishap. France has taken almost a century of further experience before arriving at the same point of development."

"The modern theory of bimetallism is almost the only instance in history of a theory growing not out of practice, but out of the failure of practice; resting not on data verified, but on data falsified and censure-marked. No words can be too strong of condemnation for the theorizing of the bimetallist who, by sheer imaginings, tries to justify theoretically what has failed in five centuries of history and to expound theoretically what has proved itself incapable of solution save by cutting and casting away."

"Such a verdict as this of history, negative as it is, must strike many a serious mind with dismay. The following of bimetallism would not be what it is were it not for the despair of any other remedy for the situation at the moment."

101. ERROR OF MR. SHAW'S ASSUMPTION.

Mr. Shaw's account is that of one of the greatest living authorities upon the history of money, and his judgment in condemnation of bimetallism of the standard is just beyond all possibility of appeal; but that does not make it less to be regretted that his statement proceeds upon the wholly unnecessary assumption that bimetallism can only mean, and has first of all historically meant, the old bad plan of having gold and silver, or silver and gold, not only go together as money, but each figure as standard money with equal tender, under a valuation of coins fixed by law. It has been natural for many persons not well studied in so large and so difficult a subject, to think it possible to make the old bad plan of a double standard work well by some method of new regulation. Every such thought can only prove useless and fatal, yet there is no need of construing this as condemnation of all bimetallism. There may be a bimetallism of money, without a bimetallism of the standard, gold and silver united in use without the old bad plan of trying to have the parity of the silver with the gold as a standard maintained. What intelligence and experience now thoroughly understand is, that a double standard is a delusion and a snare. But it does not follow that we may not have both gold and silver money, and make the most of each of our precious metals. Nor does it permit us to read the past as chiefly devoted to bimetallism of the standard. It was chiefly devoted to bimetallism of money, and adopted the double standard system as a supposed necessity of use together of both gold and silver.

102. CONFUSION OF POINTS OF VIEW.

Current discussion on both sides of the dispute is commonly wrong as to the point of view, with the double result that the money bimetallists are accused of straddling, or are induced to think well of international effort to restore the double standard system, and the silverites are betrayed into an entirely false position, that of suicidal denial of the standard which is in the nature of things the only sound and true and honest standard. If the former could explain just how they lean to silver, and if the silverites could understand themselves as friends of silver, the dispute would disappear.

The confusion turns upon a double meaning of "bimetallism." The bimetallism of money is one thing, and it is the thing upon which all would unite if the whole matter were seen in a clear light. The bimetallism of the standard is another thing, an impossible thing, as well as a profoundly bad thing, which the silverites themselves should be the last to advocate, because of the injury to silver, as well as to other interests, which it will work. The definitions commonly given make the great mistake of losing sight of bimetallism of money. Thus Mr. Preston, director of the mint, says that bimetallism means "the unlimited coinage of both gold and silver into full legal tender coins." But this is bimetallism of the standard, monometallism of which does not exclude bimetallism of money. Gold monometallism of the standard, with gold and silver bimetallism of money, is the true point of view. This means gold coined at its supposed intrinsic value, and current as standard money, and silver coined in the ratio to gold most secure and most helpful to silver and to general, popular money interests, and current on a fiat parity with gold, or exchangeable for gold.

103. GOLD STANDARD BIMETALLISM.

The bimetallism thus secured would be gold bimetallism — gold as to the standard, and gold and silver as to the money in use. There could be a silver bimetallism, with silver as the standard and gold dealt with as secondary, precisely as we explain for silver; and with great shortage of gold such a system might be necessary; but no other bimetallism is workable in practice or sound in theory than that which chooses one of the two metals as standard. "All experience has shown that you must have one standard coin, which shall be a legal tender for all others, and then you may promote your domestic convenience by having a subsidiary coinage of silver, which shall circulate in all parts of your country as legal tender for a limited amount, and be redeemable at its face value by your government." — William D. Kelley in Congress, April 9, 1872. Neither the United States alone nor all nations together could maintain bimetallism of the standard; and looking in that direction would not be thought of by either party if the distinction between bimetallism of the standard and bimetallism of money had been properly understood.

Real parity of standards has been found by ages of experience impossible of maintenance, because value in the market never can be depended upon to remain where real parity requires, and the moment that one of the two metals is at a market price below the other the money-mongers use it to buy up the other for the sake of what they can make by selling the other as metal. The fine work of the robber gold men is got in with every change in the value of either of two standard metals which makes one of them intrinsically worth more than the other, and the only way to make an end of the plague is that of making one of the metals the standard and giving the other a parity with it, which is just enough fiat parity to make the two work together both securely and helpfully.

104. SECURE RATIO FOR SILVER.

The most secure ratio between gold and silver means intrinsic value in the silver coin enough less than its face value to leave no chance of rise in the market value of silver making the coin worth more as metal than as money. Its parity with gold should be fiat parity to the small extent, say seven per cent., necessary to avoid the risk of giving the money-mongers a chance to make a profit by exchanging it for gold and selling it at a profit as metal.

On the other hand, the ratio most helpful to silver and to general popular money interests will be that of intrinsic value in the silver coin as large as may be consistent with security of the coin as money — the security against being taken out of circulation and sold as metal by the money-mongers. It is really a question for mint experts exactly what part of a silver coin, under the principles here explained, should be intrinsic value in silver. We may suppose it to be ninety-three per cent., or about forty per cent. more than that of our present silver dollar. This amount of silver in the coin will make the largest practicable use of silver, and it will at the same time permit the amplest desirable supply of silver money, with the least dependence on fiat value in it, and thus the least peril to national credit. If our present silver money had been thirty-five or forty per cent. richer in silver than it is, the amount of silver used would have been that much larger and the money itself that much less dependent on fiatism, and thus our credit more secure, and business and prosperity not only undisturbed, but booming, full and strong against all the world.

105. THE TRUE BIMETALLIC INTEREST.

The facts which have been given make plain the justice of a desire for bimetallism, and even leaning to silver, only it is bimetallism of money, not of the standard, and gold bimetallism, or gold the standard, and silver established as near to gold as security of its position will permit, with fiat parity to make it "as good as gold" in the money market and in the labor market. There is no opposition of interest between the money market and the labor market in the matter of the character of money, except that labor suffers the most, and money-mongers, by their craft and tricks, get the most advantage, when money is not good and credit is not secure. What labor wants as against capital is a larger share, but it wants that share good, and has more interest than the money-mongers have to keep it steadily good.

106. GOLD CANNOT DISPLACE SILVER.

There is no truth whatever in the complaint of denial under the gold standard of a place for silver in the money of mankind, and dangerous dependence everywhere upon gold only for money. The nations of progress, of wealth, and of commerce, in whose affairs gold as money, and as a standard, is a recognized necessity, constitute the minority only of mankind. Even their use of the gold standard operates to secure the large use of silver along with gold; and the contention is a just one that even if the gold standard were accepted everywhere, and gold money brought into use, it would operate to make more rather than less secure the large use of silver.

107. ADVANTAGE ENJOYED BY SILVER.

Silver enjoys the advantage of being the familiar and the necessary money of the majority of the human race, the hundreds of millions who inhabit India and China, and other parts of the eastern and tropical regions, where nearly all transactions require small money. Even in England monetary distress of the common people has in times past turned upon the want of silver small coins in which to make change; and what gave silver so long and in so many nations the rank of a standard was the fact that it was so generally the necessary money of the common people. Silver had the lead on this account, and would have kept it but for its more and more failing to give the service which it was depended upon for.

108. HOW SILVER LOST FIRST PLACE.

As numbers of persons came to require large sums to be frequently handled, the bulk and weight of considerable amounts were found terribly objectionable; and if the market price of silver made the coins worth more than their face, the money-mongers took all of them, and none were available as money. If, moreover, silver stood as standard and tenaer money, and its value fell to any extent, as in times of large development and very great progress it shows a tendency to do, it would fail of one of its most important uses, that of applying at the payment of a debt the same as at its creation, and would enable all persons under promise or contract to pay to make their payments by tender of less than "value received."

109. GOLD STANDARD WILL HELP SILVER.

The gold standard system not only gives gold where it is a necessity, but prevents the silver money from going out of service as money, or doing by its fall in value false work as a standard equally applicable to the creation and to the payment of debts; and as in all countries there is an immense need of money of the common people, part of which at least may be silver dollars, and a large part of which, for smaller change, must be silver; and as vast regions of the globe, embracing a majority of mankind, chiefly use silver as money, there is no possibility of a lessened world-use of silver as money. There is, in fact, a very great probability of the increased dependence of the whole world upon silver money. Let it be once understood that this use is to be under the gold standard, and international agreements for it will be at once practicable, the effect of which will be to carry gold bimetallism everywhere, and to largely increase the amount of silver coined and current as money; coined at the best advantage to silver and current at the best advantage to the public. Mr. Jevons put the case fairly well when he said:

"The highly-civilized and advancing nations of Western Europe and North America, including also the rising states of Australasia, and some of the better second-rate states, such as Egypt, Brazil, and Japan, will all have the gold standard. The silver standard, on the other hand, will probably long be maintained throughout the Russian empire and most parts of the vast continent of Asia; also in some parts of Africa, and possibly in Mexico. Excluding, however, these minor and doubtful cases, Asia and Russia seem likely to uphold silver against the rest of the world adopting gold."*

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* *Money and the Mechanism of Exchange*, p. 149.

India and Russia have gone to the gold standard since Jevons wrote, and China even uses that standard to measure the value, day by day, of the silver she uses.

CHAPTER X.

BIMETALLISM IN ENGLAND: COMPLETE BREAKDOWN OF THE DOUBLE STANDARD SYSTEM.

110. EARLY ENGLISH SILVER.

In England silver was the only metal coined from the time of Egbert to that of Edward III., unless, perhaps, a very few small pieces of gold. Silver was the sole legal tender and measure of value, and few coins were issued except silver pennies. These silver pennies, equal probably in purchasing power to a shilling at least, and perhaps sixteen pence, of the present English money, formed the mass of the currency. Good gold coin came from Florence under the name of florins, and from far off Byzantium (Constantinople), under the name of byzants. Tradesmen, moreover, put out copper coins, which the people gladly used as small money. No legitimate coinage of copper existed before 1664.

111. EARLY ENGLISH GOLD.

The use of foreign gold led to English coinage of gold. The Plantagenet kings, for example, finding that under exclusive coinage of silver the people used gold money from abroad, eventually undertook the issue of gold coins, at a fixed ratio of exchange with silver. This made the English system a double standard system, and from 1257 to 1664 England had both silver money and gold money, under a ratio of exchange which was fixed from time to time by royal proclamation. From

1664 to 1717 no proclamations were made, and the value of gold was variously reckoned in terms of the silver shilling; making a silver standard system. But the system worked badly. Under Charles II. and James II., from 1661 to 1690, there was no end of trouble to have money in England. The good coins were exported because, the face value being lower than the real value, they were worth more to sell abroad than to circulate at home, and hardly anything was in circulation except depreciated, scarcely half value, silver, and iron, brass, or copper pieces plated with silver.

112. RECOINAGE SCHEME 1695–99.

In 1695, November 22, under William II., an Act for remedying the ill state of the coins was passed, but with the unwise determination to adhere to the pre-existing standard, in spite of the clearly seen advance in the value of silver, which made the coins worth more as metal than as money. The arguments of the celebrated John Locke were accepted and acted on, in spite of replies to them which ought to have been seen to be absolutely decisive. A great recoinage scheme, carried out in the years 1695–99, had the result of bringing in a great quantity of gold, but the gain of gold meant the loss of silver. The movement either way, of gold into England and of silver out of England, was due to the fact that the gold coin were accepted in England at more than their real value and the silver coins at less. Even a premium of 2 1-2 pence per ounce on foreign silver coins brought to the mint, between April 17 and December 1, 1709, did no good, because it still left silver worth more elsewhere than in England.

113. THE MONEY-MONGERS GOT THE SILVER.

It was remarked in Parliament * that the situation had occasioned "a clandestine trade, of late years carried on by the Dutch, Hamburgers and other foreigners, in concert with the Jews and other traders here (in London), which consisted in exporting silver coins and importing gold in lieu thereof; which being coined into guineas at the Tower (the government mint at the Tower), near fifteen pence was got by every guinea, which amounted to about five per cent.; and as these returns might be made five or six times in a year, considerable sums were got by it, to the prejudice of Great Britain, which thereby was drained of silver and overstocked with gold.†

114. SIR ISAAC NEWTON ON MONEY.

The celebrated Sir Isaac Newton was master of the mint in England, and in 1717, some months earlier than the just mentioned speech in Parliament, he had made a report showing very plainly the effect of overvaluing or undervaluing gold or silver, causing the overvalued to come in and the undervalued to go out through the inevitable trade in money which the situation stimulated. In another report of September 21st, Newton stated

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* Dec. 20, 1717.
† Shaw; *Hist. of Currency*, p. 228.

that, since the beginning of 1702 to September, 1717, the gold coined at the mint had amounted to 7,127,835 pounds sterling, while the silver within the same period had only amounted to 223,380 pounds. To meet the situation Parliament petitioned the king to have the value of the guinea reduced to 21 shillings, instead of 21s. 6d., and this was at once done by proclamation December 22. Even this was not a complete cure. The evil lasted for half a century, and might have lasted still longer but for the rise in the value of gold which began about 1756, and by 1773 had made gold worth what it was counted as worth.

115. ENGLAND WITH NO GOOD MONEY.

The change that gave England gold did not after all keep it in circulation as money. There very soon took effect another tendency created by the situation, that of export of gold to Holland to be filed and sent back in a depreciated form. The silver was so poor, so depreciated, that depreciated gold could be made to pass with it. Mr. Shaw remarks on this phenomenon, which he says "always recurs in a currency containing two differently depreciated elements:"

"The idea that bimetallic action replaces one good metal by another, a good undepreciated coinage of silver for a good undepreciated coinage of gold, or *vice versa*, is not borne out by a single instance in history. Bimetallic action always substitutes the less for the greater, the more depreciated for the less, or the depreciated for the perfect standard coin. . . . The result of fifty years of bimetallic regime left England with currency depreciated in both its limbs, in both silver and gold, and as deficient in the quantity current as in the weight of the individual pieces.*

116. BIRTH OF THE PRESENT ENGLISH SYSTEM.

It was at this stage of English experience that Lord Liverpool intervened with those enlightened views which operated to create the present English system of stable finance. Under his advice, and by resolutions of the House of Commons passed May 10, 1774, all the deficient gold coins were called in and recoined, and the sound rule of good standard money was made that in future the currency of the gold coin should be regulated by weight as well as by tale or count, and that the several pieces should not be legal tender if diminished below a certain weight. This not only brought the gold coins to a state of comparative perfection, but kept them there.

117. A LAW OF TENDER APPLIED TO SILVER.

To mend the case of silver an Act was passed in the fourteenth year of George III. prohibiting, on pain of confiscation, the importation of light silver coin, and requiring that for payment of any sum exceeding £25, at any one time, silver should be legal tender by weight only at the rate of 5s. 2d. per ounce of silver. Mr. Shaw says of this last provision of English law dating from 1774:

"The importance of this latter epoch-making

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* *Hist. of Currency*, pp. 232, 233.

clause is vital. It is the first enactment of a law of tender in the history of English monetary legislation, and it was the first step towards the shaking off the incubus of that mediæval currency system which was even then only coming to be understood in all its fatal perniciousness. For statesmanship, the only parallel to it is that Act of Henry III. of France, which proved so short lived in its adoption.* It was the first step in the evolution of that system of safeguarded currency which was finally constructed in 1816.†

118. COINAGE OF SILVER SUSPENDED.

Trouble because of silver was, however, not yet at an end, and after various attempts to deal with it, the further coinage of silver was suspended, "for the present," by an Act of June 21, 1798. Not that silver did not remain the standard coin of the realm, and legal tender to any amount. But "the state of the coins," standard though they were, and "the present low price of silver bullion," making it likely that operations in coinage for export would increase, temporary suspension of coinage was adopted. Mr. Shaw says that even after this step had been taken, "the years of the bank restriction [from 1797], until, that is, the new mint law of 1816, saw the heaviest export of silver probably that England has ever experienced;" that, for

* The officials of the French mint advised Henry III. in 1575 to adopt a system in which the gold ecu should be the standard, and some experiment was made in this direction, but with no proper understanding of its significance and only to be abolished by Henry IV. in 1602.

† *Hist of Currency*, p. 236.

example, "during the ten years, 1801–1810, nearly ten millions sterling of silver was exported from England (over 38,176,016 oz.), while the gold exports amounted only to £2,088,483, so that, of the total export, silver formed eighty-two per cent. (net amounts in both cases);" and that "the straits of the poorer classes, due to the existing bimetallic system," were most extraordinary.*

119. RECOINAGE OF SILVER — 1816

It was because of the utter breakdown of silver, and in order to restore it to currency and service, that the measure of 1816 for recoinage of silver, but with limit of legal tender and gold as the sole standard and the only unlimited tender, was enacted. If silver had been doing good service, or if any other way of making it do good service had been known, the change to gold monometallism of the standard would not have been made. The "Whereas" for the recoinage of silver said that "the silver coins of the realm have, by long use and other circumstances, become greatly diminished in number and deteriorated in value, so as not to be sufficient for the payments required in dealings under the value of the current gold coins, by reason whereof a great quantity of light and counterfeit silver coin and foreign coin has been introduced into circulation within this realm, and the evils resulting therefrom can only be remedied by a new coinage of silver money." †

**Hist. of Currency*, pp. 241, 242.

† Quoted by Shaw; *Hist. of Currency*, pp. 242, 243

120. REASONS FOR THE GOLD STANDARD.

And for the further enactment, making gold the sole standard and the only unlimited tender, and silver tender only up to forty shillings, the prefatory explanation was:

"Whereas at various times heretofore the coins of this realm of gold and silver have been usually as legal tender for payments to any amount, and GREAT INCONVENIENCE HAS ARISEN FROM BOTH THESE PRECIOUS METALS BEING CONCURRENTLY THE STANDARD MEASURE OF VALUE AND EQUIVALENT OF PROPERTY, IT IS EXPEDIENT THAT THE GOLD COIN MADE ACCORDING TO THE INDENTURES OF THE MINT SHOULD HENCEFORTH BE THE SOLE STANDARD MEASURE OF VALUE AND LEGAL TENDER FOR PAYMENT WITHOUT ANY LIMITATION OF AMOUNT, AND THAT THE SILVER COIN SHOULD BE A LEGAL TENDER TO A LIMITED AMOUNT ONLY, FOR THE FACILITY OF EXCHANGE AND COMMERCE," *

CHAPTER XI.

BIMETALLISM IN FRANCE—DISASTROUS WORKING OF THE DOUBLE STANDARD SYSTEM DRIVES FRANCE TO THE GOLD BASIS.

121. EARLY FRENCH MONEY.

The original French livre, now called the franc, was at first a pound weight of silver. The royal custom, diligently pursued for the profit that there

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* Quoted by Shaw; *Hist. of Currency*, p. 243.

was in it, was that of changing the value in a coin to a less value, while making it pass under the same name. The report of M. Beranger, on the French monetary system, in 1802, stated that the ratio of gold to silver had been changed twenty-six times between 1602 and 1773, and that the livre was at the time of his writing worth only the seventy-sixth part of its original weight. Recoinages always meant debasement of the coin, on the rascal principle in favor with needy kings, that intrinsic value could be left out to any extent and fiat value substituted for it. There were four recoinages under Louis XIV., and five under Louis XV. The ratio between silver and gold, adopted in 1726, was 14 5-8 to 1, and at this time that in England was 15 1-7. The two worked to make silver go from England to France, and gold go from France to England, simply because France counted silver at more than its real value, and England counted gold at more than it was worth.*

122. FRENCH REVOLUTION MONEY.

Calonne, the finance minister of Louis XVI., undertook in 1785 a recoinage based on sound money principles. He put the ratio at 15 1-2, not on the ground that it was the exact market ratio, but in the belief that a rise to this was at hand. The monetary system of Republican France was built on a law of the year XI., 28th March, 1803, which, instituting no new principle, or theory, or system in French currency, but carrying on the old loose

* Horace White: *Money and Banking*, p. 61.

and shifting plan of a double standard, made silver the basis, and issued gold money of a value based on the ratio of 15 1-2, — although the minister of finance, Gaudin, admitted that for a long time the commercial ratio had been under 15. The necessary result of thus overvaluing silver and undervaluing gold was that the gold went where it was worth more and France was filled with silver, the bulk and weight of which were a terror to all who had to handle money to any amount. It was not until the new and enormous production of gold in California, Australia, and Russia, about 1851, that France was delivered from the silver incubus, and had gold as well as silver money. There is no truth whatever in the statement sometimes made, that France, under the 1803 ratio of 15 1-2, kept the ratio steady and both gold and silver in circulation.

123. MR. SHAW ON FRENCH BIMETALLISM.

Mr. Shaw remarks very plainly and justly on the error into which English writers, seeing a fixed and steady state of things in England, due to gold monometallism of the standard, have given the credit for this to French bimetallism, when in fact France had no experience of it. Mr. Shaw says:

"At no point of time during the present century has the actual market ratio, dependent on the commercial value of silver, corresponded with the French ratio of 15 1-2, and at no point of time has France been free from the disastrous influence of that want of correspondence between the legal and the commercial ratio. The opposite notion, which prevails and finds expression in the ephemeral bimetallic literature of to-day, is simply due to ignorance. It is in no polemic spirit, but simply in the interest of science that this particular misapplication of history to the squaring of a theory is to be branded. The plainest facts of history are thereby absolutely misrepresented. At no point of a graphic representation do the market and the legal ratios coincide. After three years of fluctuations, 1803–06, now above and now below, the market ratio sinks persistently below the legal for seven years, 1807–13. For the succeeding five or six years, 1813–19, the market ratio was as consistently above the legal. From 1819 up to 1850 its course was undeviatingly below 15 1-2; then for 1851–67, the period of the great gold outputs of Australia and America, as undeviatingly above. And from 1867 up to our own days, the course of the commercial ratio has been again unbrokenly below the 15 1-2 ratio, and with an ever increasing enormity of divergence."

"The influence of this divergence, of the commercial from the legal ratio, upon France's store of the precious metals, has been exactly similar in effect and force with that of similar trains of event and circumstance in the monetary history of France during the four preceding centuries. From 1830 to 1850, while the market ratio remained continually below the legal 15 1-2, there was a profit on the import of silver, and a persistent and heavy import took place. In 1830 the (balance of the) silver imported amounted to a matter of six millions sterling; in 1831 to seven and one-quarter millions; in 1834 to four millions; in 1837 to over five and one-half millions; in 1838 to nearly five millions; in 1841 to nearly five millions; in 1843 to over four millions; in 1848 to over eight and one-half millions; and in 1849 to nearly ten millions. There was not a single year that was not accompanied by this import, and over the whole twenty-two years the total of importations reached the enormous figure of, approximately, ninety-two millions sterling. And it must be clearly understood that this sum represents not the gross but the net importation or balance of imports over exports, and that the money passed into the currency of the country, taking its place as such and displacing gold."

"With the year 1852 the decisive change in the ratio sets in with the new gold influx. The market ratio rises above the 15 1-2 of the French law, and the profit on the importation and coining of silver vanishes. Its place is taken by a corresponding profit on the importation and coinage of gold. The fourteen years during which the market ratio remained above the legal 15 1-2 witnessed the importation into France of a total net (or balance) of gold to the amount of one hundred and thirty-five millions sterling, and a total net or balance of exportation of silver of sixty-six and two-thirds millions sterling."

"With 1865 the final, and, so far as the nineteenth century is concerned, the fatal change of the commercial ratio sets in. It sinks persistently and increasingly below the legal 15 1-2, in face and spite of the united mintings of the Latin Union, and at once the premium on the importation and coinage of gold changes into one on silver. From 1865 to 1875, one year before the abandonment of the coinage of the 5-franc piece and the consequent relinquishment by France of the bimetallic system, her net imports of silver amounted to fifty-six millions sterling." *

124. DOUBLE STANDARD PERILS.

The final outcome of French experience was compulsory acceptance of the gold standard. The formation of the Latin Union in 1865, and the establishment of a convention which came into force August 17, 1869, for Belgium, France, Switzerland, and Italy, was for the purpose, not of spreading and securing bimetallism of the standard, but of obtaining securities against the perils of such bimetallism of the standard. The French monetary commission of 1867 told a part of the story of French experience in the following:

"It is well known by all that this ratio (of 1803 — 15 1-2) by the simple reason of its being fixed could not remain correct. There was quickly a premium on gold, and silver remained almost alone in circulation until near 1850. The discovery of the mines of California and Australia suddenly changed this situation by throwing into the European market a considerable quantity of gold. By the side of this force, which tended to create a divergence from the legal ratio by lowering gold, there was another which occasioned a rise of silver. Under the influence of various circumstances, too

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* Shaw: *Hist of Currency*, pp. 172–182.

long to enumerate, the needs of the extreme East had grown in unusual proportions, and as silver is alone in favor there, it was exported in enormous masses. There was a premium on silver to the extent of eight per mille, and it disappeared almost completely from circulation, yielding place to gold. Preoccupied by the situation, the government charged a commission to study the measures to be taken. Its labors are summed up in the report of M. de Bosredon (1857)." *

125. THE GOLD STANDARD A NECESSITY.

The report of M. de Bosredon examined the system tending to preserve silver money intact by lowering the value of gold money, and conversely the system tending to the adoption of the gold standard by reducing the silver money to the state of billon or subsidiary money, but came to no decision. Continuance of trouble, and the example of Switzerland, which had in 1860 reduced the value of its smaller coins, led to the appointment of another commission in 1861, which advised doing what Switzerland had done. "It did this," to recur to the language used by the commission of 1867, "in complete knowledge of the cause, fully recognizing that in so doing the monetary unit of silver, characteristic of our system, would be thereby broken, at any rate for its circulating form; for while the franc no longer existed in law, the 5-franc was disappearing in fact, so that THE CHANGE WAS

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* Quoted by Shaw: *Hist. of Currency*, p. 188.

EQUIVALENT TO THE ESTABLISHMENT OF A GOLD STANDARD." *

126. THE LATIN UNION AND GOLD.

The advice thus given was acted on in part only, by a law of 1864, affecting only the fifty centime and the twenty centime coins. But the next year resort was had to the formation of the Latin Union, in order to arrange some safeguard against the perils of the tottering monetary system of France. The commission of 1867 remarked on the intentional aspect of the Latin Union: "This convention places in the front rank gold money, and reduces the piece of silver of two francs and less to the rôle of token money. It therefore definitely determines the ascendency of the gold francs, and solves practical difficulties arising from the double standard." †

Mr. Shaw justly declares in regard to the Latin Union, that it was formed in order to arrange a remedy for the evils of bimetallism of the standard, as these were felt in Belgium, France, Italy, and Switzerland, and that the idea that it was formed for the maintenance of this bimetallism could not have arisen but for the complete revolution in the conditions of production of the precious metals which brought a fall in the value of silver from 1871. The heavy fall which made itself felt in 1873 set in motion action of one or another of the par-

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* Quoted by Shaw: *Hist. of Currency*, p. 189.
† Quoted by Shaw: *Hist. of Currency*, p. 190.

ties to the Latin Union tending to the final overthrow of bimetallism of the standard, and adoption of the gold standard.

127. FINAL ADOPTION OF THE GOLD STANDARD.

In 1876, when the fall of silver became more disastrously pronounced, the French government surrendered to the inevitable, a monetary system on the same gold basis which England had adopted sixty years earlier. The minting of 5-franc silver pieces was suspended entirely, by a bill which M. Leon Say submitted to the Senate, March 21, 1876, and other legislation followed, the grounds of which were stated in these words:

"The events which have happened for some time past in the relations of the precious metals have brought to a head the monetary question amongst us, although from 1815 Great Britain has laid down principles which have attracted round her an ever-increasing circle of nations."

"The theory of the double standard, on which our monetary law of the year XI. reposes, has been called in question ever since its origin."

"It is, to our conception, less a theory than the result of the primitive inability of the legislators to combine together the two precious metals otherwise than by way of an unlimited concurrence — metals, both of which are destined to enter into the monetary system, but which recent legislators have learned to co-ordinate by leaving the unlimited function to gold alone and reducing silver to the rôle of divisional money. From 1857 the French government has studied the question, and it may be stated that since that date the principle of the gold standard has won increasing favor through our several administrations." *

128. HISTORIC BIMETALLISM OF MONEY.

The interpretation here of historic bimetallism of the standard, as not the result of thought or knowledge justifying a theory, but as an effort, when thought and knowledge were not yet in possession of the field, is thoroughly just. Both gold and silver money were wanted, and both were made standard money, and often enough silver made the unit of value, simply because no better plan was yet known. The better plan has become known; experience, wherever it is known, proves it to be the only sound plan; gold monometallism of the standard; gold and silver bimetallism of money; the two made to work in harmony as money by giving gold alone the place of standard and by adjusting silver to it on an under-standard and limited legal tender basis.

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* Quoted by Shaw: *Hist. of Currency*, pp, 196, 197.

CHAPTER XII.

THE UNITED STATES AND BIMETALLISM—COMPLETE FAILURE OF SILVER—THE GOLD STANDARD A NECESSITY.

129. ALEXANDER HAMILTON'S MONEY SCHEME.

Alexander Hamilton figures conspicuously in the early monetary history of the United States, but he was far from being a prophet of sound finance. Mr. Shaw says:

"Hamilton's scheme, as contained in his most remarkable paper, was for a silver unit or dollar of 371 1-4 grains of pure silver and a ratio of 15, and instead of the allowance of two per cent. for waste and coinage, the principle was adopted of free coinage — of delivering at the mint the same weight of pure metal coined as should be brought to it in bullion or foreign coin." *

130. FUNDAMENTAL ERROR OF HAMILTON.

Hamilton expressed himself as "strongly inclined to the opinion that a preference ought to be given to neither of the metals for the monetary unit . . . because this cannot be done effectually without destroying the office and character of one of them as money and reducing it to the situation of mere merchandise."

If Hamilton in saying this had in view bimetallism of the standard, he spoke from the imperfect

* *History of Currency*, p. 251.

knowledge of the time. The whole history of modern experience with money shows nothing more plainly than the effect of the double-standard system to reduce one of the two metals from the position of money to that of merchandise. That is the largest and the most significant fact in the history of gold and silver, that if both are made standard money, one of them will go as money and the other as merchandise, because one of them, compared with the other, will be worth more to sell than to circulate. If the United States were to enact the legal tender parity of its present 16 to 1 silver dollars with its standard gold, it would be in effect the same as offering the gold for sale at something less than 50 cents on the dollar. Even if it were a 99-cent silver dollar, the effect would be to sell the gold for 99 cents on the dollar. Hamilton, therefore, spoke most unadvisedly when he suggested that we ought to have a double standard in order to keep both of them going as money.

131. BIMETALLISM OF MONEY PRACTICABLE.

What Hamilton said may indeed mean that, while silver held the field he more than suspected that a silver unit was a mistake, and that gold ought to have at least equal place with it, even if not made the standard to the exclusion of a silver standard. But whatever lay behind in Hamilton's mind, he made a capital mistake in assuming that there could not be at one and the same time monometallism of the standard, and especially of the better standard, and bimetallism of money. With gold as the standard, and silver coined of, say, ninety per cent. intrinsic value, and issued as by law exchangeable for gold, or upon fiat parity with gold, there could be any amount of silver money that the public would take and use; not indeed standard money the same as gold, but, with ninety per cent. of intrinsic value and ten per cent. of fiat value, as true money and as good money as any other. And the supreme lesson of monetary experience is that the only way to maintain silver in use as money, good money and ample in quantity, is that of linking it with a gold standard as under-money, or on an under-standard basis, that of intrinsic value to about ninety per cent. and fiat value about ten per cent.; the object being to guard against rise in the price of the metal changing it from money into merchandise.

132. FAILURE OF HAMILTON'S SCHEME.

Hamilton's scheme was adopted April 2, 1792, and of its working Mr. Shaw says:

"For a period the system established in 1792 went on, although the ratio established was prejudicial to gold. But, twenty years after, the natural result arrived in America as in England, and the circulation of gold was completely extinguished in the United States by the unseen withdrawal of the metal.*

Hamilton's scheme had made the standard silver dollar too cheap in comparison with gold. It, therefore, paid the money-mongers to get all the gold by giving the cheaper silver dollars for it. The

* Shaw: *Hist. of Currency*, p. 253.

United States sold to them all her gold, at a loss to the seller, and to the buyer a corresponding profit. The system, trying to make both silver and gold money, actually made the gold merchandise.

133. THE LAW OF 1834 THROWS OUT SILVER.

The state of things created by Hamilton's mistakes, and the causes of which were not understood, lasted until the law of July 31, 1834, made a change by enacting a new ratio, 1 to 16 instead of 1 to 15. Benton, in his "*Thirty Years' View*," says that at that time "15 5-8 was the ratio of nearly all who seemed best calculated from their pursuits to understand the subject;" that "the thick array of speakers was on that side, and the eighteen banks of the city of New York, with Mr. Gallatin at their head, favored that proportion;" that "the difficulty of adjusting this value, so that neither metal should expel the other had been the stumbling block for a great many years, and now seemed to be as formidable as ever;" that "there seemed to be no way of getting to a concord of opinion either from the light of science, the voice of history, or the result of calculations;" and that he, "taking his stand upon the single fact that equality and actuality of circulation had existed for above three hundred years in the Spanish dominions of Mexico and South America, where the proportion was 16 to 1," presented this with such effect that "all the real friends of the gold currency soon rallied to it . . . and eventually the bill was passed (in the House) by a large majority, 145 to 35;" while "in the Senate it had an easy passage; Calhoun and

Webster supported it, Mr. Clay opposed it; and on the final vote there were but seven negatives."

Mr. Benton went on to state "the good effects of the bill;" how "a currency (gold) *banished from the country for thirty years* overspread the land and gave joy and confidence to all the pursuits of industry.*

134. GOLD BECOMES THE ONLY MONEY.

This was the beginning of a gold basis in the United States. It was intended to bring gold back, and the gold came — came to stay. It was not intended to displace silver, but that was the effect, a result of the fact that the silver dollar was not cheap enough, was worth more as metal, as merchandise in the metal market, than as money, and thus gave the money-mongers a chance to make a profit by taking it all in exchange for gold.

135. POSITION OF SILVER REDUCED IN 1853.

Mr. Shaw says in regard to Benton's glowing account of the coming of gold:

"The ratio was too high, and the silver dollars could not be maintained. They were unduly exported, especially between the years 1848 and 1851. And in order to retain within the country a sufficient amount of small coin the amount of silver in the small coins, from the half-dollar downwards, was reduced by an Act of February 24, 1853. It was at the same time provided that they should be

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*Shaw: *Hist. of Currency*, pp. 257-259.

coined only on government account, and they were made legal tender only up to the sum of five dollars. The direction of this step will be seen at a glance — it was in the direction of the gold valuation. It was so conceived and explicitly stated by Dunham, who piloted the bill through the House. 'We have had,' he said, 'but a single standard for the last three or four years. That has been and now is gold. We propose to let it remain so, and to adapt silver to it, to regulate it (silver) by it (gold).' Legally, the old silver dollar was left untouched, and the gold and silver valuation was not expressly abolished. No reference whatever was made to the silver dollars in the Act, for the simple reason that for years nothing had been seen of them. They did not and could not circulate. There was plenty of gold, and the absence of silver, with the change in standard therein practically implied, was either unnoticed, or regarded, if at all, only with indifference."

136. SILVER DISCREDITED AS A STANDARD,

Both Mr. Shaw here, and Mr. Dunham, whom he quotes, miss the mark of perfectly accurate history. It was not true that the standard had become gold only, and that nobody noticed the change, or at least nobody cared. What was true was that gold alone was the money of the country, and that this most naturally suggested that the standard ought to be gold alone. Silver was an absentee. It had entirely quitted the field of money to figure as merchandise in the metal market. Nobody desired it to quit serving as money, but every dollar got two cents for changing from serving as money to figuring as merchandise, and away they went with one accord scorning to remain as money. And that in spite of the fact that they were *standard* money, if only they would stay as money.

137. SILVER FROM 1873 NOT A STANDARD.

Mr. Shaw goes on to say of the developments following the failure of silver to keep its place as money in the United States:

"The final step in the simplification and unification of this system was commenced in 1870, when a bill was prepared for a revised coinage law with a pure gold standard, silver being demonetized as a legal tender money. The bill did not become law until April 12, 1873. And no opposition was expressed in either the House or the Senate to the abolition of the double standard. The silver dollars previously coined (of which, however, but few were in existence) maintained their quality as legal tender; but the coining of new dollars, whether on government or private account, was forbidden. This Act was, therefore, simply the complement of the preceding legislation of 1853."

138. SILVER NOT "DEMONETIZED" IN 1873.

The expression "demonetized as a legal tender money" is not only misleading, but it is inaccurate. To be accurate it should read "*unlimited* legal tender," and to recite the exact fact the expression "demonetized" should not be used at all. Silver remained money just as really as if its standard character had not been taken away. Mr. Horace White states the exact facts of money when he says: "The money of the country consists of all the gold, plus all the other instruments of exchange which are redeemable in it."

139. GOLD THE STANDARD: NOT THE SOLE MONEY.

The law of 1873 made the gold dollar the unit of value or dollar of account. As Mr. Samuel Hooper, whom Mr. White quotes from the Congressional Globe, said in Congress, April 9, 1872:

"The committee, after careful consideration, concluded that twenty-five and eight-tenths grains of standard gold constituting the gold dollar should be declared the money unit or metallic representative of the dollar of account."

To the same effect Mr. W. L. Stoughton said:

"Gold is practically the standard of value among all civilized nations, and the time has come in this country when the gold dollar should be distinctly declared to be the coin representative of the money unit."

Mr. C. N. Potter said:

"This bill provides for the making of changes in the legal tender coin of the country, and for substituting as legal tender (without limit), coin of only one metal instead as heretofore of two. I think myself this would be a wise provision, and that legal tender coins, except subsidiary, should be of gold alone." *

* *Money and Banking*, pp. 214, 215.

140. SILVER AS MONEY MADE SECURE.

And further, in regard to silver, Mr. Hooper said: "Section sixteen re-enacts the provisions of existing laws defining the silver coins and their weights respectively, except in relation to the silver dollar, which is reduced in weight from 412 1-2 to 384 grains, thus making it a subsidiary coin in harmony with the silver coins of less denomination, *to secure its concurrent circulation with them.* The silver dollar of 412 1-2 grains, by reason of its bullion or intrinsic value being greater than its nominal value, long since ceased to be a coin of circulation, and was melted by manufacturers of silverware."

And Mr. Wm. D. Kelley said:

"I wish to ask the gentleman who has just spoken if he knows of any government in the world which makes its subsidiary coinage of full value. The silver coin of England is ten per cent. below the value of gold coin. And, acting under the advice of the experts of this country (the United States), and of England and France, Japan has made her silver coinage, within the last year, twelve per cent. below the value of gold coin, and for this reason: It is impossible to retain the double standard. The values of gold and silver continually fluctuate. You cannot determine this year what will be the relative values of gold and silver next year. Hence all experience has shown that you must have one standard coin, which shall be a legal tender for all others, and then you may promote your domestic convenience by having a subsidiary coinage of silver, which shall circulate in all parts of your country as legal tender for a limited amount, and be redeemable at its face value by your government." *

141. GOLD STANDARD MEANS DOUBLE MONEY.

The evidence here is very clear that silver was not demonetized. It was, on the contrary, changed in its relation to gold, *destandardized*, for the sole purpose of making it stay and work as money, instead of failing to so work. To have silver as well as gold as money, and to have as ample a supply of silver money as could be used, was the purpose of taking silver out of the position of a standard, and giving it a subsidiary position. The old false idea made nothing money unless it were standard money. The new idea makes two kinds of money, standard of gold, and subsidiary of silver upon a basis of fiat parity with gold. And it does this as the only means of having both gold and silver money working together, instead of one working as money and the other taken away as merchandise.

142. THE BLAND BILL DOUBLE STANDARD SCHEME.

It was within a very short time after the changes made in 1873 that fresh interest in silver was stimulated by the new mines of that metal in Nevada, and by the expectation of the resumption of specie payments. This led to efforts to get silver made again a standard along with gold. A commission appointed August 14, 1875, recommended the establishment of the double standard. Bland, one of

* *Money and Banking*, pp. 214–216.

the commission, offered a bill, for re-establishing the double standard at the ratio of 16 to 1 (15.988 to 1) with free coinage of silver. The majority of the Congress elected in 1876 represented the patriotic enthusiasm, and opinionated half-knowledge or absolute ignorance of money questions and money history, of the mass of the people. They favored the Bland bill, but could not carry it against the Senate and the President. The House passed the bill, to restore the double standard and coin silver on the same terms as gold, and at the ratio of 16 to 1. In the Senate Mr. Allison carried an amendment which dropped free coinage but provided that the government should buy every month not less than $2,000,000 worth and not more than $4,000,000 worth of silver and coin it into "16 to 1" silver dollars, which should be full legal tender money. Although even this the President vetoed, it was passed over his veto,* and under its operation the whole number of dollars coined was 378,166,793, of which about 57,000,000 were put in circulation, and the remainder were made the basis of silver certificates which, although not legal tender, were receivable for all public dues, and were thus readily current.

143. THE BLAND BILL RESULTS.

Mr. Shaw says of the (Allison) Bland bill, which had the Bland restoration of the double standard left out, and was thus Bland only in name:

"The Bland bill deceived the hope of both par-

* Feb. 28, 1878.

ties, as such a compromise might be expected to do. It remained in force, notwithstanding, till August, 1890, and during the twelve years, 1878–1890, the United States coined a matter of 370 million silver dollars, employing therein a third of the total contemporary production. Almost yearly, up to 1887, the repeal of the silver purchase clauses of the Bland bill and the suspension of the silver coinage was recommended to Congress by Presidential message, and in the reports of the Secretary of the Treasury." *

CHAPTER XIII.

GERMANY AND BIMETALLISM — THE GOLD STANDARD COMES IN WITH THE EMPIRE — A RECENT GERMAN SILVER CRAZE.

144. EARLY GERMAN MONETARY EFFORT.

Germany, says Mr. Shaw, had not less than nine distinct and independent coinage systems in existence, when at last the events of 1871 came to give her unity in her coinage, along with unity in her political life.†

An unsuccessful attempt to secure mint unification throughout Germany had been made in 1738, and this attempt had been renewed in the General Mint Convention of the States of the Zollverein, which was agreed upon in full assembly of delegates at Dresden July 30th, 1838, and ratified there January 7, 1839.

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* *Hist. of Currency*, p. 263.
† "*Hist. of Currency*," p. 198.

145. THE VIENNA CONVENTION.

The agreement of 1838–39 had continued in force nominally until the later and still more famous convention of Vienna in 1857, which undertook to bring into one system the three competing systems then existing in Germany, those of Austria, Prussia, and South Germany or Bavaria, and to secure a properly regulated gold coinage.

In regard to the latter Mr. Shaw points out how exactly the two cases of Germany in 1857 and of the Latin Union countries in 1865, were brought about by the working of bimetallism of the standard, after the gold price of silver had risen above 60 7-8 pence per standard ounce. The profit on minting gold in France at 15 1-2, sent the money-mongers into Germany to exchange silver for it, until gold had nearly disappeared and its place was filled with silver.

The action of the Vienna Convention looked to the gradual adoption of gold coinage, but the effect of the agreements reached was quite in the other direction, that of establishing the maintenance of a pure silver currency. The experiment of a trade gold coin failed completely. The premium on the minting of gold in France drew all the gold there, and left Germany little but silver.

146. GERMANY'S GOLD STANDARD SYSTEM.

From the date of the Vienna Convention, progress was sought on the basis of a silver standard, with gold as trade money, and even after the moment came, with the erection of the Empire, when everything favored complete reform, it was only at the last stage of the preparation of a bill to establish a monetary system that the gold standard was settled upon.

The Act to establish the system passed Dec. 4th, 1871, and a second Act of July 9th, 1873, declared the law of tender. Mr. Shaw says:

"The unit of the system is the mark, which is the $\frac{1}{1395.5}$ part of a pound of gold of 500 grammes at 9-10 fine, and is coined into pieces of 20 and 10 marks. The gold crown is a 10-mark piece, is 9-10 fine, and struck at a tale of 139 1-2 pieces to the German pound; charge for coinage, 3 marks per pound of fine gold."

"The pound of fine silver is struck into 100 marks, 9-10 fine. The total amount of silver coin not to exceed 10 marks per head of population. No individual need accept more than 20 marks of imperial silver coin in payments. They are accepted in any amount by the Empire and by the Federal States."

"All other German coins are no longer legal tender, and have been withdrawn, with the single exception of the thaler pieces. Whatever pieces of this kind still exist are legal tender to any amount, like the imperial gold coins, each being equal to 3 marks." *

147. GERMAN GOLD AND SILVER

"The total silver withdrawn from circulation up to the close of 1880 was 1,080,486,138 marks. Of

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* "*Hist. of Currency,*" pp. 215, 216.

this amount 382,684,841 marks were delivered to the mint for coinage into the new imperial silver coins. The remaining 696,797,069 marks were melted into silver and produced 7,474,644 pounds of fine silver. Of this quantity 7,102,862 pounds were sold up to May, 1879." *

The account of the gold minting of the reconstructed German Empire, from 1872 to December, 1878, makes a complete total, in Mr. Shaw's report, of 1,205,786 lbs. weight = £84,103,584.†

148. RECENT GERMAN AGITATION.

There has sprung up recently ‡ in Germany a movement of profound discontent of the landowners and land-cultivators, the uninstructed and headstrong zealots of which are trying to work the discredited delusion of the double standard. An injury, not to say a wrong, had been done to German agriculture and German land by a treaty of commerce with Russia admitting Russian cereals at a low rate of duty. The weight of the discontent, and the hold which a delusive bimetallism of the standard had upon the chiefs of the discontent, made it a necessity of policy for the government to go somewhat into the matter, and for the sound money Liberals to lend themselves to the hopeless quest of relief for low prices in bimetallism of the standard.

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* Shaw: "*Hist. of Currency,*" p. 219.
† Id. p. 218.
‡ Refers to 1896.

149. INQUIRY ON BEHALF OF SILVER.

In the spring of 1894 a commission of sixteen members was appointed by the Imperial government to consider whether means could be found for raising the price of silver and making it more stable. Twenty-one sessions of this commission accomplished nothing more than to show, as its president said in closing its proceedings, how difficult it is to find something which would evidently be desirable if it were attainable. The proposition of an international conference to promote the free coinage of both metals on an agreed ratio (presumably 15 1-2 and regardless of England) was favored by the six decided bimetallists on the commission, but entirely opposed by the two moderate bimetallists and the seven gold standard members (an eighth being absent). The proposal of the two moderate bimetallists of a plan looking to a larger use of silver by augmenting the weight of the silver coins in actual use, was rejected by all the other members. The plan was to be carried out under a convention with other governments, and especially that of Great Britain, with an engagement of the latter to reopen the Indian mints. This was a suggestion in the direction of bimetallism of money, which may reasonably attempt to do as much for silver as respect for the place of silver below the gold standard will permit.

150. LATEST GERMAN SILVER MOVE.

At a later date, after the close of Caprivi's ministry, and the gain which the land-owning interest made by the change, a motion asking the Imperial government to take the initiative for assembling a new international monetary conference, received the support of both the Conservative parties and of the Catholic party, and of nearly all the National Liberals; the latter yielding, against their judgment, to the pressure on them from a portion of their constituents, and in the hope that a conference, inevitably stopping short of resurrection of bimetallism of the standard, might yet find some remedy for the existing discontent, or at least some cure for the silver craze of the German peasants.*

CHAPTER XIV.

INDIA AND THE GOLD STANDARD.

151. INDIA'S TRIAL OF SILVER.

British India emerged from the difficulties of the double standard in 1835, when the silver standard was adopted. But the growth of commercial interests gave rise to objection to silver on account of its bulk and weight. "As early as 1859," says Mr. Horace White, "the commercial classes of the country began to urge the government to adopt the gold standard, with silver as subsidiary currency.

"In 1864 the Bombay Association addressed a memorial to the government on the subject, saying that 'a silver currency might have been suitable to the country when its commerce was limited and

* Mr. Horace White gives a very lucid account of these recent German movements, in an appendix to his "*Money and Banking*," pp. 447-452.

payments in the main extremely small, but was very inconvenient when wealth was largely diffused throughout the country and the operations of commerce had become so enormous. The transport of this bulky and cumbersome currency entailed heavy and useless expense on the country and was a serious impediment to trade.'

"The Bombay chamber of commerce took similar action, saying that 'the importation of gold into India had steadily increased for many years, though it was not legal tender; that the natives themselves had devised a rude remedy for the deficiency of the existing silver currency by using gold bars stamped by the Bombay banks as a circulating medium; and that the exclusion of gold from the currency of India could not be justified or be considerd other than barbarous, irrational and unnatural.' " *

This effort of India itself, more than thirty years since, to secure the gold standard, with silver subsidiary, caused the government of India to suggest that a system of bimetallism be adopted. The British government refused on the ground of the impracticability of a double standard. By 1878 the government of India wished to close the mints against the free coinage of silver until the demand should operate to cause a rise of the standard coin in value. Silver had fallen from about 60d. an ounce to 50d., and the suggestion to close the mints for a time was proved by the event to have been a wise one. But British hesitation in London refused.

In 1886, silver having fallen to 42d. per ounce,

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*" *Money and Banking*," pp. 69, 70.

the India government again suggested decisive measures and again met British refusal. March 23, 1892, with silver down to 39d., the India government called the attention of the home government in London to the special request of the Bengal chamber of commerce that something be done, but still British hesitation prevailed.

152. INDIA DEMANDS GOLD.

June 21, 1892, the India government sent to London suggestions for adopting the gold standard with large use of legal tender silver, which had been matured by Sir David Barbour, the India Financial Secretary and a thorough bimetallist. This eminent India official, although a bimetallist, declared that, unless the Brussels Conference satisfactorily arranged for international bimetallism, the gold standard would be a necessity in the fast advancing wreck of Indian finances due to the rapid decline and the worse uncertainties of silver.

At a later date Sir David again pointed out how very bad the silver situation in India was, how confidence in silver was utterly destroyed, and how certainly failure of the United States to continue its monthly silver purchases would tend to hasten the worst possible breakdown of silver dependence in India. The British government met this desperate silver situation of India by entrusting a committee of eminent experts, of which Lord Chancellor Herschell was chairman, with the task of determining what should be done; and May 31, 1893, this committee reported on the chief facts of money and commerce in India, and recommended that the request of the government of India for permission to close the mints against silver should be granted, except as rupees might be coined on government account.

153. INDIA GETS THE GOLD STANDARD.

The British government in London gave its consent at last, after fifteen years of refusal, to the demand of India for stopping the coinage of silver, and June 26, 1893, the India government announced this in India. It was supposed that rupees in silver might appreciate in value, and to control this the government announced that it would supply them at the rate of 1s. 4d. per rupee, and would receive gold at that rate in payment of taxes.

This did not mean that if silver kept on falling the government would hold up the silver rupee to 1s. 4d. gold value. And silver did keep on falling, first from 38 3-4d. early in June, to 30 1-2d. after the closing of the mints, and later to 27 1-2d. Although the British government held back from selling in London the bills payable in rupees in India for less than 1s. 4d. per rupee, they finally had to sell at 15 3-4d., and from that down to 13d.; and even 13d., with silver at 27 1-2, meant 2d. more than the value of the silver in the rupee. The rupee, that is, will pass in India for that much more than its real silver value.

India thus came to the gold standard, not through the eagerness of London to fasten it upon her, but in spite of protracted British hesitation, and through the sense, which commerce in India had created, of the necessity of gold for large use in place of silver, and as a standard far less uncertain than silver, to which silver could be related with some possibility of holding fairly steady its currency value.

154. INJURY DONE BY FREE COINAGE.

A recent statement of undoubted authority on the silver situation in India shows conclusively that the suspension of free coinage of silver had no other purpose than that of increasing the usefulness of silver as money in that country. The representation commonly made by advocates of free coinage that the Indian mints were closed to silver in order to give an advantage to gold and compel India to pay in the dearer gold instead of in the cheaper silver, has never been true, and could not be true. India has all along paid in gold, that is, in silver rupees counted at whatever they would bring in gold in London. And India's trouble has been that the silver rupees kept falling in value in the London market, as the direct and inevitable result of the steadily falling value of silver and of the supply of rupees exceeding the demand to such an extent as to make it difficult to hold up the value of the coins above that of the silver in them.

155. INDIA'S DEMAND FOR SILVER.

India was for many years as large a taker of silver as the United States could be expected to be under free coinage. India is a continent in breadth and in bulk of population, and it is insatiable in its readiness to take silver. The net imports of silver into India in the twenty-three years from 1870–71 to 1892–93 were 165,226,000 tens of rupees, an average of 7,184,000 tens of rupees — about $35,000,000 — annually. This absorbed nearly one-third of the silver production of the world. It was a case, if there could be one, of a section of mankind, almost more than a nation, large enough and strong enough and independent enough, to carry silver as money, and get the best work of money out of it, no matter what might or might not be done with silver elsewhere.

156. FUTILE EFFORT TO HOLD UP SILVER IN INDIA.

But as a matter of fact the independence was purely imaginary. In trading with the world India had to have her values counted in gold, and values which India herself counted in silver rose or fell, when counted in gold, just according to the market price of silver, together with any extra fiat or credit value which the Indian silver coins might have. The actual case was that the market price of silver went lower and lower, and that the coinage was so immense as to make it hard to give the coins even a small extra credit value. It was desired to have the rupee pass in trade for 16 pence or 32 cents, when it was intrinsically worth as silver considerably less than that. The immense need of the money for trade throughout India, and the Indian liking for silver, gave some chance to carry the rupees at more than their intrinsic value, but the excessive quantity of them, with the free coinage mills running wide open, made the difficulty of circulation at partly credit value almost insuperable. The bottom question all the time was, and always must be, at what rate the people of India would take them in trade. If, for example, a rupee actually worth in silver eleven cents would pass for fourteen or fifteen cents in India, that would put up the gold price of rupees in London. The ignorant, or perhaps mendacious, calumny has been employed in certain quarters that English interest was for gold against silver, and that coinage of silver was stopped to injure silver and thereby benefit gold. The exact contrary has been, and always must be, true. Although India greedily absorbs gold, the immense trade of the common people requires silver, and English interest is as strong for silver in India, and to benefit silver rupees in the gold market of London, as it is for gold in England. How to make the rupee pass, say for 16 pence in paying and purchasing power in India, when the intrinsic value of the silver in it was far below that, has been the problem of recent Indian finance.

157. PRESENT STATUS OF SILVER IN INDIA.

It was when all other plans had failed that the suspension of coinage was resorted to, in the hope that a fixed parity could be created through the credit of the government and the limitation of the supply of silver rupees to a quantity not in excess of the legitimate monetary interests of India. It was something, however, which could not be forced. It was desired to have the rupee sell for 16 pence, or about 32 cents, in the London market. But the market would not pay that, until the growth of credit warranted doing so. The bills payable in silver rupees in India, which are sold in London, brought only 13.62 pence in April, 1894; but in March, 1896, the price had reached 14.375, and this was advanced to almost 16 in July, 1896. By limiting the supply of silver to the real needs of India, government credit and popular demand have raised the rupee from its recent hopeless estate under free coinage. To no small extent an arbitrary credit value has been given to the silver coins in spite of the continued low price of silver. Free coinage prevented this while it lasted, and return to free coinage would destroy this most remarkable success of Indian finance.

CHAPTER XV.

MONEY AND PRICES.

158. ENTIRELY FALSE ASSERTION OF DISASTROUS FALL CAUSED BY GOLD — NO DISASTROUS CHANGE IN PRICES.

It is said that the single gold standard has produced a disastrous fall in the prices of commodities. To this statement, which puts a wholly false construction upon very simple facts, there is the most conclusive possible answer, no matter what the point of view from which we come at the question. It is especially gross falsification to say that under gold there have been changes for the worse. There has been no general disaster, but quite the contrary. Wages have advanced since 1873, with the result of giving to the great mass of the people more of the necessities and comforts of life for the same labor than they could command before. The most thorough, full and conclusive study of prices, wages, transportation, and other conditions of demand and supply,* has shown by unanswerable figures, which cannot lie, that the purchasing power of money wages has been rising steadily for at least twenty years, and that the decline in prices since 1873, and especially since 1882, has been a source of prosperity and not of depression to the great mass of the people. Low prices for whatever the people have to buy, coupled with correspondingly high wages for labor, are a blessing and not a disaster.

159. CAUSE OF DECLINE IN PRICES.

The decline in the prices of commodities has been due to the ability and desire of sellers to supply the demand at such lower prices as have prevailed, and has not been due to the gold standard. So far as this decline has touched American products, and so far injured American producers, it has been in part the result of immensity of American production, causing necessity for selling at low prices in order to sell at all, and in part the result of immense production of our products in other countries, making them our competitors in all the markets of the world. The prices of cotton, wheat,

* Report on Wholesale Prices, Wages and Transportation, made by the Senate Committee on Finance, March 3, 1893, of which Mr. Horace White says, —"a work which has never been surpassed in this or any other country in fullness, thoroughness and impartiality."—"*Money and Banking*," p. 109.

and corn are especially affected by excess of production on our own part, and by competitive production in other countries.

160. HOW SUPPLY AND DEMAND WORK.

An illustration of how supply and demand affect prices may be found at almost any time in the press reports of the current market. A very good example is the following statement from the *Evening Transcript* of Boston, Mass.:

"The potato yield of the country last year was a great success as a crop and a great failure as a source of income. For a variety of reasons the farmers of the great agricultural sections planted an unusually large acreage to potatoes. The season was favorable and the product was so abundant that the usual result followed. The market was glutted and the prices went down to so low a figure that many found it more profitable to feed their surplus to their stock than to carry it to market and take chances. In New Hampshire potatoes sold for fifteen cents a bushel. In Western Massachusetts they went down as low as ten cents, not in a few isolated cases but in sufficient quantities to make that the price for a time. A farmer near Westfield took thirty bushels of potatoes to market, which he sold for $3 and invested the proceeds in a pair of shoes. For this reason he is going to vote for free silver, not realizing that supply and demand are the arbiters of prices, and that he was the victim of a natural law, whose operation cannot be controlled by any policy of parties or government."

161. THE CASE OF COTTON.

If we look at the case of cotton, once the surest wealth-winning product of American soil, we can most readily see that the inexorable law of supply and demand, without any reference to questions of money, has carried prices down, or down and up, according to circumstances. Cotton may easily rise in supply from America alone so much above the demand as to put the price too low to give the grower any profit. Cotton has heaped America with wealth since Eli Whitney's invention of the cotton gin, and yet we at last saw in the crop of 1894, which was fifty per cent. larger than any crop prior to 1887, a crop so much beyond the world's demand as to almost abolish profit.

162. WHEAT PRICES.

Wheat necessarily goes down in price in consequence of the enormously rapid increase of wheat-growing throughout the world, and the corresponding rapid development of transportation facilities for carrying this wheat to market. The increase of production of wheat in the United States alone has been from 292,136,000 bushels in 1875 to 611,-780,000 bushels in 1891; and even in 1895, with a partial failure of the crop, 467,100,000 bushels. The acreage of wheat increased fifty per cent. from 1875 to 1891; from 26,318,512 to 39,916,897 acres. The simultaneous advances made in the production of all the chief crops gives more than full measure of supply to the demands of mankind. Corn in the United States went from 34,091,137 acres in 1871 to 76,204,515 acres in 1891; an advance of 124 per cent.; and in 1895 the yield of corn was more than double that of any year prior to 1875. In the same way both the acreage and the average annual yield of oats have doubled since 1871. And over and above these American advances, such countries as Russia, India, and Argentina in South America, have sent immense quantities of their products to compete for a large share of the supply of the demands of the world. That changes such as these have worked the fall of prices of farming products, with no reference whatever to the gold standard, is shown by the fact that under gold from 1840 to 1890 all the principal farm products rose in price; as barley from 62 cents to 95, corn from 38 to 58, oats from 20 to 58, rye from 68 to 97, and wheat from 38 to $1.03. As at the same time, from 1840 to 1890, the average wages of all occupations have more than doubled, and since 1860 have increased over 75 per cent., all under gold, the whole effect upon prices does not seem a matter for complaint.

163. WHOLLY FALSE CLAIM THAT APPRECIATION OF GOLD SINCE 1873 NOW INJURES DEBTORS.

In connection with what is said of prices, it is also said that the burden of mortgages and of all national and State indebtedness has been increased by giving gold the position of standard money. This is said to have caused gold to appreciate in value, thus causing "the dollar of account," or standard dollar in which debts must be counted when paid, to be worth a good deal more than the value represented by a dollar when the debts were incurred.

It is but too easy to form a wrong impression that gold has appreciated in value. In the year 1810, when England was on a paper basis, and gold was at a premium of 15 per cent., the governor of the Bank of England, and other financial experts, insisted on the opinion that gold had appreciated, and that bank notes had not depreciated. A majority of the merchants and statesmen of the day also took this ground with confidence. To settle the question Parliament appointed a committee to make the most thorough examination possible, and the conclusions of this committee, published in what is known as the "Bullion Report," made it plain beyond all question that the paper currency, because of its excessive amount, had depreciated, and that gold had not appreciated. The plausible opinion of merchants, statesmen, and financiers was proved to have been wrong.

The double answer to the claim that appreciation of gold now injures debtors is this:

(1) No proof whatever that gold has appreciated to any particular extent, has been or can be given, except the fact that a larger amount of the things of value to man can be obtained with it now than could have been obtained twenty years ago; and

(2) This fact of low prices only includes things which are cheap in consequence of abundant supply and competition in trade, and does not include labor, the wages of which are higher instead of lower; thus giving a situation which is broadly advantageous, even to the debtor class; which, moreover, has not been created by the gold standard; and which can be helped, so far as may be

necessary, by measures of tariff calculated to get still more of low prices for the farmer, the rancher, and the miner.

Mr. David A. Wells, in a work of great interest and importance, on "Recent Economic Changes," traces very carefully the decline in prices of staple articles which has actually taken place since 1873, and shows that the progress of invention, improvements in manufacture, greatly lessened cost of transportation, and other known conditions of supply and demand, have done all the actual cheapening of goods, precisely as would have been the case if the gold standard had not existed.

164. APPRECIATION OF GOLD DESIRABLE.

If it be true, not merely that silver has depreciated precisely as copper has done, through the operation of the conditions of production, but that gold, apart from any effect of the conditions of production, and in consequence of the place given it, whether as money above all other and the sole standard of value, or as a precious metal for use in the arts, has appreciated, the fact of such appreciation, cannot be regarded, in any light whatever in which it can be viewed, as other than an uplift of wealth and prosperity for mankind; a fact of universal advantage, a benefit and not an injury to all concerned.

165. GOLD THE SUPREME COMMODITY.

If the whole mass of gold in the world should appreciate one per cent. every year for twenty years, the chief result would be an addition of one-fifth to the value of this mass of property, and it would be just as much, and just the same, a benefit as a corresponding rise of value in land. There is no more reason why gold should not appreciate to universal advantage than there is why land should not appreciate to universal advantage. What we justly regard as universal advantage may, indeed, in the case of rise in the value of land, work to the greatest advantage for some, to the least advantage for others, and to more or less disadvantage to others, but this does not alter the general fact of universal advantage. It is precisely the same in the case of gold, nor does the particular case of serious disadvantage to debtors from having to pay in appreciated gold value warrant thinking the appreciation of gold not a universal advantage.

166. DEBTORS NOT HURT BY GOLD.

In every respect except the single one of payment of debt the debtor will reap benefit, and if he loses something in respect of his position as a debtor, there are four things to be said about it, — first, that his loss falls as one of those chances which fall widely and in great number, on the just and the unjust alike; second, that with the exceptional slowness and steadiness with which the value of gold has ever moved, or, apparently, ever can move, no great change, up or down, can take place within the life of a common debt; third, that, with the perfection of knowledge and justice among men provision may undoubtedly be made against anything like injustice to debtors in the matter of payment in gold largely appreciated in value, — and, fourth, that mankind at large would be immensely advantaged rather than otherwise if it came to be understood that all debts running for periods of years involved the almost certain peril of payment in gold value considerably appreciated; as either interest charges on such debts would be lower, or the peril would deter from contracting the debts. There are, in short, no considerations tending to show that appreciation of gold is not as much to be desired as any other rise in value of property, even if it is somewhat to the disadvantage of debtors, unless they are on the guard against it. If appreciation takes place slowly and steadily, and serious fluctuation in value does not occur, now suddenly up and again suddenly down, then may gold remain all that it has ever been as the supreme commodity of the word, serving, by its high and steady value, as a standard of value far better than any other.

167. GOLD THE SUPREME SERVANT.

In the services which gold renders other than that of a supreme commodity and standard of value it is the supreme servant of all men, from the highest to the lowest, and by so much as it appreciates in value it can render services which are by so much the better as the appreciation is greater. In, for example, the matter of prices, the appreciation of the standard of value tends to make the necessities and comforts of life figure lower than they otherwise would, even if they are not absolutely any lower, while wages are not to the same extent carried down, not only because efforts to prevent this are made to the utmost, but because the greater wealth of the world makes the payment of relatively higher wages practicable. Depreciated money causes a rise in the prices of commodities, without anything like a corresponding rise of wages, and thus injures all wage-earners so far as they are purchasers of common commodities, because they fail to gain in wages enough to meet what they must give more than before for comforts and necessities. To just the contrary effect appreciated money will tell for the broad and deep benefit of the wage-earning and commodity-purchasing mass of mankind, and by so much as gold may slowly and steadily appreciate, as the ages of human progress roll by, by so much will the average of human welfare experience and uplift altogether beneficent.

168. USE OF METALS AS MONEY DOES NOT CAUSE APPRECIATION.

It is a very ignorant and false notion that the more or less use of gold as money, or the place given it as the standard of value, materially affects its commercial value in the markets of the world. That value is in any case so high, that it does not make the slightest difference whether gold has the standard position or whether silver is the standard and gold is current at a commercial rate per ounce. If it is not coined, issued, and counted as money, it will none the less figure in trade precisely as money does, and hold its place and value just as well as if recognized by mintage and issue.

The foundation and stay of all good money of account, all real and sure money, is the commercial value of the metal. No matter how much silver may be given place and name as standard and legal tender, its only sure foundation and firm stay is the commercial value of the metal; and that will be counted in gold, even if gold is not recognized as money, for the simple reason that people can count in gold more easily and surely than they can in silver, because gold values are so much more unchanging, or but slowly changing, than silver values.

169. PRICE OF SILVER NOT AFFECTED BY USE AS MONEY.

It does not really help the price of silver even, much less does it affect that of gold, to employ either the one or the other as money. Whatever may happen contrary to the view thus taken is abnormal and transient, just as an abnormal and transient acceptance, even at full value, may be at first given to paper money under which there is no secure basis, and the due course of which will be down to no value at all.

It did nothing whatever for the price of silver that it was standard money by legal fiction from 1792 to 1873. The hucksters of worthless finance, trading on the distress and the credulity of the ignorant, put forward the false pretence of money of the fathers of the Constitution, meaning silver money along with gold, and proclaim, with extraordinary indifference to truth, that silver is fallen one-half from what its market value would be if we had again the money of the Constitution and of the fathers. The simple fact is that the fathers and the times of the Constitution saw no silver money and yet saw the price of silver high. It is not less the fact that our times have seen a vast flood of silver money, yet have not seen in consequence any check to the steady decline of the price of silver.

From 1805 to 1835 not a single silver dollar was coined, yet the commercial ratio, which was 15.79 in 1805, was only changed to 15.80, one-tenth of a cent, in 1835; and it ruled as good, or better than this, down to 1874, although the average coinage per year was only $173,466, and the total for the thirty-eight years, — 1836 to 1873, — was only $6,591,721. During eighty years from the foundation of our government the price of silver never fell below $1.29 per ounce, although the average coinage was only $100,353 each year. The price did not fall in the no-coinage period of thirty years, 1805–1835, nor did it rise in the coinage period of thirty-eight years before 1874.

Use as money, or disuse as money, had no effect upon the price. And after the increase in production of silver began, about 1876, to carry the price down, steadily and surely, no amount of American coinage had any real effect to stay that decline. The coinage from 1878 to 1896, amounting to $430,790,041, an average each year of $23,285,948, did not, and could not, materially affect the decline. Coinage, issue, and circulation (or storage securing paper in circulation), does not use up, and take out of reach as a commodity, the metal so dealt with, but leaves it on the market, the same exactly as if it were not coined.

170. MARKET PRICE NOT MADE BY MONEY USE.

It is, therefore, futile to a degree to count use of a metal as money as of advantage to its market price. Gold cannot materially appreciate from any use as money; nor can silver depreciate because not used as money, or because of the large use of gold as money. And the difference made by having gold only as the money of account, and silver as merely subsidiary money; gold as standard money of full intrinsic value, and silver as secondary money, upon a parity with gold one-tenth fiat, or credit of the government, and nine-tenths intrinsic value; could not in the smallest degree affect the market values of either gold or silver.

171. HOODLUM AND RASCAL FINANCE.

The ignorance is simply monstrous, and the aims terribly mischievous, of the anarchistic revolution represented by advocacy of free silver as a means of levelling up the values of silver and of farm products to the present value of gold, or to the value of gold properly brought down to a midway level. If by lies working delusion, and by criminal violence to the rights of the moneyed class, anything whatever could be got for the victims of poverty and debt, a cyclone of hoodlumism in finance might leave somebody benefited, even if at the cost of general injury. But no one, neither the unfortunate debtor, nor the unhappy farmer, nor the owners of silver, can derive any degree or kind of benefit from the wild and wicked delusion that making or unmaking money, silver or gold or paper, can at all affect the values of silver and farm products, to lift them up, or that of gold, to bring it down.

172. THE FOUNDATION OF PROSPERITY.

The one fact that ages of bitter experience, and of slowly and painfully gained knowledge, bear witness to, is the immense mischief and monstrous wrong, first of having a standard of value which is in any degree a fiat lie, and second of changing the standard away from real value to fiat and false value. Silver has given place to gold, not from any unfair advantage enjoyed by gold, for the advantage at first and for a long time was with silver, but solely because silver was so often found to fail, where gold upon trial was found to be greatly superior. Gold has come to the place of supreme property, supreme standard of value, and supreme service of all human interests, solely in consequence of merits universally demonstrated and benefits universally rendered. A crusade of ignorance and madness against gold cannot but tell with far the most terrible effect in injury to the needy, the depressed, the debtor class.

173. ENTIRELY FALSE IDEA THAT GOLD HAS APPRECIATED.

It would be difficult to hang a cause of any importance on an assumption more thoroughly mistaken and false than that of the appreciation of gold, and of the effect of adopting gold as the standard of the monetary system everywhere to make gold appreciate more and more. The further assumption that such appreciation of gold, by putting larger value under money figures, and thus lowering the figures of prices, can be detrimental in any way to any of the parties to exchange of values in trade, is totally baseless, the merest blunder of ignorant thinking. One of the surest principles of monetary science is the advantage, rather than the contrary, to all concerned, or rather the more sure justice to all concerned, and the more equal advantage of all, of appreciation of the value covered by a money figure, and the consequent tendency to lower prices in the exchanges of trade, that is, values nominally lower while not in reality altered at all.

But whatever may be the truth and the importance of the law of lower prices in proportion as values under money figures are greater, the contention warranted by every consideration bearing upon the point is that the values under the figures of gold money are not as great as they were thirty to fifty years ago, but are distinctly and considerably lower. It is not, indeed, as easy as many current statements assume to know where we are at in our gold values. We cannot, for example, say that if the present rate of interest is only one-half what it was thirty years ago, and if the rate of payment of wages to labor is double what it was a generation since, therefore gold is worth only half what it was in 1860 or 1870. The problem has too many conditions to be of so simple a solution, and some of them forbid thinking that gold values have fallen one-half in thirty or forty years. But we may safely reason from the facts, as to the rate of interest and the wages of labor, that gold values are distinctly lower, even if not very much lower. The immensely increased production of gold would naturally carry down the price, or tend to carry it down, but against this is to be put the fact which weighs more than all others, the extent to which the uses of gold have kept pace with the supply. But this must be considered in connection with the fact that the more the gold standard prevails everywhere, the less will gold be actually handled in settling exchanges, so that there cannot be any danger that hunger of the money marts all over the globe will carry up, or even upon the whole rigidly hold up the value of gold. It will remain a very slightly, very evenly, and very steadily declining value.

174. THE CAUSE OF HARD TIMES.

Apart from what would be not more than the average of current distress, the cause of hard times, for the years 1893–1896, was far more the appearance in the high places of the nation of hoodlum and rascal ideas of gold and of relations with England, than any real failure of the conditions of prosperity among the people. England is very largely an invaluable dependence for us for borrowing at low interest vast sums of money which we can use to great advantage in developing American possibilities. Every million of gold which we can borrow from England is equal to five or six millions of American development. A hundred millions of English gold wisely handled and honestly held, would count from six hundred to a thousand millions of American development. It is our interest to bring English gold here and to keep it here, which alone demands consideration. We have no greater interest of a financial kind. It is precisely as if groups of sons going far west, from the seats of accumulated wealth on the Atlantic, turned back to the ancestral homes to borrow capital needed for developing new seats of wealth and prosperity. Nothing could be more natural; nothing more beneficial; nothing less open to carping criticism on the part of Americans, as though such dependence upon England could be in any light open to American objection.

175. FALSE "AMERICAN INDEPENDENCE."

It is only the shyster in monetary politics who can masquerade at this day in protestations of American independence of Europe, and patriotic indifference in New York and Chicago to London and Paris and Berlin. The honest hoodlum of the backwoods and the mining camp, elevated by the chance of circumstances to some office or some candidacy, might perhaps suppose himself thinking according to knowledge and judgment, and not according to ignorance and madness, in proposing that the United States undertake a monetary policy of isolation and separatism. But the hoodlum must develop into a pronounced shyster,* if not a hire-

*"Shyster: One who does business trickily; a person without professional honor: used chiefly of lawyers."—"*The Century Dictionary.*"

ling of criminal politics, to deliberately argue, in the full light of existing commercial conditions, for American defiance of the demands of the universal commercial system, which makes New York as much one with London as if the Atlantic ocean were not wider than an easily bridged river.

In earlier times, and in countries not at all in touch with the general progress of mankind, governments could shape commercial and monetary conditions in disregard of the rest of the world, but even China cannot do that now. The wish to do it, the thought that it can be done, the argument attempted that it ought to be done, indicate an almost infamous blindness to the universal light everywhere directing human progress. The simple fact is that America hires money in London as a matter of profit to herself, and complies with the conditions of the London money market solely in her own interest, for what she can make out of it. The money is there on hire, and more dependent on a chance to be hired than we are on the chance to hire it. It is gold solely because that is the best money, and the best for us even more than it is the best for its owners. The main condition imposed by those who have large store of gold on hire in London is that we do not by any trick try to steal it. It is to our advantage far more than to any other that we comply with this condition, no matter what it may at some moments cost us. The injury to English gold interests is slight compared with the injury to universal American interests of the scoundrelism in finance which can deliberately suggest that patriotism express itself in dishonor and fraud, because the victims are English, and because some letter of law or some plea of policy can be alleged for doing it. The resolution which passed the Senate of the United States January 25, 1878, on the proposal of Senator Matthews of Ohio, and by a vote of 43 to 22, and which passed the House by a vote of 189 to 79, was not only one of the most senseless plunges into an abyss of dishonor ever made, but it was a wild and wicked sacrifice of American interests, on the flimsy plea of technical legal liberty to allege our right to construe "coin" as meaning fiat coin of silver equally with gold coin of account. The application of intelligence in finance, not to mention honesty, would have shown that "coin," in an unqualified absolute promise to pay, must mean the gold coin of account and could not by any light, or any hoodlum and rascal exclusion of light, mean fiat silver coin, whose honest quality was solely in the promise it carried of exchangeability for gold. But whatever the right to read "coin" as meaning silver equally with gold, the proclamation of this right was a most senseless and wanton destruction of American interests, which would have been enormously greater had not the inflexible honesty of the Secretary of the Treasury, Hon. John Sherman, interposed with the explanation that "coin" would be understood to mean gold.

176. ANTI-ENGLISH FANATICISM.

One of the craziest expositors of anarchistic Americanism, Mr. J. P. Altgeld, whose position, as Governor of the great State of Illinois, proved an appalling revelation of what may befall in American politics, alleged in a speech of August 29, 1896, that the great money center of the world now is London, that the large financiers of New York not only act on the suggestions but follow the dictation of the London bankers, and that similarly the bankers elsewhere in America follow the dictation of a few New York bankers, although it compels them to "take a position which is against the interests of the community in which they live and do business." In Mr. Altgeld's view the American bankers "are ready to either blindly follow the cruel dictates of the gold men or are hopelessly in the clutches of what is called the 'eastern money power.'" And further Mr. Altgeld represents that the English money power is conducting a campaign in this country, is seeking to fasten upon the people of this country an English yoke, to install English Shylocks as task-masters over all the generations of Americans that are yet to come, and that the experiment of trying to force the nations of the earth on to a gold basis for the benefit of European creditors is ruining the American people. And to meet this terrible situation Mr. Altgeld insists that we make cheap half-value dollars, and "pay back the English creditors, principal and interest, in the same money exactly which they gave us, dollars that shall have the same purchasing power, that will buy as much property and as much labor of every kind, as the dollars which they gave us."

177. ANARCHIST RAVINGS.

The wildest possible honest misrepresentation of facts hardly suffices to explain such a picture as this. There seems to lie behind in the mind of the author of the picture a sort of madhouse fury completely incapacitating for taking note of reason or truth, destroying all conscience of justice, and yielding ravings hardly to be distinguished from those of complete insanity. The system of banking which governs American relations with London is as honest and beneficent as any organic product of human progress; the gold standard has come everywhere throughout the world, or is coming, solely in consequence of its recognized and demonstrated advantages, its greater honesty and beneficence; the borrowing for America of English gold, and the creation and maintenance of close monetary relations between London and New York and Chicago, have had no motive and no result other than that of carrying London advantages of capital as widely as possible throughout the whole vast wilderness of American needs and opportunities; and the only thing which has prevented continuous and steadily increasing benefit to America from financial ties to London, has been an Americanism of bastard type, restlessly malignant towards England, and miserably ignorant, and even dishonest, in matters of national finance. The chapter of ignorance has alone cost us a thousand millions, and one of dishonor and dishonesty would cost us twice as much more.

178. FALSIFICATION OF FACTS.

The Altgeld theory is that "if the present standard is to be maintained, if our people must go on paying interest and principal in dollars that require twice as much sweat, twice as much blood to obtain, as did the dollars that were in circulation when the debts were created, then the doom of American producers is sealed; low prices will be made perpetual and there will be no hope for the American farmer, the American mechanic, or the American laborer."

The falsification here could not be greater. There is no more incontestable fact than the very considerable rise in wages in recent times. The dollar now paid in wages does not require as much labor as the older dollar did. The assertion that it requires twice as much is mendacity run mad. And hardly less must be said of the expectation that American laborers, mechanics, and farmers, will be ruined unless the prices of whatever they have to buy are doubled. Low prices of everything except their labor are the greatest benefit to them. Even to the farmer, whatever he may lose by low prices of his products, he gains enormously by low prices of everything for which he has to pay money. These facts are so plain, their meaning is so clear, and they so completely put the brand of gross falsification upon Mr. Altgeld's allegations, as to leave us no alternative but to presume that stump speaking on the Altgeld plan imposes no restraint upon useful falsification.

179. MENDACIOUS COMPLAINT AGAINST GOLD AND BANKS.

In justification of his proposal to pay "our English creditors" in half-value dollars, Mr. Altgeld brings against them this charge:

"We say that their act in getting silver demonetized and gold made dear, after they had succeeded in getting our bonds and our notes, so as to compel us to pay in a different kind of money from what they gave us, dollars which cost twice as much, was a fraud and a crime against civilization."

"The moneyed classes of Europe," Mr. Altgeld says, "conceived the idea that it would be to their interest to make money dear and property and labor cheap." The execution of this fell purpose by "the London bond holders," proceeded, according to Mr. Altgeld, as follows:

"In 1873 they got our government to by law demonetize silver, stop its coinage, deprive it of its legal tender functions and reduce it practically to the basis of token money, and between that year and 1880 they got nearly all of the governments to take similar steps, so that silver was no longer a primary or redemption money, but occupied the place practically of token money, and as the amount of silver dollars in the world was just about equal to the amount of gold dollars in the world, it followed that when silver was demonetized and its coinage was stopped thereafter the work which was formerly done by gold and silver together had to be done by gold alone. The number of people who had to have gold was doubled, its importance was doubled and it necessarily followed that its purchasing power was doubled, so that thereafter a gold dollar would buy just twice the amount of products, twice the amount of property, twice the amount of labor that it formerly did, on the average.

"Formerly there was added every year to the volume of money that existed in the world, not only the amount of gold that was mined, but also the amount of silver that was mined, less what was used in the arts, and as the population kept increasing constantly, and as it was necessary that the volume of money should be enlarged every year to keep pace with the increase of population in order that prices might not fall, the world depended upon the increase to be derived from both metals being about equal in amount. But since the demonetization of silver there is added each year only the gold that is produced, less what is used in the arts. In other words, the annual addition now to the stock of money is only half what it used to be, while the annual increase in population is much greater than it used to be.

"Who are the men who profit by the existing order of things? Only the New York and European speculators and the Englishmen who hold American securities. The great bondholding classes of Europe now find that one-half of the interest on their bonds will buy as much labor and will buy as much property as all of it used to buy. Silver has not fallen. It occupies the same relation to property, to the products of the earth and to labor that it formerly did. It is gold that has gone up. The purchasing power of gold has doubled and our people are obliged to pay their debts, principal and interest, in dollars which, as a matter of fact, are 200-cent dollars."

If this amazing financial screed were the avowed product of a disordered mind or of a debate among convicts in a penitentiary, the hoodlumism of intellect which marks it could hardly be more suprising. It hardly matters whether Mr. Altgeld makes these statements as a matter of disgraceful ignorance or of graceless mendacity, the falsifications are so obvious and so absurd.

The total silver in circulation in the United States in 1878 was $65,780,545. Five years later the amount had risen to $160,436,865. Ten years later (1888) the amount was $306,287,314; and another five years (1893) carried it to $448,919,176. The gold in circulation in the United States in 1878 amounted to $109,637,454. Ten years later (1888) it was $511,954,224. The highest mark was reached in 1892, $550,003,079. The per capita of silver in circulation in 1878 was $1.83. It had risen to $6.71 in 1893. The per capita of gold in 1878 was $2.30. It had risen in 1892 to $8.39. The total money in circulation in the United States in 1873 was $751,881,809. In 1883 it was $1,230,305,696. In 1893 $1,596,701,245 was the amount; a rise of the per capita from $18.04 in 1873 to $23.85 in 1893.

During the sixteen years, 1879–1894, Great Britain, France, and Germany, had coined $647,653,321 of gold, and $93,994,059 of silver. The gold coinage of the United States for the same period had been $671,865,945; and its silver coinage $430,804,848. The sum of money thus coined in the sixteen years, 1879–1894, reached the enormous total of $1,319,518,266 in gold and $524,798,907 in silver. These figures give the lie to Mr. Altgeld's wild pretence that since about 1880 the supply of silver money has been cut off, and that the entire supply of money has been reduced one-half.

180. FRANCE AND SILVER.

The story of silver in France shows how little truth there is in the pretence that injury to money has been done by injustice to silver. From 1795 to 1849 France coined $850,000,000 in silver to $250,000,000 in gold. It might have been expected that in silver at least France had thus secured an ample supply of money. But it did not so prove. From 1849 to 1865 the new production of gold made gold the cheaper money, as the ratio was in France, with the result that the silver coins were worth more as metal than as coin, and hardly any of them remained in circulation. This failure of silver to circulate as money entirely changed the direction of French coinage, and from 1849 to 1865 France coined $1,100,000,000 of gold and only $75,000,000 of silver. In 1865–96 France had coined about $400,000,000 of gold, and $175,000,000 of silver. Of this silver over $160,000,000 was coined prior to 1877. The world's production of silver increased so fast, and the price fell so steadily, as to make silver a dangerously cheap money. France, Belgium, Italy, and Switzerland, united from 1865 in the Latin Union, found themselves in danger of being flooded with cheap silver money, one effect of which would be the loss of all their gold money, as at an earlier time France had lost her immense store of silver money. If France had gone on with silver the effect would have been to sell out her whole stock of gold at an enormous loss, and with enormous contraction of her currency. Silver had become not merely a monetary failure, but a monetary disaster, and suspension of silver coinage not only did not mean less money by one-half, but simply security for sufficient money of the best sort and of both kinds.

181. THE WORLD'S MONEY SUPPLY TO-DAY.

France had in 1896 $850,000,000 of gold, and $487,-900,000 of silver, of which $430,000,000 was full legal tender. The United States had $600,100,000 of gold, and $487,900,000 of silver, of which $430,000,-000 was full legal tender. Germany had $625,000,000 of gold, and $215,000,000 of silver, of which $105,-000,000 was full legal tender. Great Britain had $580,000,000 of gold, and $115,000,000 of limited tender silver. These four leading nations, with $2,655,100,000 of gold, had also more than a thousand millions of full legal tender silver ($1,074,800,-000), and $358,700,000 of limited tender silver, making $1,433,500,000 of silver money; and their supply of money amounted to $4,088,600,000. The pretence, therefore, that the money supply of the world had been cut down one-half, and silver thrown out altogether, through a trick of the London holders of American bonds, to make gold dear, and silver, labor, and property generally cheap, had nothing behind it except either scandalous ignorance or shameless mendacity.

The entire money of the thirty-two countries which made the world of-commerce and civilization in 1896, footed up, gold $4,068,800,000, and silver $4,070,500,000, of which $3,440,700,000 was full legal tender. This showed silver a full half of the money of the world. And to this amount of gold and silver must be added of paper money $2,436,500,000. The $10,575,800,000 of the total money of the world could as little be manipulated by London bondholders as the water or the weather of the Atlantic could be controlled by an English weather bureau.

182. IGNORANT IDEA THAT GOLD IS DOING DOUBLE WORK.

An argument entirely without reason, other than imaginary and fictitious, and wholly false as to its assumption or assertion of essential facts, is that of double work given to gold to do when it alone is made the standard, and the inability of gold to do this double work. It is said that by the course of things since 1873 gold has had this double work put upon it, and that gold cannot do double work in that way, that in fact the supply of gold is not great enough.*

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* The average annual production of both gold and silver during the years 1801–1810 was $48,982,900; and that of the years 1831–1840 was only $38,271,000. Contrast with this the world's output of gold alone during the years 1890–1894:

1890	$118,849,000
1891	130,650,000
1892	146,297,000
1893	157,228,000
1894	181,510,100

183. GOLD DID DOUBLE WORK BEFORE 1873.

It would be difficult to make a more ignorant or more untrue statement. The silver dollar of our fathers had been put out of use as early as 1834, and in 1873 gold was doing the whole work of money, and had been doing it for forty years. If a debt was paid at so many dollars "in silver," it was actually paid in gold by counting 102 or 103 dollars in gold equal to 100 dollars "in silver." "In silver" only meant dollars of the value of the standard silver dollar, which was from 102 to 103 cents of gold value. The reason for the absence from the channels of money of the silver dollars, leaving all the work of money to be done by gold, was the simple fact that each silver dollar had contained two or three cents worth over a dollar (gold value) of silver, and it paid the money-mongers to get all of them in exchange for gold and sell them as silver, leaving gold to do the whole work of money. It is a very ignorant assertion, therefore, to make, that by a change in 1873 gold was made to do double work. It was already doing and had long done the whole work of money.

184. SILVER HAS HELPED SINCE 1873.

As to the course of things since 1873, while gold has remained the standard, it has nothing like done the whole work of money, but has had immense help from silver. Under the Allison act, passed Feb. 28, 1878, as an amendment to the Bland bill for free coinage of silver at 16 to 1, there were coined of silver dollars no less than $378,166,793. And under the Sherman act of July 14, 1890, silver was further called into service to the extent of $192,000,000, making $570,166,793 in silver helping gold to do the work of money.

185. SILVER HELP HAS MADE MATTERS WORSE.

But the help which silver has given has been so badly mismanaged as to make it worse than none, and the help which silverism proposes would drive gold out of the business and leave silver to try to do alone what it cannot so much as begin to do unless gold takes the main burden. Gold is at the least sixteen times as strong as silver; it is in actual fact thirty times as strong as silver; the strength being in paying and purchasing power based on intrinsic value. Silver can help from one-thirtieth to one-sixteenth, according to its intrinsic value; and by gross mismanagement the immense mass of silver put at work by the acts of 1878 and of 1890 named above, has been rated as 16 to 1, that is 16 silver equal to 1 gold, when in fact it takes over 30 silver to equal 1 gold, and over fourteen-thirtieths of every silver dollar is not real strength but is fiat strength, which is in fact gold strength, because the fiat makes the sham, cut-value, 47-cent dollar* indirectly payable in gold. Gold, that is, is actually doing fourteen-thirtieths of the work which silver pretends to do.

186. CRIMINAL CONSPIRACY AGAINST GOLD.

The gold might well enough do all the work of American money, if we honestly and squarely promised to let it, and made reasonable provision

*It was a 53-cent dollar in 1896.

to keep our promise; but all the talk, and the desperate insane purpose of silverism is, to not let it, and not only to not let it hold the 53-cent cut-value dollar up to 100 cents, or "as good as gold," but to take gold out from under all the 100-cent dollars, and let them come down to 53 cents. The favorite way of arguing this desperate destruction of value and dishonor to our credit is that of calling the present dollar a 200-cent coin, but this means cut-value cents, worth in paying and purchasing power only half what cents are now worth by the gold standard.

187. SILVER SALE OF GOLD.

A change to the double standard, under which 16 silver should count as equal to 1 gold, would invite the money-mongers to take away all our gold at a profit to themselves of 53 cents for every dollar in gold taken away upon payment of a 47-cent dollar. Even if the profit to the money-mongers were less; even if it were but a fraction, and a very small fraction, of the not only possible but manifestly probable profit, they would all the same take all the gold, no matter how fast we coined it nor how much there might be of it, and silver would be left alone to do all the work of money.

To properly estimate silver we ought to say, instead of 16 to 1 or 30 to 1, one-sixteenth of one or one-thirtieth of one. The actual strength of silver is below one-thirtieth. Calling it one-sixteenth will not make it so. But whether one-thirtieth or one-sixteenth the strength of gold, silverism proposes to put the whole work of money upon it, reckless to insanity and to crime of the breakdown which must result. The mere possibility of such madness in 1896 could not but shake our prosperity and stay our progress as a great nation.

CHAPTER XVI.

"INTERNATIONAL BIMETALLISM."

188. DR. F. A. WALKER'S LAST BOOK.

Dr. F. A. Walker, president of the Institute of Technology in Boston, and an economic writer of distinction, had in 1896 very recently stated in a new book the case against the gold standard as this seems to those who desire to have a union of the nations of commerce and civilization in support of double standard bimetallism.

Dr. Walker told us in this new book * that he began to write on money for the newspapers as early as 1858; that his published works on the subject began with the issue of his large treatise † in 1878; that the Lowell Institute lectures delivered by him in 1879 were brought out in book form under the title "*Money, Trade and Industry;*" that he did not know that he had had occasion to change a single one of the opinions expressed in these volumes; and that to him the subject of money had always seemed a perfectly simple one if prejudice and passion are not allowed to obscure it.

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*"*International Bimetallism.*"
†"Money."

With reference to the issue in the United States raised by the proposal of free coinage, Dr. Walker said:

"Though a bimetallist, of the international type, to the very center of my being, I have ever considered the efforts made by this country, for itself alone, to rehabilitate silver, as prejudicial equally to our own national interests and to the cause of true international bimetallism. In my '*Money, Trade and Industry*,' published after my return from the Paris Conference, 1878, I made use of the following language: 'For us to throw ourselves alone into the breach, simply because we think silver ought not to have been demonetized, and ought now to be restored, would be a piece of Quixotism unworthy the sound practical sense of our people. The remedy of the wrong must be sought in the concerted action of the civilized States, under an increasing conviction of the impolicy of basing the world's trade on a single money metal. The demonetization of silver was a work of ill advice. Let its restoration be a work of good advice. The subject is not likely to lose its hold on the public attention so long as gold continues to rise in value. Let us await the time to act with effect; and not forfeit our present remarkable success and imperil resumption by measures which can do no lasting good to the cause of silver and may do much harm to ourselves.' "

189. GOLD VALUE WRONGLY VIEWED.

It is anything but encouraging to find Dr. Walker confidently assuming as beyond question that "gold continues to rise." In every way in which the question can be considered, gold is found to have gone down in absolute value with the steady large increase of the supply. Tested by the wages of labor, by the rate of interest at which its use can be had, and by the presumptions of the law of supply, gold must be assumed to be at a lower absolute value than it was twenty, thirty, forty, or fifty years ago.

If silver and common commodities are in this view found to have fallen excessively it is wholly in consequence of causes of decline in no way affected by the value of gold. The movement of values, in gold, silver, and common commodities, is one movement due to one operation of causes, which is the same for gold as for silver, and on which use or disuse as money has hardly any influence. The fatal defect of Dr. Walker's study of money is his failure to make it a study of values which remain practically the same whether the money mark is or is not put on, and which the putting on of that mark cannot really and permanently alter.

190. RADICALLY WRONG IDEA OF MONEY.

In his reading of the story of money Dr. Walker thinks that "utterly false views regarding the nature and office of money" controlled nations to whom the struggle for possession of the precious metals meant a grasping after real values. They did not know that "money" is "merely the tool and agency of commerce." The nations, however, were right. Gold and silver mean real values.

The mark "money," which is put on to secure and promote use of these values in commerce, is nothing but a mark.

Dr. Walker's misapprehension obliges him to maintain that the vast accumulations of Russia, France, and Germany, in gold, do not testify to the estimate universally made of gold as the surest and safest money, but are the result of bad finance throwing "money" out of use. At least, he maintains this in the text (p. 268), but he admits in a note the contrary view, and his note might have added, by way of further contradiction of his own determined wrong vew, that vast reserves of gold values sustain credit to an amount worth far more than the interest on the gold.

191. ABSURD NOTION OF CURRENCY CONTRACTION.

Dr. Walker argues that "especially low rates of interest and low prices of merchandise" are the result of currency-contraction due to not having silver a standard as well as gold. Hundreds of millions waiting to be loaned, or to serve as the basis of thousands of millions of credit, he calls currency-contraction, and low interest and low prices he ascribes to, not the abundant supply of gold to loan and of merchandise to sell, but to the sick and dying condition of silver in a world which has $4,070,500,000 of silver money to $4,068,800,000 of gold money. Dr. Walker is very particular about his notions for an economist who is so little particular about his facts.

192. POSSIBLE REGULATION OF GOLD AND SILVER VALUES.

The idea most confidently insisted upon by Dr. Walker, as "a principle absolutely incontrovertible," appears from the following statement:

"The notion that law cannot influence value is not unnaturally derived from certain conspicuous instances where laws have attempted squarely to cross the economic impulses of mankind and to thwart the instinct of self-interest at its maximum of activity and of intensity, and have failed. * * * Yet there are numberless instances where laws have affected values; and there is not a civilized country in the world at present where law is not profoundly affecting, if not controlling, the value of some commodity. Laws often affect values when they were not intended to do so. Indeed, it is often difficult to prevent laws from affecting values, when they are passed for a very different purpose, even when the result of affecting values has been carefully sought to be avoided. The truth of the matter is, law cannot affect values, much less control them, except as *it sets some economic force in motion*. Whenever law sets an economic force in motion, it can and will and must affect values. The degree in which values shall be affected will depend upon the extent of the economic forces thus put into operation."

193. ALLEGED ECONOMIC FORCE SET IN MOTION BY MONEY LAW.

"As regards bimetallism, then," Dr. Walker continues, "the question simply is, Can government set in motion any economic force which will affect the relative values of gold and silver? I answer yes, incontestably; and that force is one of enormous scope and reach. By declaring the two metals indifferently legal tender in the payment of debts, at a certain ratio, it at once and powerfully influences the demand for one and the other of the two metals. This was what France did by the law of 1803. That law gave an ounce of gold, in coined money, precisely the same power to pay debts as that possessed by 15 1-2 ounces of silver, in coined money. The operation of this principle was simple, instantaneous, automatic. If, at any time, either of the two metals became less valuable than by the legal ratio, every debtor instinctively sought coin of that metal, with which to meet his obligations, in preference to coin of the other metal. This increased the demand for the cheaper metal; and, by that very act, decreased the demand for the metal which was becoming dearer in the market. Now, to increase demand is, other things equal, to lower price. Thus, through its power to regulate the payment of indebtedness, the government practically threw its weight upon that one of the two metals which tended to rise, and kept it down. No one wanted the dearer metal to pay debts with; every one wanted the cheaper metal for that purpose; and, since the volume of indebtedness coming due every day in any commercial country is very large, the force thus invoked was sufficient to produce an enormous economic effect." *

* "*International Bimetallism*," pp. 93–95.

194. DR. WALKER'S FUNDAMENTAL ERROR.

This appeal to "force of enormous scope and reach," "sufficient to produce an enormous effect," sounds plausible. Dr. Walker declares that "one has to go as far away from the centers of educated financial opinion, as Boston, New York, and Chicago, to find men of position who are capable of denying it." He avers that "the concurrence of general opinion on the subject is overwhelming;" that "not a person worth quoting can be cited to the contrary effect;" and that "the only question that can possibly arise is as to the degree of the effect produced."

But this question would not be even asked if the conditions of the problem were understood. The "degree of the effect produced" is apparent only, and not real. It is wholly imaginary. There is absolutely no force where Dr. Walker assumes "one of enormous scope and reach." There is nothing whatever in use as money, or disuse as money, to raise or to lower the price of the metal of which the money is made. If gold is becoming dearer in the market, it is because of other demand than use as money produced by its having been cheaper. If it is becoming cheaper in the market, it is for other reasons than disuse as money produced by its having been dearer. The fact that debtors seek coin of the cheaper metal with which to pay their debts has no such effect on the *market* demand for that metal as to affect its price.

The only demand of a monetary character which could at all affect the market price of the metal would be demand for more of the metal to be coined; and the demand would have to be, or to promise to be, considerable, in order to have even a tendency to raise the price of the metal. Coinage in no way uses up the metal; does not deplete the existing stock of the metal; and the mere putting of a stamp on pieces of it does not in the least alter its relation to the market. If arrangements for large additions to the existing coinage of a metal have the effect of carrying up its price, this effect is due, chiefly or wholly, to a misapprehension, and as soon as the market has time to act it will almost wholly, if not wholly cease. Not only so, but if this arrangement for coinage of, we will say, a very large amount monthly of the metal, is made with a view to arresting the decline in price of the metal caused by large increase of supply, it will have only a limited transient effect. Coinage cannot affect the market, simply because it does not take the metal off the market, does not use it up and make way for more.

Still less can use as money have any effect on the market price of the metal. With a supply of coined metal in circulation, nothing whatever in the circulation can in the least affect the price of the metal. Dr. Walker is especially the victim of his own phrases when he tells us how decreasing the demand for the metal which is becoming dearer lowers its price, through the government throwing its whole weight upon that one of the two metals which tends to rise and thereby keeping it down. Demand for the metal is not in the least altered, up or down, whether the money made of that metal is in use or is lying idle. The metal is in use in idle money quite as really and quite as effectively as in money that is not idle. The whole weight of the government is not thrown, not an ounce of it, by contriving that debtors shall leave the dearer money lying idle. If the sole use of nutmegs and of cloves was that of smelling of them, and a supply of both were in the hands of the public, the mere fact that with hot spells the smelling was confined to nutmegs, and with cool spells was confined to cloves, would not carry up the price of the one or the other according as the one or the other were in use, without being appreciably used up. Demand for the use of money is not demand for more of the metal of which that money is made.

195. A WHOLLY BASELESS THEORY.

What Dr. Walker calls "the force exerted by the bimetallic system in restraining tendencies to divergence, from natural and commercial causes, between the two metals," is a purely imaginary force. And the proof which he relies upon for substantiating the existence and action of this force, that of "the working of the French system, under the great storm which followed the gold discoveries of California and Australia," is of no validity whatever. The "storm," as to anything more than false notions and fears, had no existence. Dr. Walker himself says that "the maximum momentary effect of more than doubling the world's stock of gold was" only enough "to pull the metals apart by 4 3-4 per cent.; while the permanent effect upon the ratio was only 1 1-2 in 100."

The scare was no doubt severe, but it was a scare pure and simple, and yet Dr. Walker assumes that nothing prevented senseless panic fear that gold would drop one-half from coming true except the bimetallism of France. "The astonishing spectacle is exhibited," Dr. Walker exclaims, "of one nation, alone, unaided, not only maintaining that monetary system unshattered and almost unshaken, through the greatest storm of centuries, but even preserving the monetary peace of the world and carrying Europe through what threatened to be a complete wreck of industry and finance."

If the state of things was hardly shaken, and monetary peace was almost undisturbed, it is mere hysterical exaggeration to pretend that there was a storm which might have produced universal wreck.

196. FALSE IDEA OF EFFECT OF NEW SUPPLY OF GOLD.

The use which Dr. Walker incessantly makes of delusive figures of speech disqualifies him for serving as a competent scholar and teacher. The new supply of gold of 1850–60 his story makes to have suggested a tumble of gold value of fully one-half; it looked, he says, as if "gold might fall, in a succession of plunges, from crag to crag, down to a level which would mean nothing less than universal bankruptcy." Chevalier, he says, wrote a book on the "*Probable Fall in the Value of Gold,*" in which he more than once "used the illustration of a fall to one-half its former value," — his object being "to show briefly and strikingly what might come from the bursting of the great reservoir and the of trade and the seats of industry." It was a rushing of its mighty waters down upon the marts "menace to industry, finance, and even the social structure." It was "the greatest financial storm of two centuries. By the end of 1860 the gale had well-nigh blown itself out, though the waves were still running high."

By this language Dr. Walker refers, not to ignorant and baseless fears of what might happen, but to the natural result in the world of finance of the new supply of gold. But there was in fact no such sudden and overwhelming increase of the world's production of gold, in 1850–60, as Dr. Walker implies. The annual average of 1831–40 was $13,484,000. This had risen for 1841–50 to $36,393,000, or nearly three-fold. For 1851–55 it reached $132,513,000; and for 1856–60, $134,083,000; a considerably less than four-fold rate of advance, for which the nearly three-fold of the earlier decade had been no inconsiderable preparation.

And vast as the aggregate of gold added to the world's stock was, $1.332,981,000 for the decade 1851–60, it was not more than the world could take. In fact the world took in the next twenty-five years, 1861–85, $2,909,411,000, and has taken in the decade 1886–95, $1,382,824,000 more. The gold of the world produced since 1850* aggregates $5,625,216,000, without any suggestion of a sea lashed into waves mountain high and portending universal destruction. Looking back over this addition since 1850, of more than five and a half billions of gold to the world's supply, actual facts show the absurdity of claiming

* To 1896.

to-day that the first stage of this inflow of gold would have brought "a catastrophe the destructive effects of which can hardly be conceived," had not France at the moment had free coinage of both silver and gold at the 15 1-2 ratio. The event proved that there was no capital peril in any possible coming of gold. If there had been any, nothing whatever could have stayed the effect of gold continuing to come until 5,625 millions of dollars had arrived.

France took gold in the eight years, 1853–60, to the amount of 3,082 million francs simply because it was worth taking. It sold silver to the amount of 1,465 million francs, the money market elsewhere rating it worth more than the French coin rate. This left France with no more than about 325 million dollars (1,617 million francs) added to her stock of money, about 41 million dollars a year. It was anything but a sea with waves running mountain high. There was no reason whatever for alarm lest gold should fall one-half, and there is no reason now for pretending that disaster would have involved everything in universal wreck had not France taken all this gold as she did, under the 15 1-2 ratio. Her taking it had no effect on the market price, beyond that of momentary check upon senseless panic fear, and even if this fear had prevailed, we have no reason to doubt that the senselessness of it would have appeared soon enough to control the permanent course of events. At any rate, what the event proved was, not that free coinage could hold up the price of gold, but that the price of gold did not need holding up.

An exact historical statement, made by Mr. Horace White, of what took place in France from 1850 to 1860, in consequence of "an enormous increase in the production of gold in Russia, California, and Australia, and scarcely any increase in that of silver," is as follows:

"The market ratio declined to 15.46 in the year 1851; so, of course, gold could again circulate in France. The ratio continued to decline till 1859, when it reached its lowest point, viz., 15.19. It remained below 15 1-2 till 1867. During this interval of sixteen years France imported $600,000,000 of gold and exported about half that amount of silver. Her circulation became saturated with the yellow metal, to the great delight of her people, who had become tired of carrying sacks of five-franc pieces to and fro in cabs and handcarts." *

197. POSSIBLE PERIL IN SILVER.

Dr. Walker could not more certainly certify his own incompetence as a bimetallist than by assuming that any showing of what the system would stand under a flood of gold could serve as proof of what the system would stand under a flood of silver. A competent instinct in finance, to say nothing of knowledge and judgment, would warn the bimetallist to suspect at least sixteen to one of peril in the silver end of his system.

A glance at a table of production of gold and silver in the world since the discovery of America would bring to view the fact that only five per

* "*Money and Banking*," p. 64.

cent. of it by weight has been gold, ninety-five per cent. by weight having been silver. Here surely the suggestion is, perhaps not, to instructed imagination, of seas of silver with waves running mountain high, but at least of sacks of silver requiring a handcart for convenient carriage of a pocket-book.

And even in respect of value the gold produced has been only 45.9 per cent., $8,011,122,035, the silver having been 54.1 per cent., or $10,357,814,100. Ten and a third billions of bulky, heavy silver to barely eight billions of gold might well seem a dangerously uncertain end of a double system even if no special uncertainty attaches to silver. Silver has more than kept ahead during the last fifteen years, 1881–95. The silver value for 1881–85 was $594,773,000; that of gold $495,582,000. For each of the ten 1886–95 years the production has stood:

	SILVER.	GOLD.
1886	$120,626,800	$106,163,900
1887	124,281,000	105,774,900
1888	140,706,400	110,196,900
1889	155,427,700	123,489,200
1890	163,032,000	118,848,700
1891	177,352,300	130,650,000
1892	198,014,400	146,815,100
1893	214,745,300	157,287,600
1894	216,892,200	180,626,100
1895	226,000,000	203,000,000

In one of these years gold fell back; in not one did silver, not even with the terrible damage alleged to have resulted from "demonetization." Is this what the world wants, more than half the value and ninety-five per cent. of the weight of its money in silver? Would the silver end of a bimetallic system be safe, if cheap, and ever cheaper silver, were to come in overwhelming amount?

198. FRANCE FORCED TO DROP SILVER.

We may well ask how France came, with the silver standard consecrated by custom and tradition, with almost all her economists and financiers opinionated to a degree in its favor, with the gold standard the one which, with one accord, they would gladly have removed from their bimetallic system, and with Belgium, Italy, Switzerland, and Greece enlisted to help her make her system work happily and stand securely, — how came she to let the silver end go, and trust herself to the gold end alone? The commission of 1857 was "bent upon maintaining the silver standard," and made "senseless recommendations" * looking to legal control of the market, but experiment soon proved that this was of no avail. Then Chevalier, whose head was so rattled at the sight of plenty of gold that he thought the yellow metal would drop one-half in price, suggested a coinage baby-jumper for gold, to make it follow the ups and downs of silver; while Levasseur, whom the event justified, advised accepting by law what was already fixed in fact, the standard action of gold. Nothing was done until 1864, and then nothing more than to do what the United States had done in 1853, cause small coins to be made of

* See Mr. Horace White's Excellent account, "*Money and Banking,*" pp. 62–67.

a value distinctly below gold value. There was but slight relief in this, and in 1865 another larger move was made, that of the Latin Union scheme of subsidiary limited tender coinage of silver. Resistance to doing any more lasted until 1873, when the flooding of the mint with silver, more than thirty times as much in 1873 as in 1871–2, and more than the mint could coin in a year and a half if it coined nothing but silver, led to action by the Latin Union to not allow the flood of silver to exceed, for all the four countries, a coinage of 120,000,000 francs a year.

The situation was that of holding up the price of silver by taking it at the ratio of 15 1-2 when it really required 15 3-4 ounces to equal one of gold, and the certain prospect was of further decline of silver. The figures may be most clearly followed if we reduce the ratio to quarters, and call 15 1-2 sixty-two quarters. The mint paid 62 for gold while the market paid 63. By 1876, while the mint still rated gold as worth only 62, the market was giving 68. Anybody who chose could take gold at 62 and sell it at 68. All government transactions counted gold at 62 while the market counted it at 68. The minister of finance, M. Leon Say, sought from the Legislature leave to limit or suspend the coinage of silver at discretion, and a bill passed August 5, 1876, authorizing this. The committee of the Senate to which the matter was referred reported in favor of absolute prohibition of further coinage of full legal tender silver. Such was French distrust of the silver end of her own bimetallic system.

199. DOUBLE STANDARD DID NOT GIVE FRANCE DOUBLE MONEY.

The fundamental question in regard to the operation of the double standard system in France from 1803 to 1873 is not that of the ratio but that of the supply of money, both gold and silver. Dr. Walker says of the period 1803–1850: "Both gold and silver remained money in France, though the proportion of the latter tended continually to increase, and the proportion of the former to decline." This is perilously near to falsification of facts for the benefit of a theory. Mr. Horace White has the facts to support him when he says that "abundant proofs can be adduced showing that bimetallism did not exist in practice in France between 1820 and 1847." Gold was steadily at a premium, with the effect of taking it out of the circulation, and leaving silver alone as the currency.

The assertion of Dr. Walker that "France preserved her bimetallic system in full virtue from 1819 down to the middle of the century," is distinctly and flagrantly contrary to the truth. Mr. White states the real truth when he says that "the contention of the bimetallists that the French law of 1803 kept the ratio steady at 15 1-2 till 1873 is contradicted by facts." Thus Chevalier, in his "*Probable Fall of Gold,*" written in 1859, said:

"A change of 1 1-2 per cent. in favor of gold had sufficed, thirty or forty years ago, to cause that metal to disappear wholly from commercial payments."

"Under the regime of the law of 1803, gold had ceased to figure in transactions of any magnitude, since it acquired an appreciable premium. People took their gold to the money changer, in order to pocket the premium, and made payments exclusively in silver, as everybody knows."

In confirmation of these statements, Mr. White quotes the following:

"Before 1848 silver was the usual money; daily payments were made in five-franc pieces. Gold, proportionally rare, had at this epoch almost gone out of the French monetary circulation, in which it was estimated that not more than one hundred million francs remained. Block's "*Dictionnaire de la Politique*," vol. II., p. 338.

"In France, all large payments, which, as is well known, were formerly made in sacks of five-franc pieces (silver), have been of late years effected in gold, and almost all the old five-franc pieces have been successively exported or melted down." Report by M. Achille Fould, Minister of Finance to Napoleon III., on the monetary treaty of 1865.

"In those times when one was paid even so small a sum as one thousand francs, he received his bulky and heavy money in a canvas bag and had to hire a porter or a cab to carry it home." Prof. Francis Bowen in Report of United States Monetary Commission of 1876, p. 146.

Dr. Walker insists that there was no such absence of gold from circulation, and no such compulsion to accept the bulky and heavy silver money. He does this in disregard of the facts, and with reasonings which are based solely on "the very center of his being," the conviction that it must have been so. He alleges gold coinage to the extent of

24,000,000 francs a year as proof of gold circulation, when nothing has been more common than coinage solely for the benefit of export.

200. THEORY OF BIMETALLISM BASED ON SUPPOSED FRENCH EXPERIENCE.

Dr. Walker expressly acknowledges that his theory of double bimetallism came out of the experience of France. France undertook, he says, to regulate and control the values of the precious metals, by a free importation, free coinage, and free exportation system, in which the ratio between silver and gold was 15 1-2 ounces of silver equal to 1 ounce of gold. In Dr. Walker's view the result of chief significance was the survival of this system during the period (1850–60) of an immense addition to the world's stock of gold. Drawing upon his imagination for the story of double standard bimetallism in France, Dr. Walker says: "The astonishing spectacle is exhibited of one nation, alone, unaided, not only maintaining that monetary system unshattered and almost unshaken, through the greatest storm of centuries, but even preserving the monetary peace of the world and carrying Europe safe through what threatened to be a complete wreck of industry and finance." This, says Dr. Walker, suggested the theory that "if a single people could exert such prodigious power in influencing and controlling the relations of the two money metals, by admitting them freely to coinage at a ratio and making them indifferently legal tender in the payment of debts, the co-operation of a group of commercial states, both increasing the strength of the bimetallic system on the one hand, and on the other hand diminishing the extent and violence of the hostile forces by which it could in any event be assailed, might suffice to give the world a circulating medium which should be essentially the same in all lands; whose value should be more stable, through long terms of years, than either of its two constituents could possibly be, — and which should thus be 'sound money' and 'honest money,' in a much higher degree than monometallic money could be; and which, by creating a normal par of exchange between all trading communities, should conduce to the promotion of international intercourse and to the peace and prosperity of mankind."

201. BIMETALLISM A RECENT NOVELTY.

Dr. Walker expressly recognizes that this theory was a middle-of-the-nineteenth century novelty. Thus he goes on from the above statement as follows:

"No wonder such a theory had to wait until well nigh into the middle of the nineteenth century that it might be born. It was only when the humane sentiments had made great progress in removing the prejudices and animosities of nations and races; when international alliances, leagues, and conventions had made familiar the idea of co-operation for the general good; * * * it was only in such a time that a theory like that of international bimetallism could possibly have found acceptance on the part of financiers, statesmen, and men of business; and it was only when the true theory of the general interest of mankind in respect to money had been developed to the point reached at about the middle of our own century, that such a theory could possibly have taken definite form."

202. ERRORS OF DR. WALKER'S ARGUMENT.

(1) These contentions are vitiated by several errors of false representation of facts and false conception of the significance of facts. In the first place France did not in reality regulate and control the values of the precious metals. The entire history of French action is one of utter failure to hold the two metals near enough to each other in value to secure anything like the concurrent circulation of both as money.

(2) France went, and Europe went, safely through the great gold period of 1850–65 because there was nothing whatever of real peril in the new supply of gold. When Dr. Walker, in view of the experience of France, speaks of "its monetary system exposed to terrific trial by the floods of new gold," his language is that of baseless imagination of what might have been. The coming of so much gold, and the departure of about half the amount of silver, was an unmixed good, when properly understood.

(3) It did, indeed, deal silver as a standard a fatal blow, but that was in line with economic progress, and was a benefit, and only a benefit, to France and to Europe. The world was fast coming to understand the supreme position of gold as a high, sure, steady value, and the natural and necessary subsidiary position of silver, extremely important as

secondary money and utterly uncertain and dangerous as fundamental and primary money.

(4) There was never at any time in the experience of France, or in human experience anywhere, any evidence that the standard was better for tryng to have it double, and never was France, or any other nation, able to have double money as the result of linking silver and gold by a legal ratio which hardly ever agreed with the commercial. On the contrary, facts which forced themselves upon recognition everywhere put in the clearest light the superiority of the single gold standard, and made manifest to all sound judgment that both gold and silver serving in any desired amount as money together could only be under the single standard, the gold standard everywhere chosen by the preferences of mankind.

(5) The alleged par of exchange created by an abortive effort to keep silver and gold together never had any reality, except in appearance, and could not be kept even apparently effective with any extreme decline in the market value of silver. The nations interested in an immense use of silver could not have their silver necessities adequately met except with silver made subsidiary to gold, and the progress of these nations demanded, quite as really as progress anywhere else, the use of the gold standard.

(6) The progress characteristic of the middle of the nineteenth century all looked in the direction of a common adoption throughout the world of the gold standard. The theory for which Dr. Walker contends never was anything but an eccentric spec-

ulation, opposing itself to the universal trend of progress, and holding by accidents of the past which had no significance for the future. It was when the fog had not yet lifted, when a false theory of money, as in some sense the creation of law, apart from real values, had come into vogue, and before gold in all its functions was properly understood, that the delusion of a double standard, a two-headed system, asserted itself.

203. MISTAKES OF ECONOMISTS USED IN PROOF.

Dr. Walker is more than contented with the abundance of mistakes of reasoning made by writers of repute whom he calls gold monometallists, but whose position was really that of having yielded to the claims of gold without clearly comprehending the exact ground of those claims. Thus Jevons, assuming, quite contrary to the fact, that use or disuse as money, caused the metal values to rise or fall, naturally argued that the play of the two values would be like the play of the two scales of a balance; or like the action of the surfaces of two reservoirs connected by a communicating channel.

The mistake of the whole class of writers to whom Dr. Walker appeals was that of failing to see that values, in gold and silver, are created, maintained, modified, held steady or made to fluctuate, almost or quite wholly without reference to use or disuse as money; and that reasonings which assume that values of the metals rise and fall with use and disuse as money are as baseless as they have seemed plausible.

The twelve members of the Herschell committee of 1888, six of whom were gold monometallists, united in arguing that the tumble of silver away from the level of gold after 1873 must have been the result of the suspension in that year of the full operation of the French or Latin Union bimetallic system. But they only guessed at this, without any clear light on the conditions of the problem. Economic science was in the position of slowly coming to the full knowledge of the gold standard with both gold and silver money, and not a few things justly thought in respect to double money were by inadvertence said of the standard.

204. INADEQUATE DEFENCE OF BIMETALLISM.

The general defence which Dr. Walker makes on behalf of double-headed bimetallism runs as follows:

"The bimetallists of to-day stand upon the ancient order. Universal monometallism is the new and untried thing. Bimetallism is the old and well-approved monetary system of mankind. We know what bimetallism is and what it will do. The method of its operation, the nature of its effects, are well known, and can be studied historically and statistically, upon a wide scale. No one knows what universal monometallism would be, or what it would do. Such a thing never existed. During the past twenty years the world has made rapid progress in that direction; but the end is still far distant, and no one can say what the system would be, and what effects it would produce. Monometallism is only half born. The twenty three years (1873-96) during which it has been trying to make its way into the light have been years of unparalleled commercial disaster and disturbance; and at the end of that painful period, leading gold monometallists, like Sir Robert Giffen, declare that the system cannot possibly be extended to India and the further East; or, like Goetbeer and Lexis, of Germany, declare that it has already gone too far in Europe and that a portion of the ground must be retraced. On the other hand, bimetallism has a long record of beneficent activity in promoting the stability and regularity of trade and production.*

Dr. Walker does indeed stand upon the ancient, outworn, discredited, and discarded scheme for having both silver and gold as money by making both standard, when all experience shows that if both are standard only one of the two will stay in anything like adequate circulation as money, and that such bimetallism of the standard is the most unsatisfactory monometallism of money.

What we know in regard to Dr. Walker's double standard bimetallism is that it is not bimetallism of money in any adequate sense, and never can be, and that it is at times the worst possible famine of one of the two kinds of money. Dr. Walker's statements turn monetary science into a game of blind man's buff, to the scandal of all honest thinking. No fact of history is more certain than the difficulty of having double money under a double standard.

Just what "monometallism" means in the above

* "*International Bimetallism*," pp. 160, 161.

statements by Dr. Walker may be doubtful. It should refer to the standard only, and not to money. To all appearance Dr. Walker conjures up an ideal abomination in the shape of gold only in use as money, gold excluding silver from use. The malignant dream hypnotizes him. But he should know better than to suppose any such monometallism of money possible. Bimetallism of money is the express aim of the gold standard system everywhere. The gold standard has prevailed against tradition, opinion, and prejudice, because it gave the best superior fundamental money, and made possible having at the same time a good subsidiary money of silver. When Dr. Walker says that no one knows what the present gold standard system will come to, and implies that it may or may not come to disuse of silver, he shuts his eyes to all the facts and directs his imagination to an utterly false possibility.

205. ALLEGED ADVANTAGES OF BIMETALLISM.

Dr. Walker starts from an entirely false view of how to make gold and silver work together as money, and with a not less false view of how to secure the best standard, and the best relation of money to prices. "The prime purpose of bimetallism," he says, "is to secure par-of-exchange between gold and silver," (p. 242). More fully he says that "the chief advantages of successful bimetallism may be stated under three heads."

"First, the establishment of an approximate par-of-exchange between the gold-using and the silver-using nations."

"Second, the securing of a higher degree of stability in the compound mass of the money thus formed than could possibly exist with the two metals separate and independent in the value movements. * * * In a word, the object sought is to make money everywhere a better standard of deferred payments than it can be when it consists of one metal alone. * * * The production of the precious metals has always been of a highly spasmodic character. Now it is gold which rises and swells in volume; now it is silver which pours in mighty floods. If, then, each metal has its value in commerce subject to the natural causes which affect the supply and to the commercial causes which govern the demand, it is evident that we shall have an incessant fluctuation, not only in the relation between the two metals, but also in the relation of metal money to prices. Such fluctuations cannot, in the nature of the case, be suppressed; but if the two metals can somehow be joined together in their function as money, it is highly reasonable to expect that the aggregate influence of fluctuations in price will be reduced. There will be, on the whole, as things are likely to go, a considerable *compensating effect*, giving the result of a greater degree of steadiness in values."

"Such are the two great standing arguments for bimetallism."

"It will be observed that they are entirely independent of the (3d) argument drawn from the facts of prices, wages, and debts, as they existed at the time of the demonetization of silver, by which that metal was denied free coinage, and was either reduced to become the material of fractional money solely, or was allowed to be coined only in limited quantity."

206. A WHOLLY DELUSIVE SCHEME.

The scheme as thus stated is a thoroughly delusive one. Par of exchange between gold and silver, such as to make them circulate together as money, has never resulted, and never can result, from coinage of the two at a fixed ratio. The only way to have a perfectly steady relation between gold serving as money and silver serving as money is that of making the silver subsidiary to the gold as standard. And this is to the purpose of sound finance, and of prosperity and progress, in India and Mexico and China even, the futures of which are fast coming into line with the futures of Europe and America. It is an entirely false view that two groups of nations are to forever stand apart as gold-using and silver-using.

The expectation of a stability possible to a compound mass of money greater than can be had with the single gold standard, is not the least of the delusive dreams bred by Dr. Walker's false view of money. If we properly consider the gold values and the silver values, we are shut up to the conclusion that the greater disposition of the latter to fluctuate must introduce into a double mass of standard money an element of uncertainty not attaching to gold values. It has been the unquestionable superiority of gold in this respect which has brought it by an irresistible tendency to its now universal place as a standard value, and that in spite of the fact that silver everywhere had this place at first, and has lost it by failing to give service such as commerce requires, and such as gold proves able to give.

Dr. Walker makes more than the facts warrant of what he calls the "highly spasmodic character" of the production of the precious metals. There is no such character attaching to the additions to the world's supply of gold, nor even in the case of silver is there anything like a violent alternation of rise and fall. Gold shows itself so universally and so highly esteemed that no "floods" greatly depress its value. Not only has it stood the test of immense supply without materially breaking down the price, but a whole brood of economic fictions hangs by the wild imagination that it has appreciated. The case of silver, however, is beyond doubt one of prolonged and extreme fall, carrying it below the possibility of maintaining itself as a fundamental and primary value, comparable to gold value as a standard.

207. "DEMONETIZATION" TRAGEDY.

Dr. Walker takes up "demonetization" from the action of the Paris Conference of 1867, which France had called with a view to securing some scheme of international coinage, and which, finding nothing possible on the basis of both the precious metals, came unanimously to the conclusion that international coinage must be upon the basis of a single standard, and that gold. Dr. Walker's recital is tragic in tone, and his suggestion of results lugubrious to a degree. He does not say, but he suggests, that everything dire which has befallen since 1867 was with amazing recklessness pulled down upon their own heads by the score of nations whose representatives thought it a fine "game" to plan for a money of all lands to consist of gold.

"In perfectly cold blood," he says, they "declared in favor of uprooting silver in countries embracing a thousand million of human beings where it had immemorially been used." He is shocked to see "financiers and currency-tinkerers undertake to order up a new monetary system for the universe," regardless of "the habits, instincts, traditions, and prejudices of a thousand millions of men." The universe of his gloomy imagination rests upon China and India, the Straits Settlements, and Mexico! "There was never anything," Dr. Walker exclaims, "more against the laws of nature and the constitution of human society than the proceedings and the proposals of the Conference of 1867. That body completely disregarded the facts of history and the structure of trade and industry. It took no account of the division of the world into two great groups of nations, one using gold and one using silver. It treated with contempt the instincts, the habits, the traditions of nations comprising a thousand million people, the rate of their wages, their ruling prices, the scale of their exchange transactions. It proposed to rewrite history and reconstitute society in its industrial and financial characters."

208. DR. WALKER'S POSITION INDEFENSIBLE.

In two most important respects Dr. Walker's position is indefensible and discreditable. It misrepresents the situation in respect of the silver-using nations, and it assumes that human progress ought not to contemplate the advance of the backward peoples of the world, of India and China and Mexico, to a thoroughly developed condition.

Dr. Walker must know that influences of tremendous efficiency have been at work for a long time to reconstitute the society and rewrite the history of India, of Japan, of China, of Egypt, and of whatever lands belong to that level of culture at which the demand for small money, such as silver can best meet, is both universal and urgent. India alone is of continental significance in its extent and in the immense section of mankind which it forms. How British India came to the gold standard, of necessity and to her great advantage, affords one of the most interesting and conclusive proofs that the standard position of gold is absolutely final both in the experience of mankind and in economic science. It is in the nature of things impossible to shut off any backward nations whatever from the influences of human progress represented by the gold standard.

209. HUMAN PROGRESS MEANS GOLD.

Dr. Walker figures, very little to his credit, as a prophet of disaster on the ground that backward silver-using countries are throwing off the trammels of tradition, are developing industries of their own, are no longer slavishly following British lines, and are becoming able to have factories and workshops of their own, not only meeting their own wants, but raising them to the level of exportation of manufactures to their neighbor lands of the East. To all appearance Dr. Walker deprecates "the rise and growth of new branches of industry in India, Japan, and even China;" he says that "during the past four or five years the reports of English consuls have been full of most unwelcome information" on this subject; that "cotton factories established in Japan show an exceedingly rapid growth;" that "India has exhibited an increasing power to produce for herself articles which she formerly imported from Europe;" that "not only so, but Indian manufacturers are already cutting English manufactures out of the neutral silver countries of the East;" and that "even China has turned herself to manufacture." The "influence upon British and all European trade and manufacture" of what the London *Times* calls "the enormous advantages which the manufacturers in a silver country enjoy in competing with gold countries," turns on the alleged fact, as stated by the *Times*, that in any silver country, "the cost of the necessaries of life has remained absolutely unaffected by the fall in silver, and the workman is therefore quite content to receive the same wages as formerly."

If this representation were true, it would simply mean that a remarkably interesting stage of progress in the East is bringing benfits to the East at some considerable loss to English interests. Does

Dr. Walker want his economic dream to persist at the cost of prevention of progress in the East? He appears to argue that his universally discredited bimetallism should be got on its legs again as the only means of holding down India and Japan, China and Mexico, to the old-time dependence upon Great Britain.

And "more important still" than the consideration that the vast East, and the low culture lands everywhere, are stimulated to manufacture for themselves, and even for export, through their silver advantages, Dr. Walker pronounces the portending failure of British dominance generally. "English trade," he says, "especially with the Orient and with silver countries generally, has for a long time stood largely on the basis of custom, tradition, and use." "These Eastern countries," he says, "if manufactures are once fairly established in them," will become independent of British tradition, custom, and use; "and the same is true in a degree," he adds, "of Mexico and many South American states."

If this barefaced appeal to British selfishness had been made a hundred years ago it would even then have been contemptible in science and in view of the larger claims of human progress. It does not gain in moral decency from manifestly serving as the desperate resort of a beaten cause.

But the assumptions of this appeal are not well founded. Plausible in theory as the alleged stimulation of exports may be, the fact is denied upon good authority. Mr. Horace White points out that prices have not remained unchanged among the common people of India, that as silver has fallen the silver price of produce in India has risen, that the rice of Bengal, for example, has more than doubled in price since the silver rupee began to decline in value, that there cannot be, therefore, any permanent operation of the alleged silver situation, and that at most the manufacturer has had a temporary benefit through the slowness of wages to rise along with the rise of prices of food products. India, in fact, China, Japan, and Mexico are sharing in the general progress, and the economic progress, of Europe and America, and will benefit vastly, in the end, by use of the gold standard. India has not only hoards of gold, but a large gold currency; China and Mexico measure the value of silver in standard gold value; nobody has, and nobody wants the two-headed standard.

INDEX.