ARTICLE VI.

SILVER MONEY.

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ANY accepted medium of exchange is money. The oxen in which Homer reckoned values in the Grecian camp before Troy were money. So was tobacco for a century and a half in Virginia, and wampum in New England and New York. So is cocoanut oil in many a South Sea Island, and brass wire as well as cotton cloth in South Central Africa. The accepted medium is money wherever it is accepted without regard to the reasons that induce its acceptance, and no article is money a day longer nor a mile farther than it is accepted. Stanley's company came to desperate straits when they neared the mouth of the Congo and found tribes that would not accept brass wire and cotton cloth in payment for food.

Gold and silver long ago became the most widely used money material. They are the precious metals, not on account of their usefulness, which is far below that of iron, but because of their beauty and scarcity. They have always been attractive for purposes of ornament to savage men as well as to civilized. The Israelites in the days of Moses stripped from the slain Midianites nearly a third of a ton of gold rings and bracelets, enough to coin now into about a hundred and fifty thousand dollars (Num. xxxi. 52). Much earlier we find Abraham buying the cave of Machpelah for "four hundred shekels of silver, current money with the merchant" (Gen. xxiii. 16). When Joseph returned his brethren's money, it is said that he gave it back "full weight" (Gen. xliii. 21).

When Jeremiah bought the field of Hanameel he weighed the price in shekels of silver (Jer. xxxii. 9). This mention of weighing makes it probable that the silver was in pieces or bars of varying size on which the weight may or may not have been stamped. The convenience of having an authentic stamp on money brought minting well into vogue before New Testament times. Upon the silver penny which Jesus used in answering his critics, they acknowledged at once the image and superscription of Cæsar.

The minting of the precious metals is simply imprinting the government guarantee that the piece is of a certain degree of fineness and of a certain weight. The minting does not make the value of the piece, it only certifies the value. In the words of Burns

> "The rank is but the guinea's stamp,
> The man's the gowd for a' that."

The stamp of a reliable government will make a piece of silver or gold accepted for whatever that quantity of the metal is valued at wherever the piece is offered. Governments are no doubt wise in prohibiting the making of coins by private individuals as a protection against fraud. But at different times more than fifty issues of gold by private parties have been current in different parts of the United States. The private mint of the Count of Schlick established in the sixteenth century in Joachimsthal, Bohemia, was found to give so reliable a guarantee in its silver coinage that the Joachimsthaler became the favorite coin in Northern Europe and the name shortened to "thaler," and this anglicized to "dollar," became the northern name for the principal coin Spain minted from her Peruvian and Mexican mines.

By this time Spain had learned the folly of debasing her currency, and the product of Spanish mints, and afterward of the Spanish-American, became so uniform and reliable as to secure probably the widest currency any coin has ever enjoyed. For many years before the war a very large part of the silver circulating in the United States outside the great cities was made up of Spanish halves, quarters, shillings, and sixpences, most of them already worn with long use. Coins of the United States were rare in the actual currency of those years. The explanation of this fact will illustrate the sensitiveness of the financial organism.

In 1834 Congress abandoned the old ratio of 15 to 1, because it found that no gold could be kept at home at that ratio. It diminished the gold in our coins enough to make the ratio the one still in use, 16 to 1 (nearly). At this new ratio, the silver coin was worth more than its face, as compared with gold, by about two cents to every dollar. There was so much profit in sending the silver abroad, that not even the halves and quarters and dimes stayed at home, and their place was taken by Spanish pieces that had been worn till they were under weight and not worth exporting or melting. In 1853 Congress reduced the quantity of silver in the smaller pieces, but made no change in the dollar. This stopped the exportation of the smaller pieces, but the dollars slipped out of the country with a stronger force than ever, for by this time the flood of gold from California and Australia had enhanced the relative value of silver, and our silver dollar was priced in the markets of the world from 1853 to 1860 as equal to a dollar and four cents of our gold.[1]

If in those days a merchant had received in the course of trade a hundred silver dollars and a hundred dollars in gold, and wished to make a purchase in some foreign country, he would of course send the silver, as it would buy four dollars' worth more than the gold. So constant was this motive for sending the silver dollars away, that outside of some museum few people can remember ever seeing a silver dollar of the United States of earlier date than the Civil War.

It should also be added that a silversmith found it cheaper

[1] During this time it sometimes fell a little below a dollar and four cents, and once rose to a dollar five and a quarter cents.

to melt up the coined dollars for manufacturing purposes than it was to buy bar silver with gold. Silver spoons, watchcases, and the like made in those days were very commonly marked "coin." This may sometimes have meant simply that they were of the same fineness with coin, but no doubt the custom originated in the use of actual coin to make the articles.

In these two ways, by foreign trade and by use in the arts, the silver dollar, because more valuable in the world's estimation than the gold dollar, disappeared from circulation, or rather could not get into circulation, and our metal currency, except for small change, was gold.

Early in the Civil War the United States entered upon the use of an irredeemable paper currency. This was representative money, not real money. It might be compared to the store orders which merchants sometimes pay for produce. These store orders are current at the merchant's store in payment for goods, but they will not buy goods at any other store. The farmer who sells a load of wood or of grain for these store orders must then trade the tickets out at the store. He can buy with them only such goods as that merchant has in stock and at the merchant's price. Because of these limitations, "store pay" never has been considered as good as "cash."

The paper currency inaugurated in the war time was Uncle Sam's store pay. He would take it for postage, or fees, or taxes, or anything due him except duties on imported goods. The legal-tender clause made nearly all local governments in the country accept the greenback in payment of taxes, and compelled laborers to take it for wages, and creditors to receive it for debts everywhere in our national territory. All these things, however, could give only a limited currency to the paper. The greenback was in fact only Uncle Sam's promise to pay. When you passed the boundary of the United States on any side, the greenback was not money; it was only a promissory note without interest whose value must be estimated daily according to the varying prospect of its payment. A victory like that at Vicksburg on July 4, 1863, increased the purchasing power of the greenback. A repulse like that at Cold Harbor in 1864 diminished that purchasing power. One day in July, soon after that repulse, it sank almost to thirty-five cents in gold, and during that month fluctuated between thirty-five and forty-five cents.

The vexation and mischief wrought by such an uncertain, fluctuating currency are one measure of the importance of having for money something that will be accepted over a large territory. The tickets of a store-pay merchant are money only in his store, and even then may not purchase on quite as good terms as cash. The greenback was not money outside of the United States, and would not buy as much as gold in the United States. It would have been better money if more people in the world had been willing to accept it. The best of all money would be something which would be accepted everywhere in the world without discount. The nearer any kind of money comes to this standard of universal acceptability the better money it is.

The law that of two kinds of money in a country the better gravitates abroad and the poorer stays at home was promptly and thoroughly exemplified early in the war by the disappearance of both gold and silver and the presence everywhere of paper. It was more than ten years after the war before the appreciation of the nation's credit made the greenback as good as gold, and coin became again a part of our current money.

When in 1870 the resumption of specie payments seemed near at hand, Congress took up the questions of coinage that must be answered as soon as gold and silver should once more be used. The matter was debated for nearly three years before the two houses finally agreed on the bill which became a law in 1873. It was seen at the beginning of the discussion that it would be a useless expense to coin the old silver dollar of 412½ grains of standard silver, as that amount was then worth about three cents more than a gold dollar. One house voted to diminish the silver in the dollar 28½ grains, and so make a token coin which there would be no motive for exporting or melting, and which, like the halves, quarters, and dimes, should be coined only in limited quantity, and be legal tender only up to five dollars. This was not agreed to by the other house, and four successive sessions of Congress considered the subject before a decision was reached, on February 12, 1873, to discontinue altogether the coinage of the old silver dollar. The same bill inaugurated the experiment of a dollar 7½ grains heavier, for export only, and called the "Trade Dollar." This, like the subsidiary coins, was legal tender for only five dollars. As this "Trade Dollar" cost four or five cents more than a gold dollar, it would not circulate at home. As the Chinese did not know what it was, it did not circulate well in China. The whole issue came back a few years later to plague us until it was called in and redeemed.

Almost before this coinage law of 1873 went into operation, a change began to come in the relative value of gold and silver. In 1850 silver had been worth 131½ cents per ounce.[1] The great addition California and Australia made to the world's stock of gold advanced the price of silver until, in 1859, it was quoted at 137 cents. In 1872 the price had dropped back to 132 cents. In 1873 a more rapid decline set in, and, step by step, the price fell in 1876 to 115½ cents per ounce, in 1886 to 92 cents, in June, 1893, to 85 and then 67 cents, and in March, 1894 to 59½ cents per ounce. This decline of more than half in twenty years was not caused by the act of Congress dropping the silver dollar from

[1] This is for pure silver as it is sold in New York. Quotations in London are for sterling silver, which is only .975 fine.

our list of coins. The United States had been using no silver money at all for a dozen years when this fall began, and no silver dollars for forty years. The change in our coinage threw no silver on the market.

Looking elsewhere, as we must, for the causes of the falling price of silver since 1873, one of considerable importance is found in the change of coinage made by the German Empire. Directly after its successful war against France, Germany, for the sake of convenience in peaceful trade and safety in time of war, substituted gold for silver as its standard money, and in 1873 began to sell its old silver to the amount of a hundred and forty-one million dollars' worth. As India, China, and Japan absorbed more than this amount in two years, the sale of silver by Germany would not have affected the market seriously, if it had been the only new factor. But just about this time new silver mines of great richness were discovered in the Rocky Mountains, and improved processes for extracting the silver were devised and applied there and elsewhere. The production of silver in the United States in 1870 had been only as much as could be coined into sixteen millions of our dollars, in 1877 it was enough for forty-five millions, and every year of the next ten enough for nearly fifty millions. The weight of our silver production became more than thirty times that of our gold production. As the production of silver was at the same time increasing in other countries, it is not strange that the price in the world's markets fell rapidly. The Latin Monetary Union, consisting of France, Belgium, Switzerland, Italy, and Greece, which had been coining silver at the ratio of 15½ to 1, found by the end of 1873 that silver was coming to its mints faster than it could be coined, and was driven to limit the amount it would receive. In 1876 this Latin Union stopped altogether the coinage of silver. In the face of a still falling market, the mints of India kept open to silver several years longer, but in 1893 they too were closed. In a few days after this event, the price of silver tumbled eighteen cents per ounce, and a few months later seven and a half cents more, to the unprecedented rate of fifty-nine and a half cents.

Within a year afterward, nearly half of this decline was recovered, which shows that the importance of closing even the Indian mints was at first exaggerated in the market. The same thing appears from another point of view in the course of the market whenever the United States became a purchaser. In each case of the enactment of a law to buy silver, the price rose a little for a few months, but soon after sunk lower than ever.

The first of these laws for the purchase of silver bullion was enacted in 1878, and known as the Allison Bill. It required the purchase of not less than two million nor more than four million dollars' worth of silver bullion every month, and its coinage into dollars. The law of 1890, known as the Sherman law, provided for the purchase monthly of four and a half million ounces of silver to be paid for with silver certificates. It also provided that coinage should stop in July, 1891, and declared the purpose of keeping our silver and paper money at par with gold.

The silver in each of the dollars coined under these acts would have been worth one hundred and two cents in 1834. In 1878 it was worth only about ninety cents. Ten years later it was worth less than eighty cents, and at present about fifty-three cents.

More than four hundred millions of these dollars have been minted. They are current at almost double their bullion value, because the United States is carrying out its declared policy of maintaining them at a parity with gold. Each piece contains fifty-three cents of silver and forty-seven cents of the credit of the United States. If a merchant has a thousand dollars of gold coin in his store, and the store burns with a heat that melts the coins into an indistinguishable mass, the metal will still be worth within the merest fraction of a thousand dollars. If a thousand silver dollars are melted in the same fire, the mass of metal from them will be worth only five hundred and thirty dollars. The four hundred seventy dollars of the credit of the United States will have melted out of the coins. The loss on these silver dollars by the supposed fire would be no more nor less than would come if the United States should lose its gold reserve, and be unable by practical redemption to keep its silver coins and paper at a par with gold.

In 1894 the bullion value of our dollar was less than fifty cents. It is said that at that time in Mexico near our line one could order a dinner priced at a dollar, hand out a United States silver dollar in payment, and receive in change a Mexican silver dollar heavier than the one he had paid, for the hotel keeper could bring the United States dollar this side the line and get a gold dollar for it which he could exchange at home for two Mexican silver dollars. The credit of the United States furnished half the value of the United States silver coin.

The moment our silver dollar is taken out of the charmed circle of United States solvency, it drops in purchasing power to its bullion value. We can perhaps hold up the four hundred million already coined, and the hundred million additional silver certificates paid out for silver not coined, *if we do not increase these amounts.* Being receivable for taxes, and a legal tender for debts, they serve a purpose in our home currency, although less than a hundred million silver dollars are in actual circulation, the remainder being deposited in the treasury and circulating only in the form of silver certificates. These dollars cannot be sent out of the country to pay bills incurred in foreign commerce, because, while we keep them at par with gold here, the foreign merchant can get only their bullion value out of them until he ships them back to the United States; and if we ever cease to keep them at par with gold, he can get only their bullion value anywhere. Nothing less than an international agreement practically universal will make silver accepted for settling foreign balances. Without such an international agreement the United States could not open its mints to coin all the silver that is offered, without becoming a mono-metallic silver-money country like China or Mexico. The first revulsion of trade that checked the foreign demand for our articles of export like cotton, wheat, beef, and illuminating oil would throw a balance of trade against us that must be settled in gold. The day the United States treasury could no longer maintain a gold reserve, the premium on gold would become large enough to drive it out of circulation. No bank would pay out gold except on contracts that left no option. No private person would spend a gold coin who could get to a broker and sell it for a premium. This would be true even with a premium of five or ten per cent, how much more with the probable premium of seventy or ninety per cent, or perhaps a hundred.

For while a first effect of free and unlimited coinage would no doubt be to raise somewhat the price of silver, the supposition that it would nearly double the price is most extravagant. A temporary advance of twenty per cent is fully as much as could be reasonably anticipated. That is nearly the amount of fall occasioned by closing the Indian mints, and four times the advance which followed the Sherman law requiring the purchase of four and a half million ounces per month. The price has rallied a little in the last two years under the enormous increase of gold-mining, but there is no prospect that for many years silver will be worth one-sixteenth its weight in gold. With unlimited coinage of silver the premium on gold would at once be sufficiently large to drive out of circulation the gold now in this country, making an immediate loss to our currency of nearly or quite six hundred million dollars. Such a contraction would bring on a stringency and panic the like of which the United

States has never known. After a crash of prices in this stringency, the void in the currency would be filled by silver coin, and silver certificates, and eventually as much more than filled as the premium on gold over silver would demand. Articles for export would begin to sell as much higher than the old prices as the premium on gold. Prices of other commodities would at length advance in like degree. Latest of all, wages might advance, but not to the same degree. But every holder of a note, even though it were for money borrowed only a year ago, every depositor in a savings bank, every widow and orphan named as beneficiary in a life insurance policy, every pensioner of the United States, would receive his dues in a currency whose depreciated character would appear in its purchasing little, if any, more than half what the present currency purchases.

From such a social revolution may the good sense of the American people preserve us!