

THE THREAT OF THE PRESENT COINAGE LAW.

IN a short article on the evils and the menace of free silver coinage the argument must be summary, and only those will be addressed who grant those principles of finance that are discerned and are supposed to be established by men whom the world has regarded as well-informed and trustworthy. Those who refuse to see causes before they come to feel effects must, as usual, treat all *à priori* reasoning as mere theory and deny any proof in advance of suffering acute enough to be unmistakable.

The people of the Northwestern States do not expect to escape the financial laws which govern all, and they must abide, no less than others, the consequences they entail. Such differences in effect as they encounter, if in some particulars possibly more severe than elsewhere, spring only from conditions which render their affairs acutely sensitive to the abuse of those laws whose penalties none can avoid.

The currency of civilized communities may be natural or artificial; that is to say, it may rest on the basis of some commodity which by reason of its natural characteristics is best adapted to give a steady and uniform standard for reference and measurement of value of other commodities, or it may be merely decreed by municipal law, and so far as possible by that means be forced into the hands of men as their medium of exchange and a fictitious gauge of values. But if anything be accepted from experience, the truth surely must be that although by an artificial currency apparent prices may be fixed to labor and property in its various forms, real values will depend on the relations of things among themselves, and so far as the apparent prices cause persons to govern their dealings they simply mislead and cheat them. Necessarily it follows that such fraudulent effects are mainly visited on those whose dealings are comparatively small, the many who labor to produce each his little share of the general sum; although, in the disordering fluctuations for such a currency, always dependent on the caprices of legislation, all interests of property and business, large and small, sustain unnecessary and exasperating losses. Those concerned in the larger affairs of business must sustain at the

first the heavier shock from any serious derangement of the currency, and their outcry is naturally foremost and sharpest against every proposal of it; but it is a foolish deduction that therefore the suffering and injury will in the end fall upon them most heavily. They are sure quickly to turn aside from themselves the main force of the blow, and the ultimate and grievous losses, as with the outrages of wicked financial legislation in general, descend upon the many, the poorer classes, not the richer few; and it ought to be reckoned fortunate that the inceptive harm keeps the strong influences of business alive and alert to resist at the threshold every marauding scheme.

An artificial currency is always an injustice to the people and is a creation at variance with natural law and the rights of liberty. It must depend on arbitrary, despotic law, which forces awry natural methods and natural values, and although sometimes, as during our Civil War, an artificial currency is resorted to from supposed necessity to endure its evils in order to prevent greater evils of another sort, yet generally in the long history of mankind it has been only a designed agency of despotism indirectly to rob the people for the gain of a tyrant or some tyrannical class. Nothing short of delusion can obscure the guiding light of that principle—so long approved by reason and experience—that stability is the prime essential of sound money and an honest currency, the feature of the highest value to the laboring and producing classes of the country, and of absolute justice to all. This was a foundation stone in the doctrine of the fathers of democracy, whose faith and purposes turned only toward the common good of all men. And stability requires first, for the money basis, an intrinsically valuable commodity, which shall as nearly as possible possess unchangeability of value in its average relation to other commodities, and secondly the instant redeemability on demand of every form of currency which invention may supply to enlarge the function of money.

The provision of such a commodity was beyond human power, and the choice of the one which alone meets the requirements of the case has been in no sense the work of any rank, class, or special community among men. Nature provided it, and pointed it out so unmistakably that all men have always recognized it. There was never an intelligent community skilled in commerce which failed to perceive in gold the metal obviously and beyond question the superior for this use over all other products of man's labor on the earth; and the clearness of this perception has increased with intelligence and

civilization. Its physical qualifications for money surpass those of all other metals; while everywhere scattered about the earth it is accessible to man's insatiate search, yet elusive enough safely to hold its chary worth above substantial depreciation, being always, everywhere, among all men, with mere temporary exceptions, for weight and bulk the dearest of metals. Its place is fixed by a higher than human power, and it needs no aid from human law. No country can "demonetize" it to a second rank, and no syndicate of mine owners is capable of "booming" it in the markets of the world.

Though classed as "precious," the metal silver has always occupied among commercial peoples an inferior position, as surely decreed by nature, because of its inferior characteristics. Even when the aggregate quantity of it was less, it was accounted of far less value than gold, and during the modern centuries of commercial enlightenment and expansion that relative value has gradually but continually lessened. Within a few years past the rate of its production has so enormously increased that now annually four times as much is thrown upon the markets of the world as a generation ago. Superadded to these, invention, which has transformed all conditions in our century, has so wonderfully augmented the supporting power of gold as the basis of currency, by multiplying the facilities for exchange of commodities without money, through checks, warehouse receipts, clearing-houses and other devices, that the yellow metal alone is abundantly adequate to perform the entire office of metallic money in everything but the subsidiary needs of small dealings. This fact is conclusively proved by experience in Europe. No matter what motives caused the change, the fact is that, following England's lead many years since, the commercial nations of the Continent have so far established gold as the sole money base of all currency that, in the recent language of the Director of the Mint, "practically, to-day, all Europe is on the gold standard." Even remote Roumania melts her silver coinage to sell at mere bullion price, to be done with it. So far from disaster ensuing, the currency of Europe has become safer, more stable, natural, and useful, as evidenced by this wider-spreading policy and persistence in it with growing experience of its benefits; and the ample sufficiency of gold to serve as the sole base of currency for peoples who are as intelligent and enterprising in commerce, and require as abundant and free use of money as any on earth, stands demonstrated beyond fair dispute. Granting the accusation of selfishness and greed levelled against the leading nations by the silver advocates, the fact

stands that their policy has the wisdom of enlightened selfishness and is effective, and that theirs is the commercial supremacy of the world. Merely to rage against it and angrily to persist in contrary foolishness of conduct is to promote and protract their continued and utterly unnecessary advantage.

Thus, by the natural inferiority of silver for money uses, its constant relative depreciation during centuries, accelerated by recent enormous production, the probability of further vast production, and the action of Europe, silver has so lost value that the quantity in a silver dollar, though equal in worth to a gold dollar when the weight and fineness of these coins were fixed, is hardly now of two-thirds that value. For the other third, the silver dollar is no more than *fiat* money; indeed, less and worse than ordinary *fiat* money, because no Government promise is behind it. The statute of 1890 declares only the "established policy" of the Government "to maintain the two metals on a parity with each other, upon the present legal ratio, or such ratio as *may be* provided by law," nothing more. So long as the Government can and will exchange gold for silver on the present ratio, the silver dollar passes, like subsidiary coins, at nominal value. When that ability or will ceases, the legal-tender power of silver coins will be effective only to rob those who must accept them in payment of existing debts, but unavailing to force the purchase of anything at more than their actual value. Can any one suppose the Government, if free coinage should be adopted, will first stamp for every owner of silver 66 cents' worth as a dollar, and immediately give him 100 cents' worth of gold in exchange for it? Whence will the Treasury procure the gold, and by what means? Is it, then, a prediction or an obvious fact that the adoption of free coinage must immediately work the loss to all existing debts (not specially payable in gold), including pensions and Government obligations, of the difference in real value between the gold and silver dollars, now over one-third, and threatening to be more, and a corresponding change of prices for all commodities in all new transactions—a financial revolution, in short, unparalleled in the legislation of civilized states?

It is answered by silver advocates that the marvellous consequence will be the prompt rise of silver to parity with gold at the existing coinage ratio. But the most hardy can claim no more than his belief in such a result, to be proven in no manner short of the actual experiment. To try that experiment, that they who have silver may thus

reap profit—for in such case none others would—it is proposed to cast in jeopardy of universal disaster the business interests of the entire nation; and this puts upon the project its fairest face.

But for the present consideration, it may be granted that, however clear the certainty of disaster, there is real doubt whether free coinage would not raise the value of silver as claimed, instead of throwing the currency down. The fact remains that a large body of men believe, as they believe in the law of gravitation or the recurrence of the seasons, that the consequence would be an overwhelming, universal calamity. And it has been the purpose of the preceding *résumé* of well-known considerations to exhibit the reasonable foundation of this belief, rather than to argue the free-coinage question. For it is to the fact of this conviction and the sincerity and power of it—surely beyond any dispute—that attention is now particularly directed. By reason of this conviction, serious injuries to many interests have already resulted; and because of it, if for no other reason, the continued agitation of the project will continue to inflict injury. The evil will be more than proportionate to the imminence of the real peril, because protraction of anxiety brings to many minds the effects of a nearer approximation to the disaster than perhaps actually is reached.

It is most important to note, in the first place, the relations to our affairs of those who are governed by this conviction of the evil consequences of a free-coinage law. This class comprises substantially all who have most to do with our largest financial affairs and arteries of business—the bankers, the trust companies, the governors of railroads, the great merchants, those, in short, who own or control the principal accumulations of wealth in the country, as well as those who by life-study are supposed most perfectly to have grasped the laws and acquired the wisdom of finance. Notwithstanding the prejudice which may be felt by some, can any deny to these men vast influence, and to their opinions vast effect on the business of the country?

Men of this class are ever most alert to anticipate the event and to guard their interests in advance of its coming. Much has been done by them already to forefend the evil day. Thus, money-lenders have already adopted the precaution of requiring all debts and securities to be payable in gold coin. The president of a large trust company informed the writer some time since that all the obligations of his concern were already explicitly written in such terms—an illustration of the certainty with which the strong will cast the heavier con-

sequences of the misfortune, should it ever befall the country, upon the many weaker and less provident. The apprehension will, as it already has done to some degree, harden the rigor of creditors for payment of debts, and impose an otherwise needless severity in their dealing with mortgagers whose necessities require them to sue for extension, unhappily a feature of special interest to farmers and other industrial borrowers, of whom the Northwest holds so many. The rate of interest also depends much, as the world has learned, upon the security of the principal, and inevitably that exaction from them who must borrow will be heavier by reason of the introduction of this new element of uncertainty which must attend the contemplation of loans, sensibly diminishing the amounts which Eastern capitalists might otherwise furnish for employment in the West, and increasing the ratio of demand to supply as well as the terms which will tempt investors to risk at all. In communities where within but a few years the rate of interest has gradually fallen from ten to six per cent, the crushing pressure of high interest upon him whose toil is under that bondage and the painful weight of every added cent of the rate will be appreciated.

Especially upon the millions of our countrymen engaged in husbandry, the infliction of this fever of unrest becomes peculiarly severe. Whatever others may do to elude the evil, the farmer has simply to suffer it. He stands always in time of financial havoc like a foot-traveller in a storm on the prairies: endurance with no shelter is all there is for him. No combinations are practicable for his relief; all combinations are for protection at his cost. Last year the Northwestern farmer seemed fortune's favorite. His granaries swelled with his gathered harvests, while want abroad sent him plentiful purchasers and prices such as he was wont to see only when he had little or nothing to sell. As usual, his luck turned immensely to the nation's good. He stopped the country's dangerous export of gold and called back the yellow coin from beyond the seas. No new crops have added to the store here or stayed there the need of food. Yet within a few months wheat has lost in price one-fifth, and other cereals, meats, and agricultural products in heavy proportion. Among the complex causes to which this decrease may be due, who shall with justice deny a serious share to the cloud which for years has been growing darker with menace to the stability of our currency, and, during the past winter's anxiety, has sometimes seemed to show the gleam of the thunderbolts which may descend from it? Lay but a

small share of the loss to this agency, and the aggregate is many millions, of which two-thirds fall on a dozen Western States this side of the Rocky Mountains.

In the cotton States of the South, much of the eagerness for free coinage comes from the fall in price of the great staple to the cost of production or below it. Yet, in a just analysis of causes, it will far more probably be found that apprehension of the threatened storm has contributed to shorten buying and to depress prices than that the desired disaster to our currency will quicken dealing or increase values. Of all men, they who till the soil should be the last to wish a silver currency which will subordinate further the commercial affairs of our country to the dominion of Europe, with whose strength we must measure ours in all foreign intercourse, both because their prices are, and perhaps long will be, fixed by conditions there, and because they have before their eyes the perfect example of practical subjugation which must ensue from it to them who go to the soil for livelihood. What can there be in the circumstances of the ryots of India to induce American farmers to adopt the silver currency which those tillers of the earth enjoy, only to deliver them as prey to greedy England and silver-scorning Europe?

The production and trade of our people extend to very many different articles and objects, to nearly every form, indeed, which man's labor yields; the volume of all is vast, exceeding accurate statistical account, and the currents of business are intertwined and commingled beyond possibility of clear and satisfactory tracing of their mutual relations; so that analysis and just apportionment of effects to each several cause of all the causes that enter for good or ill into the common resultant are unattainable. None the less it is certain that this agitation of a scheme so far-reaching and perilous, which our skilled financiers believe will bring havoc with it, must inflict in advance, merely from fear of it, to some degree the evils that would be realized by the event itself. In no department of human affairs is the saying more just than in the financial world that "coming events cast their shadows before." The shadow of apprehension is with us now, though the event never befall. For while its exact influence and injury may not be computed, it is certain that the calamity of a currency revolution has been during some months brought so imminently to impend over the country that the menace has started fear, alarmed business men, and more or less changed their conduct in many transactions; setting them to guard their property by unusual devices, and lessening their

readiness freely to invest money in any form, either in loans or enterprises of business. This shadow is baleful, and to the extent of its shade, whether we can gauge it or not, it has done harm to industry and those who live by industrial labor; and the perpetuation of the agitation will thicken the gloom and intensify the harm.

The haze in our atmosphere is not, however, due altogether to the prospect of free coinage. The coinage law as it stands already is alone sufficient to gather portentous clouds in the financial sky. From 1878 to 1890 we were coining silver dollars at the average rate of only about twenty-nine millions a year, giving at the end of 1889 a total of three hundred and sixty millions. The silver producers and many of their opponents were disappointed by the absence of expected effects; the former because silver continued to sink in value, the latter because it did not displace gold. Gresham's law, that the poorer currency will expel the better, seemed inoperative. The reason is not far to seek. It must be a condition of its operation that the poorer currency be sufficient in quantity and capable of use, in order to effect substitution; and our silver stock failed in both respects. Two or three hundred millions of silver could not be substituted for seven hundred millions of gold, nor could a metal currency be available for large business when one must carry to the clearing-house more than a thousand pounds in weight to pay a balance of seventeen thousand dollars. The silver advocates pressed their adversaries with the failure of inconsiderate predictions, and strove to repair the failure of their own predictions by demanding a free-coinage law. They obtained half the loaf, at least; and with but little more time the Government and the people will have parted with all benefit to them of the other half. For meantime the device of silver certificates had relieved the cumbrous metal of its crippling immobility, by substituting a paper representative for the actual dollar; and the act of 1890 has vastly accelerated the flow by which the volume of the perilous currency is accumulating; so that on the first of April last the total quantity of silver in actual circulation, added to silver certificates and notes of the new issue in circulation or in the Treasury, had become \$539,894,447, and is increasing at about four and one-half millions a month. How long will it require under present methods to secure the volume and force of silver adequate to displace gold?

That portentous event has already made its *début*, and in repetition of history. Beginning with February last year, the output of gold to Europe became in seven months \$76,508,618, and no year has wit-

nessed such a current since 1864, when the depreciated war paper performed the same office of chasing gold away. Famine abroad and superabundance here combined to set back the movement of this stream for a time, and gave us space to retreat from our folly. But for a time only, which we have not employed. With February of this year the outpour resumed, and a net \$4,901,937 of gold was lost in that month, exceeding by over \$800,000 the same month in 1891. The drain was continued during March to an amount nearly or quite as great, though at this time the exact figures are not made up. Yet the total excess of our exports of merchandise in 1891 overran \$142,000,000, and in the two months of January and February of this year exceeded \$58,000,000. Let not sanguine assurance or interested cries obscure this sign.

The national Treasury has become a national bank of issue, and if it were any other than the nation's its notes would be quickly liable to protest. The superstructure of circulation has grossly outgrown its base. To secure redemption and maintenance of the gold value of three hundred and forty-six millions of greenbacks, the law has long required one hundred millions of gold reserve—a provision none too great in sound prudence. But in order to maintain silver dollars and the new Treasury notes at a gold value, the Government must in like manner be ready to redeem these also in gold. And what is the problem which this necessity puts upon the Treasury? On the first of April the total of these outstanding obligations, including silver dollars, silver certificates, Treasury notes of 1890, greenbacks, and currency certificates, in circulation and liable to be presented for gold, was \$815,505,264. To meet the liability, the Treasury held in gold coin and bullion, over the amount deposited on gold certificates, only \$125,815,040, not one dollar for six; or, setting to one side the entire body of greenbacks with the gold reserve appropriated to their maintenance, but \$25,815,040 to support the redeemability of \$468,824,248 of outstanding circulation, in order to maintain the so-called "parity" of silver dollars and silver currency. What is the hope for a greater strength? Month by month the liabilities increase, as the Treasury notes of 1890 continue to be issued; while, on the other hand, the charges on the Treasury press for more than its receipts by taxation, under the legislation of the Fifty-first Congress. Is it a matter of wonder that European holders of our securities are making prudent haste to secure gold payments while they may, returning these demands in larger volume than our large exports can discharge? No

long continuance of pressure for gold can be now sustained without exhausting governmental power to meet it. Resort to silver payments is suspension and financial revulsion. How much farther must we hang over the precipice before we understand its peril and return to measures of safety?

The field of finance has been from the earliest times furrowed and torn by the delusions of mankind, strangely susceptible of fantastic whims under the spur of want or the lure of riches, and old, oft-exploded fancies have come again and again, as now, their guise little varied, to surge in impotent fury against the solid laws that cannot be altered or cheated. The time will come when it will be a curious study to understand how it was possible for a combination of silver-mine owners, whose self-interest was so obvious and so opposed to popular interests, skilfully to foment the wide acceptance by an intelligent people of a delusion so harmful, so defiant of established laws and long experience, so hopeless of success against the antagonism of the commercial world, as the project of silver free coinage under the conditions proposed.

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FREE COINAGE AND THE LOSS OF SOUTHERN STATESMANSHIP.

THE recent vote on the Bland bill in the House of Representatives at Washington was fairly indicative of the sentiment and politics which control what has been not inaptly named the New South—a very travesty, indeed, upon the South as it was in the golden days of the Republic, when the conduct of Southern representatives was controlled by patriotic motives rather than purely personal considerations, and when great public questions were settled upon their merits and not upon the possible effect which the calling of the roll might have upon the congressman's success in "getting the delegates."

The changes wrought by war and reconstruction have not only affected the national interests of the South, but it is plain that they have also tainted the character of our citizenship, and made the spoils of office rather than high public duty the goal of political ambition. In the New South, men seek office for the money there is in it rather than for the service they can render their country, and men who hold office not infrequently administer the duties of their station as "a private snap" rather than as a public trust. The ideal has given place to the material, and principle stands aside for policy. The spirit which has controlled the attitude of a majority of Southern congressmen upon the silver question received a just rebuke from Representative Brawley, of South Carolina, in his recent speech against the passage of the Bland bill. Taking his political life in his hands, with a courage which is seldom exhibited in these days of expediency, he defended his action to his constituents and the country. "There has been," said he, "the strongest and most subtle temptation to earn their approval by hypocritical conformity with what is represented to be their will; yet my convictions as to the injurious effect of this bill have been so strong that such mendacious compliances have been impossible to me, and, dear as their approval would be to me, I hold my conscience higher than their praise." There is much of the spirit of the better days of the Republic in these burning words—the spirit which governed the conduct of the statesmen of the Old South.

The New South, which looks well in newspaper trade editions, and