

THE BATTLE OF STANDARDS AND THE FALL OF PRICES.

It is evident that the final contest on what shall be the standard or unit of value of this country is upon us; the pending question is whether it shall be the present lawful unit—a dollar made of gold—which is worth as much after it is melted as it purports to be worth in the coin—or whether it shall be of silver or paper forced into circulation by the fiat of an act of legal tender. The final issue is joined. The contest may be bitter, and in its course even another purely artificial panic accompanied by a paralysis of trade and industry may be brought upon us, corresponding to that of 1893. Any attack upon the credit of the United States tending to the debasement of the unit of value is dangerous. On the one part this attack has been made by the advocates of the free coinage of silver by this country at the ratio of sixteen to one, without regard to the action of any other country. That effort has been resisted as one of malignant fraud upon the community whatever may be the motives of its promoters, but that danger has been averted.

A more plausible interference with the free choice of a standard or unit of value is made without malignant purpose by the advocates of what is called "bimetallism." Many of these advocates are gentlemen of high repute, of great sincerity of purpose, and of position which entitles their arguments to candid and just consideration.

The true point of this latter effort is obscured by the misuse of the word "bimetallism." Bimetallism exists in all commercial countries. Gold and silver are and will continue to be used for the manufacture of coins which serve as money. The real purpose of the advocates of what is called an international bimetallic treaty for the coinage of these metals at a fixed ratio is to bring the force or fiat of legal tender provisions into international commerce.

In international commerce, which is free of the fiat of legal tender acts, good money by weight of gold has driven all other kinds out of use. The so-called Gresham law works only by force of legal tender in driving good money out of circulation. From the dawn of monetary history, legal tender acts have been conceived only for the pur-

pose of making forced loans or for compelling the circulation of depreciated paper or debased coin. Acts or decrees of the latter kind have been the basest frauds ever perpetrated by despotic rulers.

There is but one kind of money which is of universal and world-wide purchasing power. It is the only kind that meets the definition of true money as given by Henry Cernuschi, the ablest and most conspicuous advocate of what is called bimetallism,—gold coin the only coin which is worth as much after it is melted as it purports to be worth in the coin. Gold coin is the only kind of money which does not rest upon the force of an act of legal tender for its circulation. Gold bars of certified weight and quality are even preferred in international commerce to the coined money of any nation.

The advocates of "bimetallism," so-called, rest their case on an alleged "fatal fall in prices" since 1873 and justify their effort upon the ground that the tendency to lower prices must be stopped. In the arguments which have been presented in support of such a treaty of alternate legal tender under the misnomer of "bimetallism," the work of the engineer, the inventor, and the discoverer of new processes in all the arts has been almost wholly ignored.

It is the purpose of this article to prove that there is not a single important product of industry in agriculture, manufacturing, transportation, or commerce in which there has not been a reduction in the cost of production or distribution which will not more than account for any reduction in the price which has occurred between 1873 and 1892. It is admitted that during the panic of 1893, which was caused wholly by the attack upon the unit of value by the advocates of the free coinage of silver and by the fear of their possible success, prices were forced down below cost by the paralysis of trade and industry which ensued. During this panic great numbers of persons were reduced to compulsory idleness; the capital of the country was impaired and the progress of the nation was so retarded as to prevent the great benefits of science and invention, which will presently be dealt with, being more uniformly distributed. In this evil time, while the rich grew no richer, many of the poor were reduced to extreme poverty and even to pauperism. When the future record of this evil period is written the names of those who impaired the credit of the nation will live only to be held up as examples of perverted intelligence or of merely selfish greed and public dishonesty.

In the subsequent table attention will first be called to the evil influence of a debased currency during the long period of war and of

financial reconstruction from 1861 to 1878. On the first of January, 1879, specie payment was resumed on the only lawful unit of value—a dollar made of gold. Then began the reduction of prices under the beneficial influences of science and invention accompanied by a steady and continuous rise in wages, varying in just proportion to the skill and aptitude of the workman and the steady increase of wealth; all earnings augmenting from common labor upward. This progress has been made in spite of an ill-adjusted system of banking and currency, and in spite of methods of collecting the national revenue which were in some degree obstructive to the progress of agriculture, manufactures, and commerce alike. Yet even these adverse conditions, due wholly to legislation, have been of such minor influence as not to have seriously retarded progress in either department of industry until the panic ensued from the silver craze.

In 1872, under the influence of the fear of the ability of this country to command the gold of the world if it needed it, the payment or funding of the demand notes known as greenbacks was stopped. A volume of notes rated at \$346,000,000, which had been issued and made legal tender for the purpose of collecting a forced loan for the conduct of the war, was left in forced circulation. The Supreme Court, most unfortunately, sustained the power of Congress to continue to collect a new forced loan by their re-issue in time of peace, in an opinion which lawyers of highest repute held to be unfounded in the very precedents cited in support of the decision. Then followed a second forced loan under the Bland and Sherman Acts of nearly \$500,000,000, by which the people are or will be taxed for the purchase of silver which is now worth only about half what it cost. These notes are also directly or indirectly in forced circulation. But in spite of these abuses of the power of taxation the progress of the nation continued down to the inevitable and long-predicted date when the distrust of this whole system of bad monetary legislation brought on the panic of 1893. This panic was the first process in the cure of the evil itself.

The subsequent table shows how the depreciated currency of the war impaired the purchasing power of labor, notably in the year 1865, in which year the purchasing power of wages had lost more than one-third from 1860. It shows next how long and slow the struggle was to attain the safe standard of the gold unit of value in 1879, and since then how continuous has been the beneficial influence of low prices, small profits, lessening rates of interest and constantly increasing earn-

ings or wages. These favorable conditions, continued from January 1, 1879, until the financial panic in April, 1893, put a temporary stop to progress, causing abject want to exist in the midst of constantly increasing abundance.

In the compilation of this table the prices and wages are derived from the Report thereon of the Finance Committee of the United States Senate computed under the direction of Commissioner Carroll D. Wright. These prices, as well as the prices in London which are given in terms of gold—compiled by Mr. Augustus Sauerbeck—have been computed and compared on the unit of 100 in 1860 by Prof. Roland P. Falconer, of Johns Hopkins University.

PRICES, WAGES, PURCHASING POWER.

	1845.	1850.	1855.	1860.	1865.	1870.	1875.	1880.	1885.	1890.
Meat	79.4	86.6	104.7	100	197.	174.3	140.4	103.6	107.6	99.6
Other food	82.8	80.7	114.5	100	240.3	146.3	135	116.9	97.2	103.5
Cloths and clothing	97.1	91.3	94.7	100	299.2	139.4	120.1	104.5	84.8	82.4
Fuel and lighting	102.6	121.1	100	237.8	196.5	156.5	100.3	89.6	92.5
Metals and implements	110.8	114.8	117.8	100	191.4	127.8	117.5	96.3	77.4	73.2
Lumber and building materials	106.7	102.2	108.4	100	182.1	148.3	143.7	130.9	126.6	123.7
Drugs and chemicals	121	123.6	129.2	100	271.6	149.6	144.2	113.1	86.9	87.9
House furnishing	102.3	125.6	121.1	100	181.1	121.6	95	85.2	70.1	69.5
Miscellaneous	114.8	107.7	115.2	100	202.8	148.7	122.9	109.8	97.5	89.7
Average of all prices	102.8	102.3	113.1	100	216.8	142.3	127.6	106.9	93	92.3
Average of all wages	86.8	92.7	98	100	143.1	162.2	158.4	141.5	150.7	156.9
Average wages by importance	85.7	90.9	97.5	100	148.6	167.1	158	143	155.9	168.2
Salaries of city teachers	74.8	88.8	91.4	100	134.7	186.3	188.1	182.8	186.3	86.3
Paper money	100	100	100	100	49.5	81.1	88.8	100	100	100
Gold price of silver bullion in London	95.3	97.3	100	100	99	98.2	92.2	84.7	78.7	77.4
Purchasing power of wages	84.4	90.6	86.6	100	66	114.1	124.1	132.3	162	172.1

The evil influence of a debasement of the currency by an act of legal tender, the purpose of which was to collect a forced loan for the conduct of the war, is brought into conspicuous notice by the figures under the date 1865.

In the consideration of this table regard must be given to the difficulty in obtaining exact data of prices in the earlier periods covered by it. In the general summary of all prices from 1860 to 1891, 223 articles are dealt with. In 1840 only 85 could be determined with sufficient certainty, and there are some doubts about single articles, notably fuel and light, in these earlier years. The returns of wages are taken from books of account and pay-rolls of large establishments throughout.

Evidence is given, by the figures for the years from 1870 to 1890, of the potent causes of this beneficial reduction in the prices of the necessities of life which has been accompanied by a rise in the earnings of those who perform the manual and mechanical work of production and distribution. The gain of the workmen has proceeded

with accelerating speed ever since January 1, 1879, until April, 1893, when a temporary reversal took place which has already been partially regained. At this date (March, 1895), about half the loss by reduction in wages has been recovered by workmen, and even though doubt and depression still exist, skilled workmen and operatives are fully employed and in many arts more are needed. It has become evident now that the late incapable Congress has dissolved, that the normal conditions of industry might be resumed except for the doubt of what the next Congress may do.

Dealing with these subjects somewhat in the order of their importance, we may first regard the changes in this country and in England. The English prices are taken from Sauerbeck's tables for articles substantially corresponding to the American.

I. MEATS.—Prices in the United States in 1860 in gold are taken at 100; in 1870 in paper they were 174.3; in 1890 in gold, 99.6. Animal food in England, Sauerbeck's tables, in gold, 1860, at 100; in 1870, 108; in 1890, 91.1.

Since 1860 the causes for a reduction in price of animal food are the extension of railways, the establishment of great packing-houses, the inventions in canning provisions, the application of freezing processes and cold-storage chambers, and the change from sail to steam on the ocean. In production, the rediscovery and use of ensilage and many other improvements in feeding stock of all kinds. In 1860 the supply of meat to great cities was limited to farms and pastures in close proximity; in 1870 the movement of live or dressed animals by rail was insignificant and by steamships of no influence or effect. In 1860 and in 1870 the beeves of South America and Texas were slaughtered mainly or only for their hides; they possessed no international food value. The great prairies of the United States were still buffalo ranges, and the sheep of Australia and New Zealand yielded use and value only in wool and tallow. In 1890 every part of the animal had become an article of international commerce, while the cheese factory and the creamery had made an economic revolution in dairy processes. Had not the purchasing power of the great masses of the people increased with the stability of the gold standard and with the rise in wages, a great reduction in the prices of animal food must have ensued. Had not the supply of gold fully compensated for the partial disuse of silver as a full legal tender, a greater reduction might have occurred.

II. FOOD OTHER THAN MEAT.—Grain, roots, fruits and vegetables, sugar (chiefly grain). Prices in the United States in 1860 in gold are taken at 100; in

1870, they were 146.3 in paper ; in 1890, in gold, 103.5. Food in England, Sauerbeck's tables, in gold, 1860, 100 ; in 1870, 88.8 ; in 1890, 66.6.

The influences tending to great reductions in prices since 1870 have chiefly affected grain and sugar. Since 1870 the sources from which the greater part of the wheat exported from the United States is produced have been opened by railways and waterways. Machinery has been invented greatly reducing the labor cost of production. Almost revolutionary improvements in milling have been made. The result of all these factors has been to reduce the cost of placing wheat on sale in London or Liverpool from Minnesota or Dakota by an amount equal to one-half the price at the average of 1870. In sugar the change in methods of production and refining have been equally great, and heavy duties have been removed in Great Britain and for a time in this country. In other vegetable products corresponding changes have occurred, but root and vegetable crops must be provided nearer to the points of consumption than grain and sugar. In general it may be affirmed that increased power of consumption has kept the prices of food other than meat, except wheat, above the level that improvements might have warranted. The greater average reduction in 1890 as compared to 1860 in Great Britain is explained by the much greater dependence of the people on wheat, in the production and distribution of which the greatest changes have occurred.

III. CLOTHS AND CLOTHING in the United States. Textile materials, chiefly cotton and wool, in Great Britain. Prices in United States in 1860, in gold, 100 ; in 1870, in paper they were 139.4 ; in 1890, in gold, 81.1. Textile materials not converted in England, Sauerbeck's tables, in gold, 1860, 100 ; in 1870, 124 ; in 1890, 76.5.

The Civil War in the United States increased the price of cotton to \$1.90 per pound at the highest point in paper, and also produced almost a cotton famine in England. The war demand for woollen fabrics carried the prices of wool to an extravagant point. Then followed the vast increase of crops of cotton by free labor ; tools and instruments with which slaves could not be entrusted but which freemen use were generally introduced ; the secondary products of the cotton seed presently reached a value of \$30,000,000 a year, all previously wasted. Australia went from an insignificant position to a product of wool which exceeds that of any other country. Immense improvements were made in the mechanism of the factory ; the use of the sewing-machine became almost universal in the United States and very general in Great Britain. In every branch of these arts the labor cost was lessened while the earnings of labor were aug-

mented. Egypt under English control developed an increasing supply of cotton, while India resumed its former unimportant position which is due to the inferiority of its cotton staple. No other causes need be or can be assigned for the very moderate average reduction of prices indicated by Sauerbeck's figures, which are at the gold standard. This reduction is not commensurate with the vast improvements in production.

IV. METALS AND IMPLEMENTS. AVERAGE MINERALS. Metals and implements in the United States, prices in 1860, in gold, 100; in 1870, in paper, they were 127.8; in 1890, in gold, 74.9. Average minerals in England, Sauerbeck's tables, in gold, in 1860, 100; in 1870, they were 94.2; in 1890, 87.4. There is no standard by which the progress of nations can be more surely gauged than by the increasing use of iron, steel, and copper. The recorded production of iron in the world in 1860 was less than 7,000,000 tons; in the United States a little over 900,000 tons. In 1870, world, 11,200,000 tons; United States, 1,865,000 tons. In 1892, world (estimated about), 26,000,000 tons; United States, 9,157,000 tons. The production of Bessemer steel in the United States: in 1860, none; in 1892, 4,168,000 tons.

The dominion of iron and steel has passed to the United States. The inventions of Bessemer, Holley, Siemens, Reese, Thomas, Gilchrist, and a host of others disclose astounding reductions in the labor cost, while the opening of the iron mines of the United States in the Northwest and South and of the great coking coal mines of Virginia and other States, give reason for and explanation of reductions in prices more than commensurate with what have occurred. Inventions of a similar kind and the opening of new sources of supply of copper and silver need only to be referred to in order to comprehend the lessened prices of these metals, while aluminum has been added and the invention of many new alloys have enlarged the field of use. Hard times are the sternest schoolmaster and have brought prices in 1894 to the lowest point, yet the product is now increasing and promises soon to reach the highest point ever known.

V. LUMBER AND BUILDING MATERIALS. In the United States, prices in 1860, in gold, 100; in 1870, in paper they were 148.3; in 1890, in gold, 122.3.

These articles are not included in Sauerbeck's tables. Heavy duties on Canadian products and the rapid depletion of forests in the North and East in the United States have been partially counterbalanced by the opening of the sources of hard wood in the mountain section of the middle South and of hard and yellow pine in the lower Southern States. The lessening of railway charges has rendered the vast supplies of Puget Sound available in the far East. New inventions applied to felling and sawing timber have reduced the cost and

saved the waste. Mechanism has displaced hard labor to a great extent in making brick and preparing stone, but much yet remains to be accomplished in these lines. Wages have risen to the highest relative point in the building trades, and in making carriages, wagons, and railway cars, and in other arts in which wood is used as a component material of proportionately high importance. A revolution has occurred in the manufacture of furniture, which has ceased to be a handicraft in all parts except those which are of æsthetic value calling for the highest skill of the craftsman. Any reference to the change in the ratio of silver to gold in this branch of industry would be an economic absurdity. The prices of many kinds of timber are now higher in gold than they were in paper money in 1870. Had timber and its manufactures been included in Sauerbeck's tables, the average reduction so often quoted would have been considerably lessened.

VI. DRUGS AND CHEMICALS. HOUSE FURNISHING.

The subjects dealt with under these headings and in the subsequent tables call only for general treatment. In the manufacture of dye-stuffs the development of the whole series of the products of petroleum has totally changed all the conditions of the arts of dyeing and printing, reduced the cost and increased the supply. Revolutionary changes in the manufacture of alkalis have reduced the cost, increased the supply, and have removed some of the most noxious conditions of the work. The end is not yet: the application of electricity developed by water-power to the dissociation of salt or sea water may again reduce the cost and increase the production of alkalis. In the production of fertilizers the wide distribution of Stassfurt potash has given a supply of that necessary element at a very much reduced cost. The working of the phosphate deposits of South Carolina and the discovery and development of the huge deposits in Florida have given assurance of an unlimited supply of phosphoric acid to the cotton and grain fields of this Continent for centuries to come, and have also added an important commodity to our exports. The development of the products of cotton seed has added an oil of the greatest value and increasing abundance—useful both as a food product and as an element in manufactures. The saving of the waste products of formerly almost useless phosphoric iron ores, which are converted in the basic process of making steel, and their conversion to use as a fertilizer, ends in the increased production of bread from

iron stone. Processes have been perfected in Europe and are now being developed in the United States for the conversion of the previously wasted gases of the coke ovens into sulphate of ammonia. But the most important discovery of the present decade, giving assurance of an abundant food-supply to any population that can occupy the land for ages to come, is the conversion of the nitrogen to the renovation of the soil through the bacteria that, living and dying in the nodules attached to leguminous plants, dissociate it from the air. This source of nitrogen in combination with the potash and phosphates already named gives assurance of the nutrition of the soil, the plant, the beast, and the man in such abundance that no one can yet measure the limit of production of an acre of land anywhere.

WAGES. SIMPLE AVERAGE.

There is no work in economic history equal in its scope, accuracy, and importance to the report on prices and wages compiled by Commissioner Wright and his assistants. Books of account and pay-rolls reaching back over fifty years were placed at the disposal of the Commissioner and his assistants. The average wages of great railway systems, of factories and of workshops were not only disclosed, but the separate wages with the sex of the operatives in each department of the work are given from dates as early as 1840. Opening Vol. 3 we find, for instance, the first table, No. XII., relating to the manufacture of cotton goods. Wages from 1842 to 1890 are given year by year under forty-five different divisions of the work, beginning with fourteen hours a day and ending with ten hours. From my own investigation and knowledge of this branch of industry with which I have been connected as boy and man from 1842 to 1894, I can prove that the productive capacity of the average operative in a given mill working year by year throughout the period named has increased from 4,321 yards a year in 1830 to 9,607 yards in 1840 and is now over 30,000 yards.

Since 1840 wages have doubled, hours having been reduced from fourteen to ten per day, and are now earned under better and more wholesome conditions of work, while prices have been very greatly reduced.

WAGES ACCORDING TO THE IMPORTANCE OF THE WORK. These have been separately computed by Professor Falconer.

The progress of science and the application of invention tend to cause a great variation in the earnings of those who do the work.

The common laborer who digs and delves is supplied with better tools, but the measure of his earnings is limited to the amount of merely physical energy which he can apply. His wages have not risen as much as those of skilled workmen. The application of more and more automatic mechanism in the factory by division of labor, however, enables men and women of lesser intelligence to perform many kinds of work which formerly demanded a high degree of personal skill rather than of mere aptitude. The earnings of those thus moved from field to factory have been augmented more than those of common laborers. It is in the arts that call for both manual skill and mental capacity that the greatest progress has been made. The craftsman of modern times is he who knows how to direct the mechanism which gives the maximum of product with the minimum of exertion and the least loss of time. Hence it follows that the wages of those who perform the most difficult work, selected according to its importance, show the greatest advance, indicating that each man makes his own rate of wages as he develops his ability, provided he keeps the sole control of his own time and the free choice of his work.

There are no tables of figures which give a surer indication of the progress of the people of this country in spite of all the crudities of financial legislation and the obstruction of our revenue system, than the statistics of postal service and the increased number and efficiency of the teachers in our schools. While other nations prepare for war we prepare for work, wasting but little of our substance on battle-ships bearing the disgraceful name of "commerce destroyers," which if used at all could only destroy the commerce of our best customers. The postal receipts of the United States have advanced from fourteen and a half millions (\$14,556,159) in 1865 to nearly seventy-one millions (\$70,930,475) in 1892.

The appropriations for schools and colleges increased from \$60,000,000 in 1871 to \$155,000,000 in 1892. The new generation which is taking the place of the one which was depraved by the speculative era of depreciated paper money and by the perversion of taxes imposed for the support of war to the private gain of individuals in time of peace, is rapidly learning the lessons of sound money,—of economy in the conduct of government,—of the necessity of purging the civil service,—and of assuring the receipt by the Government of all the taxes that the people pay.

Changes in the average earnings of employees in 1890 as compared with 1860 by percentage, 1860 taken at 100 in each case:

1. Books and newspapers.....	148.6	8. Railway service.....	148.4
2. Building trades.....	172.5	9. Stone workers.....	165.2
3. Carriages and wagons.....	202.4	10. Woollen fabrics.....	167.8
4. Cotton fabrics.....	165.1	11. All industries.....	160.7
5. Illuminating gas.....	167.7	12. Salaries city teachers.....	186.3
6. Lumber.....	177.9	13. Prices of all goods.....	92.3
7. Metals and metal goods.....	148.6	14. Purchasing power all wages,	172.1

In this table comparison has been given by which the relative progress of the different classes of those who are occupied in various pursuits are compared. In the consideration of it regard must be given to the fact that many women and children are occupied in the four branches of industry numbered 1 to 4, while in numbers 5 to 10 those who do the work are mostly adult men. Compilations cannot be made with the same completeness in respect to those who are occupied in agriculture, in trade and commerce, or in personal service, but the same rule and tendency can be traced. All arts and occupations are governed by the same law of competition under which, as capital increases, it also becomes more and more effective, so that while securing decade by decade an increasing aggregate profit, the ratio of profit to the product is diminished; conversely, those who perform the manual and mechanical work secure to their own use and enjoyment an increasing proportion of a constantly increasing product, while their labor is diminished both in hours and in the intensity of the effort.

The subsequent table will bring before the eye of the reader the fluctuations in the English gold prices of forty-three articles of necessity which are in common use, comprising vegetable and animal food: tea, coffee and sugar; minerals; textile materials and sundries. This table was compiled by Professor Falconer from Sauerbeck's table of the gold prices in London, the unit or index number being taken at 100 in 1860. The so-called bimetallic system was in use and practice in Germany and the Latin Union from 1846 to 1872 inclusive. The gold standard of legal tender was in use and practice from 1873 to 1892. Prices were gravely influenced during the first period by the English war with China, by the Sepoy revolt in India, by the Crimean, Austro-Prussian and Franco-Prussian wars in Europe, and by the Civil War in the United States, all occurring between 1846 and 1872. Since 1872 there has been peace in the United States and a state of passive war or preparation for war in Europe miscalled peace, which may only culminate in active war by which all the financial and industrial conditions of the world will be profoundly changed.

Variations year by year in the average prices of forty-three arti-

cles of necessary use, consisting of animal and vegetable food, tea, coffee and sugar, minerals including coal, textile materials and sundries, computed at London prices in gold by Mr. Augustus Sauerbeck and compared with the average of 1860 by Professor Roland P. Falconer, of Johns Hopkins University:

1846 TO 1873 INCLUSIVE.

1846.....	92.2	1856.....	102.8	1866.....	106.5
1847.....	97.9	1857.....	106.9	1867.....	103.9
1848.....	79.9	1858.....	93.3	1868.....	103.1
1849.....	76.4	1859.....	95.2	1869.....	101.9
1850.....	79	1860.....	100	1870.....	100.3
1851.....	77.1	1861.....	99.6	1871.....	102.6
1852.....	80.8	1862.....	105.6	1872.....	112.5
1853.....	96.9	1863.....	109.3	1873.....	116.6
1854.....	106.2	1864.....	112.3		
1855.....	103.1	1865.....	105.8		

1873 TO 1891 INCLUSIVE.

1873.....	116.6	1880.....	91.8	1887.....	70.7
1874.....	107	1881.....	88.5	1888.....	73.9
1875.....	100.3	1882.....	88	1889.....	76.7
1876.....	97.5	1883.....	86	1890.....	76
1877.....	97.4	1884.....	79.3	1891.....	75.4
1878.....	91.2	1885.....	75.4		
1879.....	86.7	1886.....	72.4		

Later returns are not yet tabulated, but show small further reduction until the panic created world-wide disturbance in commerce.

Sauerbeck's tables are quoted more than any others by the advocates of the bimetallic treaty of legal tender, under which it is proposed to give the creditors of the United States an option to pay us for our grain, provisions, copper, iron, steel, oil, and manufactures in silver, while depriving ourselves of the choice or power of demanding gold. This policy is sustained on the authority of Sauerbeck's tables and upon the ground that there has been a "fatal fall" in prices since 1873 which is attributed to the disuse of silver as money of full legal tender,—to which partial disuse of silver as money the term of "demonetization" has been misapplied. Upon an examination of Sauerbeck's table it will appear that there was a fall in prices in 1849 to a point as low within a fraction as the average of 1890 and '91; then a rise; next a fall and then a rise in 1864 to a point nearly as high as in 1873; then a fall, and then the final great speculative rise and financial debauch in 1873, when English credit and goods began to be spread over the world in a way which has but lately culminated in the disastrous losses in Australia and in South America. It will be observed that there were greater fluctuations and variations in the course of

prices and almost as great a fall at one period between 1846 and 1872, when the Latin Union was in existence and silver was coined in France freely at the ratio of fifteen and a half of silver to one of gold, as there have been since silver was deprived of its full function of legal tender.

I will not treat of Sauerbeck's tables in detail. Suffice it that when each separate type of the forty-three articles is dealt with year by year, it is found that a few have risen since 1873, others have fallen but little, others greatly, others have varied from year to year, but there is no sign of any influence causing a steady tendency to depression such as is asserted by the so-called bimetallists.

Since 1873, there have been less fluctuations than before, rather an orderly reduction in most prices, varying slightly with the difference in seasons in each year, but corresponding closely with reduction in cost. This beneficial fall has been accompanied by a corresponding or correlative rise in wages,—greater in the United States than in any European States. Since 1873, under the influence of peace and the stability of the gold unit of value, this beneficent fall in prices has also been accompanied by a vast development of international commerce.

In this object-lesson I have endeavored to bring into conspicuous notice the evils which have always ensued from the degradation of the standard of value of every nation when by acts of legal tender the confidence of the people in the stability of its unit or standard of value has been impaired. This evil has been effected over and over again in this country by forcing into use, under acts of legal tender, either its own promises or silver coin which does not contain in its own substance the elements of its own valuation and which is not worth as much in bullion as it purports to be worth as coin.

The dangerous periods in the life of this nation have been due to the mismanagement of its finances and not to war. The patriot cause was brought nearer to disaster by the financial incompetence of the patriot Congress than by all the arms and arts of the enemy combined. The disruption of the nation was more nearly brought about by high tariffs between the States during the confederation before the adoption of the Constitution than it was in the civil war by which slavery destroyed itself. There was never any danger that slavery would triumph over freedom in the civil war by force of arms; the real hazard was in the dangerous discredit of the country and in the narrow escape from bankruptcy due to the forced circulation of de-

preciated paper money. The victory of President Grant in the veto of the greenback inflation bill of 1874 stands equal in its financial importance to the victory at Vicksburg by which the back of the Southern confederacy was broken during the war. The same credit may be given to President Hayes who vetoed the Bland Act, but an incapable Congress passed it over his veto and brought the malignant power of the Government into action for the collection of a forced loan for the purchase of the silver which now encumbers the vaults of the Treasury. In that blunder we find the first cause of the recent panic.

The fear of free coinage of silver caused a distrustful Congress to pass the Sherman Act for greater and more useless purchases of silver and for an increase of the forced loan, and of the debt of the Government due on demand, carried by this act to nearly \$500,000,000, which culminated in the panic of 1893 and the paralysis of industry which ensued. That debt incurred for silver purchases has yet to be paid by taxation. The maintenance of the integrity of the nation and the stability of its credit has lately rested once more upon the courage of President Cleveland when betrayed by the party of which he was the chosen leader. This party has since been almost wiped out of existence as the penalty for its lack of conviction and cohesion. At each period of financial danger the responsibility has been met and the danger has been averted at the cost of widespread disaster and distress. During the civil war even the withdrawal of a seventh part of the men of arms-bearing age and the destructive demand growing out of the consumption of war, did not advance wages as fast as prices rose; the purchasing power of a day's work lost by one-third in that dark financial period.

When once more the evil influence of a discredited currency, which was issued in a time of profound peace at the dictation of the mining camps, whose power in the Senate is in inverse proportion to their population, brought on the panic of 1893, a paralysis of industry ensued and great masses of people suffered for the want of the means of subsistence in the midst of an unparalleled abundance of food, fuel, fibres, and fabrics of every kind.

But even in the time of doubt during and immediately after the Revolution,—even in the time of distress during the war of 1812 and the embargo,—even in the throes of the civil war and the difficulties of reconstruction,—even during the later era of financial folly and incapacity exhibited by the legislators of both political parties

since 1878,—the common people have adjusted themselves to every adverse condition that it was in the power of misdirected financial legislation to bring into existence, and such have been the potent influences of science and invention which have been applied to production and distribution since 1865, that never before in the history of this or any other country has there been such material progress in all the arts by which we live and move and have our being.

The existing discontent, the struggle between laborers and capitalists, the violent strikes and disorders which have marked the last few years are all due to the bad financial policy which promotes a false distribution of the joint product of labor and capital. Within less than a single decade each political party has been utterly condemned for its abuse of the trust that had been reposed in it. Western Republicans are now repudiating the abuses of the power of taxation which was forced upon them in 1890, while eastern Democrats are organizing for independent action upon the monetary question without regard to the financial folly of Ohio or the yet greater iniquity contemplated by a portion of their party in the extreme West and in a small section of the South.

The issue is joined to which there can be but one conclusion: the unit of value, a dollar made of gold, will be maintained and the integrity of the nation will be sustained.

The incapable Congress which has just passed ignobly into history has almost unwittingly left the resumption act unrepealed under which it is the duty of the Executive to pay the demand notes of the Government when presented and to maintain the parity of the silver notes to gold. The revenues are now equal to the expenditures or more. Those who hold United States notes may present them for redemption in gold coin which may be secured to any necessary extent from the sale of interest-bearing bonds. Since there are no appropriations on which these redeemed notes can be reissued, the current revenue being ample to meet all appropriations, these paid notes must rest in the Treasury in a state of innocuous desuetude until they are cancelled by an act of some future Congress.

The advocates of what is called bimetallism who promote the negotiation of an international treaty of legal tender have been repeatedly challenged—1st. To name the rates of weight of silver to gold at which they propose to force the equivalent acceptance. 2d. To name a single article of any considerable importance on which the admitted decline in price cannot be accounted for by the application

of science and invention to production and distribution. 3d. To show how the legal parity of the two metals at the treaty ratio is to be maintained if producers, merchants, exporters, importers, and bankers individually choose to deal with each other on the unit of a given weight of gold whether coined or not. 4th. They are asked to state on what ground an act of legal tender can be justified which gives a debtor the power to force upon a creditor a kind of money which the creditor does not want, and has not agreed to take, while depriving the creditor of any choice in the matter. 5th. It may also be asked why there should not be an international agreement for the free coinage of an international coin made of gold and an international coin made of silver under new names, each distinct from the other, preferably adjusted by weight to the metric system. Would not such free coinage meet every just demand for bimetallism? 6th. What need has gold coin of any act of legal tender, national or international, to enforce its acceptance when of full weight and true to its name? This challenge is renewed. These questions have never been answered.

This paper is addressed only to those who are convinced that there must be a unit of value. That unit is now established by law—United States Statutes at Large, Section 3511: "The gold coins of the United States shall be a one dollar piece, which at the standard weight of twenty-five and eight-tenths grams shall be the unit of value."

The advocates of an international treaty of legal tender hold that two substances, gold and silver of unequal cost, differing in proportionate supply and varying greatly in their bullion value, can be made equal in their estimation by the *fiat* of law, under which debtors may force the acceptance of one or the other upon their creditors. This conception differs only in degree from the crude vagaries of the advocates of fiat money made of paper. This singular delusion arises from the conception that gold has not become the unit of value without fiat or treaty through natural selection. Yet such is the fact, government being powerless to do more than to establish the weight and quality of gold coin and to name the coins.

From the dawn of history he who removed the bounds of his neighbor's land has been accursed of the gods. In the progress of history he who has debased the coin of the realm has been accursed among men. As time goes on only those who maintain the unit of value of this nation will be held in honor or repute.

EDWARD ATKINSON.

IS SOUND FINANCE POSSIBLE UNDER POPULAR GOVERNMENT?

WHENEVER the times become hard, whenever business is depressed, money difficult to earn, and the country brought face to face with serious financial troubles, a feeling of despondency is sure to set in. Under the baleful influences of such periods of distress as that through which we are now passing, men of sense and judgment lose faith in the success of democratic institutions and the wisdom of majority rule. It is easy enough, they say, for the great mass of our fellow-citizens to form a fairly correct judgment on a question of pure politics. Even if they fail to form a correct judgment, even if they do adopt wrong standards, pursue wrong methods, and put bad men in power, it is still possible for the community to be prosperous and happy though misgoverned. But when the question to be dealt with is so intricate and complex as to be beyond the comprehension of the great mass of men, is it safe to leave it to be decided by majority rule? In the light of our past history the answer is, Yes.

Of all the people of the earth we are the most practical and the least theoretical. Experience, not theory, has ever been our guide. Nowhere else do theories of finance, theories of political economy, of government, of social organization count for so little. Nowhere else does that wisdom gained by daily contact with the affairs of life count for so much. The very Constitution under which we live is a signal illustration of this. It was quite as much a business as a political necessity, and bears all over it the marks of a bitter experience. The dreadful state of trade, foreign and interstate, the disorders of the currency, the lack of a uniform circulating medium, the hopelessness of trying to support a government which could not tax, these were the considerations which outweighed all others and moved our ancestors to frame and adopt the Constitution. Any student of politics could have told them, and many did, that it was idle to expect that thirteen petty Republics could regulate a common foreign trade as successfully as one central government. But not till the experiment had been made and failed were the people ready to