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INTERNATIONAL MONETARY CONFERENCES

THEIR

PURPOSES, CHARACTER, AND RESULTS

WITH

A STUDY OF THE CONDITIONS OF CURRENCY AND FINANCE IN EUROPE AND AMERICA DURING INTERVENING PERIODS, AND IN THEIR RELATIONS TO INTERNATIONAL ACTION

BY

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PREFACE

Excepting to the few who make a special study of monetary science and affairs, the extensive literature pertaining thereto, and mainly produced within half a century, is a confusing jungle of conflicting opinions, isolated facts, dogmatic arguments, and diverse conclusions. While economists discuss, governments act; and thus those who, by the exercise of their political power, largely determine the conditions of a nation's money, lacking the time, the facilities, or, perhaps, the ability to explore the jungle for themselves, are apt to be influenced by any special argument that falls under their eye, or by some plausible plea of those politically artful or financially selfish, rather than by an understanding of their own, based upon a knowledge of the practical conditions as developed by antecedent events. Even the conclusions of able and honest disputants have been frequently vitiated by the use made of events out of their chronological order, or in disregard of their historical environment, simply for the sake of reinforcing an opinion or exalting a theory.

This book has been written in the belief that much of the confusion and difference of opinion that has made the Silver Question such a vexed one has been due to misapprehensions arising from the study of particular events or facts without sufficient regard to the influences which produced them. By the application of the principle of evolution, natural science assumed a new character. It is equally unsafe in any social or political study to judge of a fact or of an event by itself, severed from the soil which nurtured it, or removed from its original atmosphere. In no study is such a method so sure to lead to inaccurate conclusions as in that of money, which, in its very nature, is obscurely yet firmly rooted, not simply in the social life of nations, but in the commercial conditions of a whole world.

An understanding of the Silver Question cannot be had from conditions that obtain in the United States alone. The effects, for example, of the law by which this government offered sixteen pounds of silver for one pound of gold must be studied in connection with another fact, that France was at the same time offering a pound of gold for only fifteen and one-half pounds of silver. A nation has its own coins, but commerce makes money international. Yet the tendency has been for each nation to discuss the question of coinage from its own standpoint, and without regard to the natural relations of its own peculiar circumstances in the historic and international order of affairs.

These relations are extensively disclosed in the official records of international monetary conferences, the character of which has affected monetary conditions to a greater degree than has been generally considered. But the official reports of these conferences are ill adapted to the needs of the general reader, and, moreover, are not complete statements; equally unsatisfactory are other documents pertaining to the conferences or to the intervening conditions which are scattered through government reports in this country and in Europe. It has occurred to the writer that the principal facts in relation to these events, properly arranged and concisely stated, might throw a stronger light on the questions in dispute, reveal the logic of events, too often hidden in the maze of theories and political debates, and enable a people, whose opinions give character to legislation, and on whose judgment largely depend the financial strength of their government and the eventual determination of a monetary system, adequate and just for the whole world, to better understand a problem which seems destined to trouble their federal politics.

In drawing information from a multitude of sources, the author could not fail to appreciate the possibilities of unintentionally embracing some errors of fact; but he believes the general principles underlying the evolution of monetary conditions are unmistakable. It is not intended to advance any theory or to propose any scheme. The purpose is simply to tell the story of the conferences, and of the intervening monetary events of importance, as affecting conferences or as affected by them, in part, the story of the evolution of the Silver Question in this country and in Europe.

HENRY B. RUSSELL.

HARTFORD, December, 1897.

"There is a vicious circle: states fear to employ silver because of its depreciation, and the depreciation continues because states refuse to employ it."—Right Honorable George J. Goschen, British Delegate at the Conference of 1878.

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INTERNATIONAL MONETARY CONFERENCES

CHAPTER I

SLOW DEVELOPMENT OF INTERNATIONAL COINAGE REGULATIONS.—THE LATIN UNION

From the early period in the world's history when the precious metals came into use as money until near the middle of the present century the adoption of international regulations for their coinage, circulation, or relative value did not naturally suggest itself. With only cumbrous and slow means of communication, crude methods of coinage, or none at all, a commerce greatly restricted and principally by barter, ancient states possessed little understanding of the relation of their own economic affairs to those of their neighbors. The principles underlying commercial exchanges had little opportunity to manifest themselves when tribal or national prosperity was commonly reckoned by the success with which ambitious or jealous rulers acquired by conquest the rich lands and numerous herds of more thrifty but less warlike peoples, either to remain as conquerors, or, returning to their original domains with the more desirable plunder, to exact revenue in the most convenient and portable form, till they were in turn overcome by some similar process. Lands and herds were the main evidences of wealth, cattle the commonest standard of value. So far as there was any coinage, it was held as the prerogative of the ruler, and was mainly confined, till recent times, to the baser metals. There was little or no thought of the exchangeable value of coins outside the king's domain; for even the more civilized ancients, though refined artists and profound reasoners did not acquire the power of careful economic observation, and, currency being rare, few of the general laws governing it were discovered till after the gold and silver stores of American aborigines were poured into Europe.

Very little gold was coined in Athens or Greece proper before the time of Alexander the Great. The amount of money now in existence is incomparably greater than either in classic or mediæval times. Mines were then few, and most of the existing treasure was locked up in the vaults of kings or hoarded by private persons. During the time of the consuls the leading Roman families manufactured their own coins as they saw fit; but when the greater part of the then known world was brought under the imperial sway of Augustus, his vigorous arm suppressed these private operations and established a coinage bearing the image and superscription of Cæsar through the wide extent of an empire of 120,000,000 souls. A great increase in the use of coins followed, and there was a marked tendency towards uniformity, tributary states seeking to coin their metal in accordance with the Roman standard. But the mines were not worked, and the mass of the precious metals dwindled away to such an extent that the scarcity of money became a serious cause of weakness to the imperial structure. When the empire broke up, some of the conquerors still maintained the Roman monetary system; but, little, by little, petty chieftains, seizing the political débris, built up small states, lay and ecclesiastical, each of them claiming the sovereign power of coining money. Soon licenses to coin were granted to nobles and bishops. This was pre-eminently the case in Germany. In 910 we find Otho II., of the then dominant Saxon line, granting such licenses to the archbishop of Strasburg and to lesser bishops. Similar privileges were granted under the heptarchy in England, and the practice quickly became general. Naturally, such political and ecclesiastical conditions soon brought about the greatest dissimilarity in coins, which were chiefly of silver and copper, and could be struck only to a limited extent; indeed, from the fall of the Roman empire till nearly the eleventh century, gold and silver were rarer than they have ever been in historic times. Those who could secure the precious metals were tempted by their ever-increasing value and the disturbed condition of the times either to preserve them in safer and more ornamental shape or to adopt the villianous practice of debasing the coinage. It has been estimated that in the days of Charles the Great the stock of gold and silver in Europe, outside of Constantinople, was not greater than thirty-six millions sterling.

There was little uniformity in the estimates of the relative value of the two metals. In Florence the coining ratio was $10\frac{1}{2}$ and 11 to 1; in Germany, all the way from 8 to 12 to 1; in Flanders, 13.22 to 1; in England, 13.5 to 1. The ratio differed even within a single state at the same time. Anything like exact uniformity in coins of the same nominal value was necessarily rare in countries where the rulers, nobles, and bishops, all coining for themselves, did not scruple to reduce the amount of precious metal in their pieces for their own profit, and when the best process of coinage known consisted in placing the metal between steel dies and striking with a hammer. It was not until late in the sixteenth century that Antoine Brucher invented a mill, and it was considerably later when the old methods were superseded.

An advance upon these crude methods naturally resulted from a combination of influences beginning with the Crusades, one of the important economic effects of which was the stimulation given to commerce with the East. Although this growing trade was carried on largely by monopolies, it led to a greater diffusion of wealth and a wider distribution of the precious metals. Another notable stimulus was given to commercial transactions when the persecuted Jews introduced drafts or orders. "They invented," says Montesquieu, "bills of exchange, and by these means commerce was enabled to elude violence and maintain itself, the merchants having only invisible wealth which could be sent anywhere, and left no trace of its passage." These expedients were less the invention of mediæval Jews than their inheritance. Similar methods probably prevailed to some extent even in Babylonian days and in the times of Jewish national prosperity. The scattered people carried their traditional familiarity with money changing into mediæval Europe, and by their genius for finance, and because of the simplicity of the masses in commercial matters and of the improvidence of kings and nobles, they came to acquire nearly all the ready money by the eleventh century. Odious to the rulers, they were no less necessary. When placed under the sentence of perpetual excommunication, they could be robbed, tormented, and driven out with impunity, but they were equal to the emergency. In exile, they deposited their precious metals in safe hands, and continued their trade by giving travelers secret letters or bills of exchange to those intrusted with their wealth.

Thus commerce spread rapidly. The Germans came to have a counting-house on the Rialto, and commercial leagues or trades unions were formed in the growing German cities, where commerce received another great impetus. The Hanseatic League became one of the most powerful commercial organizations ever known to history, including, besides the cities which composed it, forty-four confederate and twenty allied cities in France, England, Flanders, Spain, and Italy, without counting the subject towns. It had four great branches — at Bergen in Norway, Novgorod in Russia, Bruges in Belgium, and at London. Established in 1219, primarily by German cities for the protection of their trade, which was exposed to both the rapacity of rulers and the attacks of pirates, it developed into an association for the consideration and promotion of all means for the protection and advancement of its trade. With the discovery of America and new waterways in the fifteenth century the league began to decline, and at the last diet, held at Lubeck in 1630, the majority of the cities renounced their alliance. But while so extensive a commerce, so long under the control of organizations of such great power, unquestionably developed the methods of exchange, only scant consideration was given to questions of coinage. Commerce was still largely barter, and the precious metals played a subordinate part in determining values.[1] When exchanged, it was usually by weight, while taxes, rents, and feudal dues were paid in produce. The breaking-up of the trade leagues was, in no small degree, due to the increased use of the precious metals, the greater safety of commerce

[1] How inconsiderable was the coinage in England before the present century may be shown by the following statement of the amount for each principal reign from the time of Henry III.:

		Silver.	Gold.	Total.
1216–1272	Henry III.	£3,898	———	£3,898
1272–1307	Edward I.	38,603	———	38,603
1307–1327	Edward II.	46,756	———	46,756
1327–1377	Edward III.	85,701	£11,340	97,041
1377–1399	Richard II.	2,228	3,988	6,216
1399–1413	Henry IV.	314	396	710
1413–1422	Henry V.	6,924	19,746	26,670
1422–1461	Henry VI.	404,677	38,317	442,994
1461–1483	Edward IV.	89,704	230,760	320,464
1485–1509	Henry VII.	138,280	189,232	327,512
1509–1547	Henry VIII.	355,403	292,916	648,319
1558–1603	Elizabeth	6,359,583	795,138	7,154,721
1603–1625	James I.	1,641,005	3,666,390	5,307,395
1625–1649	Charles I.	8,776,544	3,319,677	12,096,221
1649–1660	Cromwell	1,000,000	154,512	1,154,512
1660–1685	Charles II.	3,722,180	4,177,254	7,899,434
1685–1689	James II.	518,316	2,113,639	2,631,955
1689–1702	William and Mary	7,093,074	3,418,889	10,511,963
1702–1714	Anne	207,095	2,484,531	2,291,626
1714–1727	George I.	233,045	8,492,876	8,725,921
1727–1760	George II.	304,360	11,662,216	11,966,576
1760–1820	George III.	6,827,818	75,447,489	82,275,307
1820–1830	George IV.	2,216,163	36,147,701	38,363,864
1830–1837	William IV.	1,111,298	11,435,334	12,546,632
1837–(1892)	Victoria	46,265,269	393,903,734	440,169,003

following the discovery of America, and the larger use of bills of exchange.

The first English gold coin was not struck till the reign of Henry III., in the latter part of the thirteenth century. No regular gold currency was introduced till a century later, under Edward III., and the pound sterling was not minted till 1489, by Henry VII. The first German gold coins are said to have been struck by Archbishop Walram, of Cologne, about 1340. Russian coinage began late in the fifteenth century. Even where coinage flourished it manifested the greatest variety, was generally unfit for a standard of value, and was seldom used as such. France during all these centuries was annoyed by the diverse coinages of feudal sovereigns and ecclesiastics of high and low degree, and many specimens of the coinage of secondary dukedoms and minor principalities of the various nations of Europe are still extant.

The situation greatly changed when Spain brought gold and silver from America. Up to that time the greatest wealth consisted in land; but beginning with the sixteenth century the Spaniards annually threw into circulation a large quantity of both gold and silver, while at the same time valuable merchandise came in increasing quantities from Asia. Europe had more money and more merchandise, an exceedingly fortunate circumstance, for without the money the value of the merchandise would have fallen, wiping out a large amount of wealth and injuring commerce.

Finding purchasers for the merchandise, trade increased, money began to be more widely distributed, movable fortunes were accumulated, the bourgeoisie developed strength and importance, princes began to study economic questions, nations established closer relations, and knowledge advanced. Europe was born again; it was the renaissance. The art of printing was discovered, the calendar was reformed. The thirst for knowledge and the admiration of art seized princes, popes, knights, monks, and burgers. Even in Germany, troubled with religious dissensions, the poet and scholar Ulrich von Hutten exclaimed with reference to the intellectual awakening, "How good it is to live!" Civilization had waited long, but when the change came it brought with it such names in literature as Tasso, Ariosto, Montaigne, Rabelais, Cervantes, and Shakespeare; in art, Michael Angelo, Titian, and Raphael; in science, Copernicus and Tycho Brahe; in politics, Machiavelli; in theology, Martin Luther. We are not apt to exaggerate the part that American gold and silver had in the construction of the notable examples of architecture of that century.

It is not strange that the incongruous condition of the coinage attracted attention in such times, and that many practical remedies were applied within the different states. Nor is it strange, in view of the early commercial development of the German cities and the remarkable variety of their coins, that the first really important efforts for international, or otherwise mutual, coinage agreements took place among the Germans. Members of one race, though preserving many independent political organizations, they had evident incentives to consult their mutual interests regarding their chaotic coinage. As early as 1354, the three ecclesiastical electors, Mayence, Treves, and Cologne, had entered into a coinage agreement for "coining a common money of gold and silver in all our lands," but the arrangement appears to have been futile. With the increase in metallic circulation in the fifteenth century, the four electors of the Rhine formed a coinage union, agreeing as to the denomination of the coins to be struck and as to means for the protection of the coinage prerogative. In spite of religious wars and other obstacles, various agreements were made from time to time between the petty German powers regarding the reciprocal acceptance of coins. Such agreements were also made at Zinna in 1667, and at Leipzig in 1690, between the electors of Saxony and Brandenburg and the House of Brunswick-Lüneburg; at Vienna, in 1765, between Austria and the elector of Bavaria; and at Worms, in 1766, between the electors of Mainz, Treves, and the Palatinate Landgrave of Hesse-Darmstadt and the free city of Frankfort. Provisions for the mutual acceptance of coins are found in the early treaties establishing the German customs-union, and gradually the coinage regulations of all the members of the union were reduced to a practical system of exchangeability on a uniform basis, but all sorts of coins remained in use.

Similar steps were being taken in other portions of Europe for the harmonizing of the coinages of different provinces, and for unifying the coinage prerogative. In the time of Louis IX. there were in France over eighty barons and bishops holding this prerogative by grant of the king. An agitation for depriving them of the right was started under Louis X., but it resulted only in the publication of an official list of those entitled to the right, though stricter provisions as to the number to be stamped from the mint unit of weight and as to the imprint were enforced. Gradually, under the succeeding kings, the crown purchased the coinage right from those to whom it had previously given it, and by the end of the fifteenth century, or when gold began to come from America, the unity of the coinage prerogative was wellnigh reached in France. In England after the Magna Charta, the influence of Parliament was directed towards such unity.

But up to the present century there was nothing like an agreement between distinctly different nations attempted. Each great state regarded its coinage as entirely its own business, to be regulated as it saw fit and irrespective of the legal ratios fixed elsewhere, except upon occasions when animated by a desire to get the better of some neighboring state. With the beginning of the nineteenth century the coinage systems of Europe began to assume more clearly defined forms. England, after overrating gold in her coinage all through the eighteenth century, was forced by the Napoleonic wars to a currency of inconvertible paper, but in 1816 established her present gold standard. When the provinces of the Netherlands and Belgium were united under a single sceptre, both countries had a variety of coins, for every province had claimed the right of coining money; but a law was passed under William I., establishing the florin as a unit. In 1838 the German customs-union formed a coinage union at Dresden; in 1845, at Karlsruhe, the Prussian customs-union took a similar step; and in 1857 both unions united in a treaty which remained practically binding on all the German states till the formation of the empire in 1870, although Austria, which was a party to this so-called monetary union, withdrew in 1867 as a result of the war with Prussia over Holstein. This treaty extended the regulations fixed by previous agreements, and fixed for the purposes of the Zollverein the relative values of the gold crown, the silver thaler, and the silver florin. The issue of "vereinsthalers," to have currency throughout the contracting states, was also provided for. But none of these arrangements could really be called international. They were agreements between states then within the nation.

The germ of real international action as to coinage was first developed in America, not by considerations for the coinage strictly, but by the scientific movement about the middle of this century for uniform weights and measures and for the extension of the decimal system. It was a phase of another notable scientific awakening, when new economic laws were laid down by Gournay, the Frenchman, and Adam Smith, the Scotchman. The modern decimal system of weights and measures originated in France in 1790, and nine years later the prototype meter of platinum was constructed by an international commission representing the governments of France, Holland, Denmark, Sweden, Switzerland, Spain, Savoy, and the Roman Cisalpine and Ligurian republics. While the progress of the system was slow outside of France, its advantages suggested themselves to scientific men and leading statesmen, and to none more than to those Americans influential in the early constitutional history of the United States. In no country, perhaps, were the conditions so favorable for the introduction of new ideas, for the government was new and the people less affected by long-standing traditions. Nowhere could plans of uniformity appeal so strongly to the people as in the new republic, where great lack of uniformity prevailed, to some extent in weights and measures, but more especially in coins.

Originally and for a long period the American people used the English monetary terms most extensively, but the ideas annexed to the pound, shilling, and penny were almost as various as the states themselves. Several attempts were made by the Continental Congress to harmonize the different coins current, and in 1778 a committee was appointed to consider the state of the money and finances of the country, "and report thereon from time to time." In 1782 Robert Morris, superintendent of finance, believing it necessary for the country to have a standard of its own by which to estimate the various coins current, recommended the adoption of an American coin, and, in view of its scientific advantages, a decimal system of numeration. At the same time Jefferson added some notes favoring the application of the decimal system not only to money but to weights and measures. He advised that the silver dollar should be made the unit of value — dollars were already called for in the requisitions of Congress — while Morris proposed a unit of a quarter of a grain of pure silver. Jefferson's decimal plan, elaborated by the genius of Hamilton, was adopted by Congress in 1792, the law decimally subdividing the dollar thus antedating a little the establishment of the metric system in France. But it was many years before the people of some sections of the country could be persuaded to replace their familiar reckoning in pounds, shillings, and pence by that of dollars and cents; and it was practically a generation and a half before a national coin came into anything like general use. For a half-century the currency consisted almost entirely of foreign coins and bank-notes, the former forcing out national silver coins, so that in 1806 the coinage of dollars was stopped, and the latter tending much of the time to force out all but inferior foreign coins. Our great-grandfathers were not so sentimental over the silver dollar as some of us have become in the last quarter of a century. Thomas Jefferson dealt it the first blow when as President he caused the following notice to be sent to the Director of the Mint:

"Department of State,
"May 1, 1806.

"Sir:—In consequence of a representation from the Directors of the Bank of the United States that considerable purchases have been made of dollars coined at the mint for the purposes of exporting them, and as it is probable further purchases will be made, the President directs that all silver to be coined at the mint shall be of small denominations, so that the value of the largest pieces shall not exceed half a dollar. JAMES MADISON."

Except a thousand pieces coined just thirty years after this order, no more silver dollars were coined till after Andrew Jackson retired from the Presidency. For nearly half a century Congress devoted its consideration of the currency mainly to plans for fixing the exchangeable value of foreign coins, and to proposals for changing the ratio between gold and silver to keep either the one or the other in circulation.

Under such conditions, the government being unable to keep in circulation any coinage of its own, and the old stockings of the people being full of old coins bearing the stamp of many foreign mints, with all sorts of names and with different values in different places, the advantages of securing an international uniformity in coinage could not fail to attract the attention of the brighter minds. France had, meanwhile, issued invitations to the various powers to co-operate in the construction and establishment of the metrical system of weights and measures, and, in obedience to a resolution of the United States Senate, passed in 1817, the Secretary of State, John Quincy Adams, made a report strongly and brilliantly advocating an international conference. While urging such a conference, especially with Great Britain, France, and Spain, which also had the subject under consideration, with the main view to securing uniformity in weights and measures, he added a note on the proportional value of the pound sterling and the dollar, clearly showing that he appreciated the desirability of a plan approximating the exchange values of countries with which we were most extensively engaged in commerce.

The conventional proportion between the pound sterling and the dollar, used in commercial intercourse and sanctioned by Congress, had settled the par of exchange at one pound sterling for $4.44 in the United States, while in Great Britain it was at four shillings and sixpence for the dollar. "The results of the two estimates are not the same," wrote Adams; "if the dollar is worth four shillings and sixpence, the pound sterling is worth four dollars and forty-four cents and four mills, and an endless fraction of four decimal parts. If the pound sterling is worth $4.44, four shillings and sixpence, or fifty-four pence, are equal only to ninety-nine cents and nine mills. The difference is one mill in a dollar, or one thousand dollars in a million."

Besides this, gold and silver coins, even if in practice scarce, were in principle legal tender for any amount, but in England silver was only legal tender in payments not exceeding forty shillings; and by restriction of cash payments by the bank, the only material in which an American merchant having a debt due him in England could obtain payment was paper of the Bank of England, while the English merchant could obtain on this side either gold or silver.

Besides the incongruities pointed out by Adams there were many indications of an unhealthy condition of the currency. All the mint could do was to stamp bullion into convenient form for exportation. The spectacle must have been humiliating to the sagacious financiers and earnest patriots of those days, but the " people " thought little or nothing about it. Even so stanch a believer in Democracy, a man so deliberately plain as Jefferson, said, when speaking of the money question, " The bulk of mankind are schoolboys through life." As a people, the Americans were proud of their independence and held it dear. Running their own government and by energy and thrift making progress in their resourceful domain, they were not inclined to ask odds of any foreigner regarding forms of money. They had recently " whipped " England a second time on both land and sea. They felt, and undoubtedly were, entirely competent to do it again on American shores; so they viewed with little concern a thing so insidious and impalpable as the loss of national specie, which they rarely had seen. They had bank-notes from their own bank, and were disturbed, if at all, when the bank appeared to enjoy too great a monopoly. If the average member of Congress had called his constituents together and asked of them their opinion as to a monetary convention with Great Britain, they would very likely have declared such a step entirely unnecessary, on the ground that the United States could take care of themselves and the British might attend to their own affairs. Economic principles have not made sufficient headway, even unto this day, to entirely eliminate this so-called national feeling. Characteristic, in varying degrees, of all countries, it has always been an obstacle to congruity in commercial arrangements and has played an important part in preventing monetary agreements and a uniformity in coinage. As a popular sentiment, it doubtless has been and is, so far as it remains, a source of strength which any nation may be proud of, but it would not have suffered in quality by a limitation of its application when interfering with an intelligent appreciation of the great advantages to be derived from measuring commodities and financial obligations with accuracy and honesty.

By 1834 the absence of specie had become sufficiently aggravating to induce Congress to do something, and under the leadership of Benton the ratio between gold and silver was changed from 15 to 1 to 16 to 1. The professed, and, evidently, real purpose of this legislation was to reinstate gold in the currency. It was the deliberate intention to rate gold too high, to put a premium on it, so that the product of the newly discovered mines in the South might be kept in the country and foreign gold might be imported. If the premium simultaneously put on the exportation of silver was thought of, there was no worrying over it. Congress was not uninformed of the advantages of adopting a ratio in harmony with that prevailing in some of the larger European states, but uniformity was not the purpose. The adoption of the French ratio was urged, some gold monometallists have held, by those who simply desired silver monometallism; but, on the contrary, it seems clear that it was honestly advocated with the single view to uniformity. Another effort was made to secure the ratio of 15.85 — about the English mint ratio — but that was also voted down, by a majority determined, as Calhoun plainly said, if any mistake were to be made, to favor gold. By making the relative value 16 to 1 another discord was added to the monetary conditions of the world with its varying ratios, artificially affecting the natural flux of the precious metals. If the French ratio had been adopted, a closer assimilation in coinage might not have followed in the next generation when the subject attracted general attention, but it would have been possible and probable. A coinage union with France would have greatly changed the future course of monetary events, at least, and it is doubtful if there would have been a Silver Question in the nineteenth century. In his "Thirty Years' View," Benton himself declared that "the French ratio was the ratio of nearly all who seemed best calculated from their pursuits to understand the subject;" but for other, and, as he thought, practical reasons, he favored the ratio of 16 to 1, around which the friends of a gold currency rallied. A slight change was made in the ratio in 1837 by adding a trifle to the weight of gold coins and reducing the fineness for the purpose of conforming more closely to the decimal system. It was unimportant in its effects.

There was considerable boasting over the gold coins which soon made their appearance and which were popularly dubbed "Benton Mint-drops" or "Jackson Yellow-boys"; it was natural to seek to make political capital of them before a people which, up to that time, had seldom seen an American coin. But the pleasant experience was all too brief. The flight of the larger silver pieces did not appear alarming so long as there were substitutes, but soon the old and worn fractional pieces followed, and the plain people, who so admired Jackson, found themselves greatly inconvenienced by a lack of change, which, rather than gold, was always the medium of their everyday transactions. Half-dollars, quarters, dimes, and half-dimes were turned out of the mints from 1834 to 1850 to an amount almost as large as the coinage of gold. A few silver dollars were struck — something that had not occurred at the mint for thirty years — but everything in the shape of silver was immediately exported. Matters became still worse when gold began to pour into the mint from the newly discovered mines of California. But for the use of small notes, in varying degrees of depreciation, the domestic trade and industry would have been hampered more than it was. In 1851 the law creating the silver three-cent piece, three-quarters fine, was passed, and more than a million dollars' worth were coined in three years in the effort to supply the deficiency. Standard silver coins rose to a premium of 5 per cent., and the total silver coinage fell from $2,558,580, in 1846, to only $774,397 in 1851, and in 1852 more debased three-cent pieces were coined than of all the other denominations put together. They alone would circulate.

The result was the law of 1853, which reduced the weight of half-dollars from 206¼ to 192 grains, and of the lesser coins proportionally, while their legal tender was limited to sums of $5, and their coinage to government account. In adopting this law Congress chose, as it considered, the least objectionable of two alternatives. It had either to increase the value of gold in gold coins or reduce that of silver in silver coins. By taking the former course the possibility of again losing gold had to be faced; by taking the latter both metals might be kept current, but silver would be entirely subsidiary and the standard would be gold, as in England, which kept its silver in circulation by debasing it. One serious objection to the former course was that the coinage of gold had become so great that the government could not afford to recoin so much unless there appeared to be some great compensating advantage, and they saw none; indeed, they wanted the gold standard and said so, being fully aware of what they were doing. In introducing the bill which afterwards became the act, Representative Dunham, on behalf of the Committee on Ways and Means, said:

"Another objection urged against the proposed change is that it gives us the standard of gold only. What advantage is to be gained by a standard of the two metals which is not as well, if not better, obtained by a gold standard I am not able to perceive, while there are very great advantages resulting from it, as the experience of every nation which has attempted it has proved. Indeed, it is utterly impossible that you should maintain a double standard. Gentlemen talk about a double standard of gold and silver as a thing that exists, and that we propose to change. We have had but a single standard for the last three or four years. That has been and is now gold. We propose to let it remain so, and to adapt silver to it and regulate it by it."

It has been too commonly overlooked in recent discussions that the "dollar of our daddies" was thus lightly esteemed by the "daddies" themselves. With a proper understanding of the manner in which the question of standards was regarded in the fifties and sixties, and by carefully following the development of events, the misapprehensions which have so confused the Silver Question in recent years can be largely avoided. We shall see later and the more we progress in this study that apparently the human mind is quite differently affected by a sudden and marked appreciation in gold and a similar depreciation in silver. Governments in Europe had been laboring with the same problem, and were favoring practically the same course, though warned by some economists that, with another flood of gold coming in from Australia, gold would have to be demonetized.

But from no quarter, so far as I have been able to observe, came any suggestion of an international conference or convention to attempt the regulation of the relative value of gold and silver. Each nation showed anxiety to keep its own specie, too well satisfied with the new wealth of gold to take any steps against it, and needing silver for change too much to think of any other course than overvaluing it at the mints. In order to preserve their silver they debased it, thus, in effect, instituting the gold standard, a standard of the cheaper, the depreciated metal. While mints were nominally open to silver at old ratios, holders of bullion naturally declined to convey it there to be stamped for less than it was worth. It was also true that political conditions in Europe and other circumstances offered no inducements for international action as to the ratio, had any nation requested it.

But other subjects were frequently suggested for such action, and, among them, the old one of uniform weights and measures and of the decimal system, on the merits of which a polemic discussion had been going on in England for some time. It will now be interesting to watch the development of this idea and to observe its outcome.

At the International Exhibition at London in 1851 scientific assemblies discussed extensively a common system of weights and measures, and also of coins, but nothing was done, though at its close the London Society for the Encouragement of Art, Industry, and Commerce informed the government that it would be well to consult the neighboring nations, to see if measures could not be taken to hasten the adoption of a uniform system for the entire world. The International Statistical Congress at Brussels, in 1853, debated the subject still further, but could not agree on any proposal. At the next Statistical Congress, which was held in Paris two years later in connection with the Exposition, Louis Napoleon, who had shortly before been declared Emperor, used his efforts to secure the extension of the metric system; but here also there was a failure to agree upon a plan of concerted action, though a large number from the juries and committees of the different countries signed a declaration strongly urging uniformity in weights, measures, and coins.

Informed of these facts and observing also the active agitation of the subject in England by the Decimal Association and others, the Congress of the United States revived the subject, and in 1856 passed a joint resolution directing the Secretary of the Treasury to appoint a commissioner to confer with the proper functionaries of Great Britain "in relation to some plan of so mutually arranging, on a decimal basis, the coinage of the two countries that the respective units" should be thereafter easily and exactly commensurable. The finance committee of the Senate, in reporting the resolution, remarked that "no measure could be readily suggested the realization of which would mark a more decided epoch in the history of commerce." It might have been possible, apparently, for the commissioner appointed under this resolution to have entered into a conference comprehending the whole question of coinage with an identical relation between gold and silver coins, but the decimal basis and not the ratio was the point Congress had in mind at this time. A commissioner with such general instructions went to England, conferred with the Derby ministry, and, returning, reported, in January, 1859, that, "although the British government were not prepared themselves to take the initiative with reference to a project that could not be carried out by them without parliamentary sanction, they were prepared to consider and confer with respect to any proposal that the commissioner might be instructed to make in behalf of the government of the United States." No further prosecution of the negotiations resulted, and the United States were soon too engrossed in serious domestic affairs to originate any project for proposal. But even in the throes of civil war, when our specie had completely disappeared from circulation, it continued to be the subject of consideration and discussion. Only a few days before the government suspended specie payments, Salmon P. Chase, Secretary of the Treasury, in his annual report, invited the attention of Congress to the importance of uniform weights, measures, and coins, and to the worth of the decimal system in the coinage of the world. Congress had more important matters to think about, and England was treating the cause of the Union with scant courtesy. Nevertheless, Secretary Chase renewed the suggestion in 1862, stating that "the present demonetization of gold may well be availed of for the purpose of taking one considerable step towards these great ends."

It is well to notice here the secretary's remark concerning the demonetization of gold. Had it not been his understanding, as it was of every one else after the act of 1853, that gold was the standard, he would naturally have coupled silver with gold in his statement referring to demonetization by the suspension of specie payments or by exportation. The theory of the gold standard was accepted by common consent and was not conceived in ignorance or in malice towards silver. The secretary evidently had only the possibilities of gold in mind in all he had to say upon the subject. "If," he continued, "the half-eagle of the Union be made of equal weight and fineness with the gold sovereign of Great Britain, no sensible injury could possibly arise from the change, while, on resumption of specie payments, its great advantage would be felt in the equalization of exchange and the convenience of commerce. This act of the United States, moreover, might be followed by the adoption by Great Britain of the federal decimal divisions of coin, and thus a most important advance might be secured towards an international coinage with values decimally expressed."

That commercial bodies and the government of the United States, even in a severe civil strife, should have continued to advance these propositions is not, perhaps, so strange as it seems, for they were being agitated in Europe, and an economic opinion in their favor was fast crystallizing. Attention had been drawn to them in Germany in the discussion over the monetary treaty of 1857, already referred to, a discussion which was the beginning of that movement for monetary reform culminating in 1873. The International Statistical Congress at Vienna in 1859 made another declaration in favor of uniformity, and in 1862 the English House of Commons went so far as to appoint a committee, and, on its report, the metric system was made legal and optional. There was some talk of instituting decimal coinage, but the matter was considered premature. By 1862, when Secretary Chase made his recommendations, the advocacy of the reduction of existing units of money to a small number on a decimal basis had become quite general among commercial bodies and economists. Another Statistical Congress, held at Berlin in 1863, at which the nations were generally represented, voted unanimously that the different governments " be invited to send to a special congress delegates authorized to consider and report what should be the relative weights in the material system of gold and silver coins, and to arrange the details by which the monetary system of different countries " might be fixed, upon a single unit decimally subdivided.

This congress, though not convened to consider monetary questions especially, may be regarded as the starting-point in international deliberations on the subject. No general assembly of nations by delegates duly accredited had ever before been held in which the question of general monetary unification had been so openly and seriously discussed. Before that the advocacy of unification had been principally confined to weights and measures, but in 1863 that phase of it was subordinated to uniform coinage and wellnigh laid aside. The representative of the United States was Samuel B. Ruggles, a leading member of the New York Chamber of Commerce, a statistician and economic student of high repute in this country. He found at Berlin a large and influential delegation from Great Britain zealously engaged in an endeavor to unify the money of the world. A special committee composed of delegates of fourteen different governments was appointed to consider the subject, and it made an elaborate report, mainly prepared by Samuel Brown and Prof. Leone Levi, of King's College, London, recommending the decimalization of the pound sterling and the making of it a monetary unit. It further proposed in respect to silver coins that the dollar, reduced in value to 5 francs, the florin, made equal in value to $2\frac{1}{2}$ francs, and the franc itself should be units, all of them decimally subdivided. The delegates of the United States objected to the adoption of the four units, mainly on the ground that it would tend to preserve the double standard of gold and silver, and thus, to use his words, "prolong the vain attempt to fix by legislative enactment the relative value of the two metals, in their nature necessarily mutable and governed only by the fundamental law of supply and demand." In the course of the discussion, a suggestion was made by Dr. Farr, Register-General of the United Kingdom, and one of the most distinguished of the British delegates, that the gold dollar of the United States should be made equal to one-fifth of the English sovereign. To this Ruggles replied in behalf of the United States that both the sovereign and the half-eagle should be reduced to the value of 25 francs, thereby unifying at once the gold coinage of the three nations. The difference of opinion on this point between the delegates of Great Britain and of the United States led the Congress to adjourn without making more than a general declaration and asking for a special congress to devise a plan. Had England's proposition been accepted at this moment, when the enthusiasm of some of her leading men was at its height, it might in time have led to international bimetallism and changed the whole course of monetary events. But the sentiment for a single gold standard had gained too much headway, especially among the nominally bimetallic states.

This gradual movement towards international action on the money question was stimulated by various conditions in different countries. Moreover, the period from 1850 to 1865 was one of earnest scientific thought everywhere, and largely upon new lines. We cannot fail to distinguish points of similarity between this time and the period of the renaissance in the sixteenth century, the latter following the influx of precious metals from the New World, and the former following the most remarkable increase of gold production in history. A new drift had been given to thought by the writings of such men as Darwin, Huxley, Tyndall, and Spencer. There was a disposition to find a scientific basis and an evolutionary reason for everything — even the world's monetary systems. Nothing but the logical would hold, and the double standard seemed illogical. It was believed, also, that the double standard had failed in practice, though with such diversity in decreed ratios it could hardly be otherwise. At this same period the world recognized an expansion of international feeling, due directly, perhaps, to the development of steam-power and to the discovery of the untold possibilities of electricity. International congresses began to be common. Besides the statistical meetings to which reference has been made, the Postal Congress in Paris, in 1863, first suggested by the United States, is a notable example. There also, as the delegate of the United States reported, the question of uniform coinage was extensively discussed, " on the side."

But while affairs were thus slowly working to bring about an international monetary conference, the French Emperor saw an opportunity to act with more dispatch and with greater glory to the French name. Louis Napoleon was in the zenith of his imperial power. The world has quite fully appreciated his weak points, not so his strong ones. Cold, calculating, silent as the grave, as ambitious and, upon occasion, as unscrupulous as any monarch who ever lived, he did not hesitate to play for the highest stakes. His timidity in the face of unfavorable conditions was no more remarkable than his desperate audacity when they seemed to favor him, and his faculty for quickly perceiving an opportune moment, generally with accuracy, was inherited from his celebrated uncle, and trained by constant use in early life, the dream of which was the throne of France. Before 1848, often in mean obscurity, though a Napoleon, he was regarded by the French leaders with contempt. When he suddenly appeared at Paris at the time of the overthrow of Louis Philippe, the delegates considered him too innocuous to require them to take the trouble to impose banishment; yet within two months he was elected to the National Assembly from four different departments, and before the close of the year was chosen President by an overwhelming majority over the greatest statesmen of the time in France. The so-called coup d'état of 1851 required uncommon audacity, but it was characteristic. He saw his chance, seized it, and succeeded. Step by step, each time by the overwhelming sanction of the French people, he kept his course, and in 1862 he was the first monarch of Europe. "He had overawed England, defeated Russia, and treated Italy as a magnanimous patron." Under his command the French arms had again acquired something like the old Napoleonic glory, in Eastern wars, and at Magenta and Solferino, completely breaking Austria's power over the South German states. Neither a fool nor a man entirely a knave could have accomplished so much, even with the French spirit, for his ambition was not confined to the possible glories of war. He had made Paris the first city in the world, tearing down the old rookeries in which revolutions had been hatched, and running over their sites magnificent boulevards. He did much to build up the commerce of the country, to develop its railroad system and its mining and manufacturing interests. The French people, freed from anarchy for several years, and directed into industrial channels, became as a nation more practical than ever before and more prosperous. Largely by the Emperor's energy, the Suez Canal had become a reality, and more than any other monarch of those days he dabbled in political economy in search of ways to extend the French name and influence. While dreaming of a new imperialism in Mexico, he was also watching the new economic movement among the nations — watching for opportunities.

In 1863 he saw one. He had studied the development of the sentiment for an international conference on the subject of weights, measures, and coinage, and upon every opportunity had cultivated a scientific opinion in favor of French methods. It was not like Napoleon to wait until some other nation gained the fame, and, perhaps, the advantage of taking the initiative. He was quick to see that, if the United States adopted for their half-eagle the weight and fineness of the English sovereign, as Secretary Chase was proposing, it would not only be of great advantage to England, but would compel France to change her whole coinage system without getting any glory from it. His agents were active at the Postal Congress and at the Statistical Congress in 1863, and four months later he sent out letters inviting all the sovereigns of Europe, or their deputies, to another congress, ostensibly for the purpose of settling various questions which appeared to threaten the peace of Europe. The Continental states assented, but England, whose plenipotentiaries had not long before quit Mexico upon observing the Emperor's real purpose there, declined the invitation on the ground, as stated by Lord Russell, that such measures of prospective legislation were more likely to embroil the several powers than to establish peace. The project was, therefore, abandoned, and has always remained something of a mystery from a political point of view.

The career of Louis Napoleon offers little ground for the belief that he cared so much for peace if he saw that war might afford him greater opportunities. But just at that time he was interested in preserving a season of peace with France at its centre. He had in mind for the near future a great International Exposition, to be held at the newly beautified Paris, something that would impress the world with the glories of the second Napoleonic régime, and at the same time afford opportunities for international gatherings for the consideration of such subjects as the unity of coinage. The idea had been quietly fostered at the Postal Congress, and for some time the various governments were prepared for the decree which went forth early in 1865 for the exposition of 1867.

One of the first steps for its promotion was the formation of the Imperial Commission, with Prince Jerome Napoleon as its head. It was a body not only French, but Napoleonic. It set to work to prepare for the organization of the different departments of the fair, and one of its first steps was the organization of a scientific commission, an act approved by the Emperor in July, 1865, the objects of which were, according to the act, first, to indicate the best means of representing at the fair the recent advances of science, and, second, to contribute to the extension of the employment of useful discoveries and "to encourage reforms of international interest, such as the adoption of uniform weights and measures, identical scientific unities," etc. It was composed of Frenchmen appointed directly by the Imperial Commission, and later foreign members were added by appointment of different governments, approved by the Imperial Commission.

While this commission was at work, and to some extent as a result of its work, the Latin Union was formed. It may be too much to assume that Napoleon was so deep a schemer as to have planned this union for the effect it would have upon an international monetary conference which he had determined to assemble, if he could, at Paris, during the exposition. So far as external appearances go — they were very unsafe guides to Napoleon's diplomacy — the Latin Union seemed the natural result of circumstances which France was compelled to recognize, and of which she took wise advantage, but it will pay to study it in the light of associated events. This conference at Paris in the fall of 1865 was the first important monetary meeting on international lines, the only one that ever resulted in a treaty, and, whether intentionally or not, it, in a great degree, moulded the character of the general monetary conference at the same place two years later, from the economic effects of which grew the Silver Question.

To clearly apprehend the professed reasons for the formation of the Latin Union, it will be well to refer again to the relative condition and value of gold and silver, especially as they affected France. The value of bar silver at the average quotations in London per ounce, British standard, the approximate intrinsic value in francs and its fractions of the 5-franc piece, and the average ratio of silver to gold were, for the ten years previous to the conference of 1865, as follows:

Year.	Pence.	Francs.	Ratio.	Year.	Pence.	Francs.	Ratio
1855	61.313	5.04	15.38	1860	61.688	5.07	15.29
1856	61.313	5.04	15.38	1861	60.813	5	15.50
1857	61.750	5.07	15.27	1862	61.438	5.04	15.35
1858	61.313	5.04	15.38	1863	61.375	5.04	15.37
1859	62.063	5.10	15.19	1864	61.375	5.04	15.37

Since 1813 the commercial ratio of silver to gold had averaged less than 16 to 1, and only once since 1851, in 1861, had it averaged as high as 15.50 to 1. The effect on French silver coins may be imagined. The 5-franc pieces disappeared. Whereas all large payments were formerly made in sacks of 5-franc pieces, soon after the gold discoveries they were made in gold, and the old 5-franc pieces were either exported or melted down and replaced by gold coins. That metal being depreciated as to silver, there was a sure profit to speculation. But while the diffusion of small gold pieces prevented serious inconvenience at first, a new difficulty was encountered when, the 5-franc pieces having disappeared, the fractional coins, 2 francs and less, began to vanish under the speculator's wand. This difficulty appeared later in France than elsewhere, and it was not till 1864 that she followed the example of other countries in reducing the fineness of smaller silver coins. But, unfortunately, the steps taken by different governments had shown no uniformity. Although Italian coins had the fineness of .835 — that adopted by France — Switzerland had chosen that of .800. France soon saw reason to fear that the Swiss coins, introducing themselves into circulation by way of the eastern frontier, would usurp the place belonging to the national coin. In fact, the government reported that Swiss coins had already penetrated into some French provinces, giving rise to disputes and doubt in transactions between private persons. In April, 1864, therefore, the government prohibited the admission of Swiss coins in public offices of receipts.

Meanwhile, Belgium had instituted an examination into the question of the diminished fineness of its silver change, and, in correspondence with the French government on the subject, the utility of a treaty between the four nations whose monetary systems rest on numeration by francs was suggested. Napoleon at once dispatched invitations to the governments of Belgium, Switzerland, and Italy, to send delegates to meet its own representatives at Paris.

While the situation was such as might suggest this action, it is difficult to believe that it was so serious as to have led to it at that time had there not been other motives at work. The sole cause of disturbance was a difference of 35 thousandths in the fineness of Swiss fractional coins, with those of France and Italy. That France should worry over the introduction of a few Swiss coins into her territory, displacing national coins, and then form a treaty making all coins of three states legal throughout her territory, is not easily understood. Her entrance into such an important alliance in the midst of preparations for an unparalleled exposition shows a haste which the emergency did not seem to warrant. The conference opened on November 20, 1865, under the presidency of Parieu, Vice-President of the French Council of State, an extensive writer upon coinage questions and the manager of the French programme. The other French delegates were Pelouze, Minister of Finance, Herbet, representing the Ministry of Foreign Affairs, and Julien, representing the Ministry of Agriculture, Commerce, and Public Works. Belgium's delegates were Frédéric Fortamps and M. A. Kreglinger; Italy's, Isaac Artom and Valentin Pratolongo; Switzerland's, Dr. Kern, Minister to France, and Charles Feer-Herzog, member of the Swiss National Council.

As a result of the deliberations of these delegates, convened to remedy the slight diversity in Swiss and French fractional coins, an agreement was made to unite in the regulation of the weight, title, form, and circulation of their entire coinage, of gold and silver, for fifteen years. The preamble of the articles of agreement stated that the four powers, "animated by the desire to effect a more perfect harmony in their monetary legislation, and to remedy the inconvenience to trade between their respective countries resulting from the diversity of their small silver coin, and to contribute to the uniformity of weights, measures, and coins, by forming a monetary union," therefore resolved to conclude a convention for the purpose. The articles show that the desire to contribute to uniformity of coinage on the basis of the franc was the greatly predominating consideration. They bound themselves not to coin or permit to be coined any gold other than pieces of 100, 50, 20, 10, and 5 francs in weight, standard, tolerance, and diameter, set forth in detail and practically from the French mint regulations. They were to receive any of these coins within their territory unless worn to ½ per cent. or their devices effaced. They could coin silver 5-franc pieces, of the qualities specified, to be received in the different countries under the same conditions laid down for the gold coins. The smaller silver pieces thereafter were to be only those of 2 francs and 1 franc, and 50 and 20 centimes, of a fineness of .835, and of other qualities specified. Pieces of a different coinage were to be withdrawn from circulation by January 1, 1869, with a year's further extension for certain coins. Provision was made for the limited legal tender of the small silver coins between individuals, and for the public banks, and for their redemption by the respective governments, which should not issue them to an amount greater than six francs for each inhabitant, with certain exceptions. One section, and an important one, provided that any other nation could join the convention by accepting the obligations and adopting the monetary system of the union, and fifteen years was fixed for the duration of the treaty, whereupon it might be extended.

The French programme was carried out to the letter, even to the retention for the time of the double standard, in spite of the fact that the delegates of the Belgian, Italian, and Swiss governments unanimously and earnestly expressed the desire that the principle of the gold standard should exclusively prevail in the formation of the union. Because France opposed the change at the time, it has been assumed to be another instance of her heroic devotion to and defence of the double standard. As a matter of fact, France did not defend the principle of the double standard at all on this occasion. Her delegates replied to those of the other states, who could have outvoted France, that "common-sense undoubtedly decided for the gold standard"; that it was logical, but the question was "premature." Undoubtedly it was premature in Napoleon's programme. He preferred to let matters wait till he had assembled all the nations in a monetary conference, and then, in the face of a probable demand for the gold standard, seem to yield the double standard in consideration of the adoption of the French coinage as a basis for monetary unity. One prerequisite of success in negotiations is to have something to yield, a point which, as will be seen, the United States have neglected in later monetary conferences. The French delegates were at heart partisans of the gold standard. Parieu was one of the strongest gold monometallists that France ever had, and, as has been said, was the diplomatic manager of Napoleon's programme.

The seeds of silver demonetization had already been planted. The difficult experiences in keeping silver in circulation had a good deal to do with it, but the filling of the coffers of the great banks of Europe with the virgin gold of California and Australia had more. The increase in commercial activity was commonly attributed to the pouring in of the yellow metal.[1] The reason why the bimetallic states had not already formally adopted the gold standard by law was that they had it in practice. It was really in silver states like those of Germany — states, the reader will notice, having a standard of the appreciated metal — that the agitation for the gold basis seemed most pronounced. The question was even mooted in India, the "sink of silver." Many Anglo-Indian authorities at this time, fearing that silver might become still more costly in relation to gold, and that the Indian currency would become stinted, thereby causing a fall in prices and serious inconvenience, deemed it desirable to seize the opportunity to adopt the gold standard, while retaining silver as much as possible in circulation, and extending the issue of notes. On account of the earnest discussion, the Indian government directed specific inquiries to be made. Sir William Mansfield (late Lord Standhurst), then a member of the supreme executive council of India, argued for gold with so much skill that many thought the time had come to make the change. But the financial secretary and a majority of the functionaries, who, paid for their services in silver, gained something on their remittances to England, were loath to dis-

1 "We find here [in Great Britain] our external trade doubled in the last twelve years, and this external trade is, we believe, but a faint representation of the increase of transactions throughout the whole of our domestic industry. But not only has this multiplying process been carried on in these islands; it has prevailed almost as largely in France, and has spread all over Germany. It has filled Italy, aroused Spain from its long lethargy, and penetrated even the remote provinces of Russia. No corner of Europe has remained insensible to the new stir of industry and enterprise. All these facts are indications of the enormous addition which has been made during the last fifteen years to the extent and depth of the channels of circulation required to be filled with metallic money in some form or other." — *London Economist*, May 11, 1865.

turb the long-accepted standard. A compromise was suggested by which gold should be attracted into circulation as a legal tender, while retaining silver as the standard, and an attempt in this direction was made by declaring the English sovereign legal tender for ten rupees, an act which went into force in December, 1864, but was revoked four or five years afterwards on its being found that the coins fetched more in rupees.

It is essential to observe closely the course of silver at this particular time. The treaty of the Latin Union was duly ratified by the several states, and went into effect August 1, 1866. A marked change appeared in the French silver coinage the next year. From 1860 up to the beginning of 1867, the average number of 5-franc pieces coined at the French mints was about 40,000. For the next four years the number was:

1867, ...	10,810,312
1868, ...	18,724,110
1869, ...	11,652,857
1870, ...	10,729,670

In other words, the average became 300 times greater. But this increase was not because of the treaty, though it is a curious fact that the price of silver, which was 62¼ pence in June, was only 60¼ in August when the treaty went into effect. It was at this time that silver, after being, with hardly an interruption, at a premium as to gold, dropped below the French parity. Since April, 1867, it has never for a moment reached it. The average intrinsic value of the 5-franc piece in 1866 was 5.022, in 1867 it was 4.981. Yet the demand for silver for coinage in Europe has seldom been more active than it was then. Not a single nation had demonetized the metal. Only two nations in all Europe had the gold standard by law, England and Portugal, and the latter made little difference. Southern Germany had no gold coinage at all. The marked increase in the production of silver had not begun.

What and where was the cause of this beginning of the decline? One might think that, the coinage of legal-tender silver in France jumping from 185,000 francs in 1866 to 54,000,000 in 1867, the price would have stiffened; but it is also observed that the export of silver from the empire fell from 195,000,000 francs in 1866 to 60,000,000 in 1867. For twelve years before 1865 French exports of silver had exceeded imports, even as much in one year as 350,000,000 francs. In 1865, the opposite tendency began, imports exceeding exports 70,000,000 francs; in 1866, 40,000,000, and in 1867 by 180,000,000. The trouble, apparently, was a falling off in the export demand for silver, altogether out of proportion to the demands for its coinage and circulation at home. Turning to India, the great absorber of the metal, we find that her importations of silver amounted to 475,000,000 francs in 1866,[1] and to only 204,000,000 francs in 1867,[1] or considerably less than one-half. No increase appeared in the council bills sold; it was simply a decrease of about one-half in the total remittances to India. There was not simply a decrease in the Indian exportations of merchandise, but a sudden falling off in the investment of English capital in the colony, particularly for railroads. We shall have occasion to treat of these facts more fully in the history of the next decade. They are suggested here to indicate the nature of the change that took place at about the time the Latin Union treaty went into effect, changes which cannot be attributed to the treaty, but which produced remarkable effects on the silver coinage. It so happened that the union was formed at the very beginning of silver's great decline, the initial cause of which must be laid at the doors of British India, which, late in 1864, took a step towards the gold basis. This cause alone, however, would not have produced a permanent depreciation. It was followed by a most remarkable combination of circumstances.

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[1] Fiscal year ending March 31.

CHAPTER II

GENERAL ACCEPTANCE OF THE PRINCIPLE OF THE GOLD STANDARD—CONFERENCE OF 1867

Events were shaping themselves very nicely for Napoleon's purposes. The "silent" man was not a dull man. He was well aware that a monetary union, composed of France, Italy, Belgium, and Switzerland, would be a much more important factor in the general conference he proposed making a feature of the exposition than France would be alone. In speaking of uniform coinage at the time, a representative of the French government said: "This convention between the four powers is a first step that will have its influence. It proposes and invites future conventions. If the question comes up hereafter before higher powers, as we hope it will, France will bring a great influence with her forty millions, or, if expected annexations are realized, her one hundred millions of people using her monetary system." The inference is plain. Napoleon closely watched developments everywhere, and his political agents gave generous encouragement to any movement favorable to his designs. He kept his hands off while the Prussians overthrew the Austrians in the Schleswig-Holstein war in 1866, it is generally said, because he was checked by political antagonism in the Chamber, some champions of the old republicanism having been successful in elections; but it is more probable that he remained passive from choice, and because of the pacific economic policy dear to him for the moment. The success of his great exposition and of his monetary programme depended largely upon his neutrality and the peaceful condition of Europe. When, in 1866, Secretary Seward insisted on the recall of the French troops from Mexico, Napoleon did not show the resistance and delay that the opportunities afforded him, or that might have been expected from his character. The tearful appeals of Carlota were in vain. The fate of an Austrian prince was sealed in his economic campaign.

The French government was active in the latter part of 1866 in efforts to secure annexations to the Latin Union. Difficulties appeared in the way of this, but as to the general subject of uniform coinage the other nations stood in a responsive position. It was extensively discussed in England, and money reform was one of the conspicuous features of that movement in which all the German states were drawing closer and closer to Prussia. German economic opinion was already for gold.

The Treasury officials and finance committees of the United States, however, said very little about gold or silver, for the principle of the gold standard was accepted without question, but they emphasized the old provocation for international action — the decimal system. John A. Kasson, who had represented this country at the Postal Congress of 1863, where Napoleon's agents were active, submitted to the Thirty-ninth Congress, in May, 1866, a report of the coinage committee, devoting much space to the discussion of the possibilities of the general acceptance of the decimal system. He suggested that the occasion of the Paris Exposition the following year would "furnish the proper opportunity for a free conference between the authorized commissioners of the different governments as to the best means of establishing a uniform system of coinage for the common use of the nations of the world. The only interest of any nation," the report went on to say, "that could possibly be injuriously affected by the establishment of this uniformity is that of the money-changers — an interest which contributes little to the public welfare — while by diversity of coinage and of values it adds largely to private accumulations." One paragraph in the document indicates how little question there was in the United States as to which metal should constitute the standard of value. It reads: "The only indispensable condition of this uniformity of value is, that in the standard unit, with its divisions and multiples used in commerce, there shall be in all countries an equal amount of gold (or silver) with fixed proportion of alloy. Each nation will retain its own devices and legends, and other peculiarities of mintage. A common name for the standard unit would be desirable, but not essential. The presence of a given amount of precious metal, mixed with a given amount of alloy, is the only absolute prerequisite for the establishment of international uniformity of coinage."

The parenthetical appearance of silver after gold is suggestive. It wears the livery of an afterthought, as if the first draft of the report had not contained it, but, upon re-reading and reflection, it had occurred to the writer or to some one on the committee that silver ought at least to be mentioned out of courtesy, if not as a possibility. Naturally, it would be, in view of the fact that it was at that time either the sole standard of value, or, in theory, a collateral standard with gold in every nation of importance in the world, except the English. But in practice, silver had, as the dearer metal, become so subsidiary that the theory was almost lost sight of in the fact. This was especially true in the United States, which were proceeding on a paper basis. Everybody, in speaking of specie, meant gold, without considering it a matter demanding any qualification, and without being in danger of injuring any one's feelings. Only those who had made a study of financial questions, and such persons were rare in this country then, thought of the double standard as existing even theoretically. Few in that generation had ever seen a United States silver piece of full legal tender. They were as rare as coins of the fifteenth century.

This government could not have been in a more favorable position to enter into an agreement as to coinage, for it could yield with little inconvenience to a variation of its dollar if necessary, its coin being withdrawn from circulation. Moreover, it seemed probable then that the consent of the United States, England, and France would ultimately result in the consent of all commercial nations. Not being aware, apparently, of what was going on in the mind of Louis Napoleon, the House of Representatives, acting on Kasson's report, early in 1866 passed a resolution authorizing the President " to appoint a special commissioner to facilitate the adoption of a uniform coinage between the United States and foreign countries " ; but it was delayed in the Senate and finally abandoned, Napoleon's diplomatic steps having come to light. The State Department had for some time been informed of the general purposes of the French Emperor, though his motives seem to have escaped detection.

After the treaty of the Latin Union went into effect, the Imperial Commission devoted its attention with much assiduity to this branch of its duties. Several meetings were held and attended by the members of the Scientific Commission and such of the foreign commissioners to the exposition as were already at Paris. The first session, officially entitled a " Preparatory Conference Relative to the Establishment of an International System of Measures, Weights, and Coins," was held May 2, 1866, and was presided over by Le Play, the French Commissioner-General. The United States were represented by N. M. Beckwith, an eminent American merchant who had been appointed Commissioner-General for this country. The result was that at a later meeting, and at the suggestion of Prof. Leone Levi, of London, it was decided to have an exhibition of coins of various nations, to appoint an international committee to supervise it and to take whatever steps it deemed best for drawing public attention to the subject of uniformity in coins. Commissioner Beckwith kept Secretary Seward fully informed of all these steps. Early in July he sent to the State Department a copy of the treaty of the Latin Union, which had just been ratified by France, and hinted that the United States could easily adapt its coinage system to that of the new union without substituting the French unit for their own. "Our gold dollar," he said, "is equal to 517 centimes. A reduction of 17 centimes ($3\frac{1}{2}$ cents) would leave it an exact multiple of the French unit, or franc, and the equivalent of five francs."

In October, Secretary Seward notified Beckwith of the appointment of Samuel B. Ruggles, of New York, as one of the scientific commissioners for this country, and for the special purpose of acting in relation to uniform coins. Congress, by a law passed the previous July, had made the metric system legal and optional in the United States.

Napoleon waited while these operations were going on, till Prussia had finished measuring arms with Austria, and till the close of the sharp correspondence with this country over Mexico, before setting his diplomatic machinery actively in motion in behalf of the Latin Union. When peace was finally restored in Europe, and the imperial dream of Latin political influence on the western continent was over, he brought the subject plainly to the attention of the various governments. It was on January 4, 1867, that Berthemy, the French minister to this country, officially transmitted to Secretary Seward a copy of the treaty of the Latin Union, with an explanation of its provisions, and a polite invitation to the United States to accede to it; or, if not desiring to do that, to either enter into arrangements destined to establish equations between some of the monetary types of gold and silver, or to take part in an international conference at which might be discussed the means of arriving at a more extended monetary understanding. The treaty of the union, he assured Seward, "had a sole object, that of putting an end to the abnormal disappearance of fractional silver money," which was doubtless "diplomatically" true, though, in the extensive plans of Napoleon, the treaty included a good deal more and served other and far-reaching purposes.

Commenting on the conveniences the four states of the union enjoyed in conducting their gold and silver coinage under identical conditions, Berthemy added: "After having brought about the disappearance of divergencies of which they recognized the inconveniences, the delegates of France, of Belgium, of Italy, and of Switzerland, seeing a population of seventy million souls thenceforth endowed with the same monetary system, must quite naturally have been led to fix attention on an interest more general, . . . the establishment of a general monetary circulation among all civilized states. The government of the Emperor would be very happy to see this proposition well received, but, at the same time, cannot dissemble the difficulties and objections it may encounter. But it doubts not, at least, that the views which are thus inspired correspond with necessities which henceforth must press upon the solicitude of governments."

He expressed the hope that, if the United States found objections too serious to permit them to adhere to the quadripartite agreement of 1865, the French government might be informed of their nature, so that the Latin Union might understand the situation, and, if possible, devise means of removing them. The question of the standard of value is not mentioned in the minister's note, nor the decimal system, except indirectly as a feature of the French system. Secretary Seward replied, February 13, that, having consulted the Secretary of the Treasury (Hugh McCulloch) upon the subject, he had the honor to state that the United States government, both in its executive and legislative departments, had repeatedly manifested its interest in the question of international unification of monetary standards; that the importance of a standard unit of equal value in all commercial countries for the uses of account and currency was fully recognized and appreciated, and that the ideal object presented by France being acceptable, it only remained to be decided how the desired result might be brought about. He hoped that neither the quadripartite convention of 1865 nor the proceedings already adopted under its provisions would be held to preclude any of those governments from entering into considerations in favor of its modification, which might be offered by other governments in the interests of a system universally acceptable.

In thus intimating that the French government should not hold too tenaciously to its own system, possibly Seward suspected the nature of the ambition of the Emperor, whose efforts were meanwhile prospering. The States of the Church had already acceded to the union in 1866, and Greece and Roumania joined early in 1867, or at about the time of his first overtures to this government. His proposition seemed to be generally received with favor, the moment being opportune. But Prussia manifested some shyness. Bismarck, who had elaborate plans for the unification of the German states well in hand, as a result of the victory over Austria, was not sure of what he wanted in monetary matters, and was perhaps a little suspicious of Napoleon. In response to the latter's diplomatic invitation to join the Latin Union, Bismarck, on February 2, 1867, caused a note to be sent to the Prussian minister at Paris, stating that the confederation of Northern Germany was entering upon "a political programme which may include its local monetary systems," and that the Chancellor might choose to await the completion of the programme before entering upon the subject of international unification. Napoleon was to play a much more important part in that programme than he could have imagined then. Sedan was to figure in its "completion."

On arriving at Paris in March, Commissioner Ruggles[1] was appointed by the Imperial Commission to the international committee, already referred to, but before it had taken up the discussion of uniform coinage Michel Chevalier, a member of it, introduced him to Parieu, who was in charge of Napoleon's monetary programme, and with whom he discussed the possibility of the adhesion of the United States to the Latin Union. Ruggles maintained the same position that he held at Berlin four years before, and said that the United States might be able to adhere if the union would coin a 25-franc piece. Parieu could not see the necessity of it if the dollar were made equivalent to 5 francs; for the gold eagle would then have an equivalent in the 50-franc piece. The greatest objection that the French government seemed to have to the 25-franc piece was that it might compete with and, to some extent, drive out of circulation the "Napoleon," or 20-franc piece. However, Parieu said that if it seemed to the United States essential that such a coin should be made, the Latin Union treaty might be modified, probably. The aim of the French government at this time, no more accessions to the union appearing immediately possible, was to test the opinion

1 Some usually fair bimetallic writers have endeavored to reflect on the ability of Ruggles, and belittle his official position. The late Francis A. Walker says in his "International Bimetallism": "Mr. Ruggles did not even go to Paris for that purpose. He was already there as the United States Commissioner to the Exposition; and, to save the expense of sending a delegate to the conference, was empowered to act in that capacity." This is incorrect, as the letters of Secretary Seward to Ruggles plainly show. In his letter to Commissioner Beckwith in October, 1866, informing him of the appointment of Ruggles, Seward said: "Mr. Ruggles represented the United States at the late Statistical Congress at Berlin, and has already been in correspondence with the international committee organized upon that occasion upon this important subject (international coinage), to which he has devoted much study." Later, in notifying the French government of the appointment of Ruggles to the conference, Seward said that he was "familiar with the views of this government." Ruggles's prejudice for gold was no stronger than the government's, or than that of any one in the country at that time.

in the various countries through the medium of members of the international committee, and of the commissioners to the fair, as to making coinage equations with the union in order to prepare as definite a programme as possible for the conference.

As a result of his conversation with Parieu, on the 17th of May Ruggles wrote a note to Senator Sherman, who was at Paris visiting the fair, inquiring whether Congress would probably consent to make the gold dollar conform in value to the gold five-franc piece. On account of the nature of the senator's reply and of the circumstances, some injudicious silver advocates in this country have endeavored to cast suspicion upon him, and to connect in some way his presence in Paris with a conspiracy to force the gold standard on the nations of Europe. Those who have made this charge, and were in public life at that time, were in entire accord with Sherman in so far as they held any opinion at all on the subject. Sherman's reply so well represents the position of the administration and of the leaders at Washington at that time that it is here given in full:

"Hôtel Jardin des Tuileries.
"May 18, 1867.

"*My dear Sir:*—Your note of yesterday, inquiring whether Congress would probably, in future coinage, make our gold coins conform in value to the gold 5-franc piece, has been received.

"There has been so little discussion in Congress upon the subject that I cannot base my opinion upon anything said or done there. The subject has, however, excited the attention of several important commercial bodies in the United States, and the time is now so favorable that I feel quite sure that Congress will adopt any practical measure that will secure to the commercial world a uniform standard of value and exchange. The only question will be how this can be accomplished.

"The treaty of December 23, 1865, between France, Italy, Belgium, and Switzerland, and the probable acquiescence in that treaty by Prussia, has laid the foundation for such a standard. If Great Britain will reduce the value of her sovereign twopence, and the United States will reduce the value of her dollar something over three cents, we then have a coinage in the franc, dollar, and sovereign easily computed, and which will readily pass in all countries; the dollar as five francs, and the sovereign as 25 francs. This will put an end to the loss and intricacies of exchange and discount.

"Our gold dollar is certainly as good a unit of value as the franc, and so the English think of their pound sterling. These coins are now exchangeable only at considerable loss, and this exchange is a profit only to brokers and bankers. Surely, each commercial nation should be willing to yield a little to secure a gold coin of equal value, weight, and diameter from whatever mint it may have been issued. As the gold 5-franc piece is now in use by over 60,000,000 of people of several different nationalities, and is of convenient form and size, it may well be adopted by other nations as the common standard of value, leaving to each nation to regulate the divisions of this unit in silver coins or tokens. If this is done France will surely abandon the impossible effort of making two standards of value. Gold coins will answer all the purposes of European commerce. A common gold standard will regulate silver coinage, of which the United States will furnish the greater part, especially for the Chinese trade.

"I have thought a good deal of how the object you propose may be most readily accomplished. It is clear that the United States cannot become a party to the treaty referred to. They could not agree upon the silver standard, nor could we limit the amount of our coinage as proposed by the treaty. The United States is so large in extent, is so sparsely populated, and the price of labor is so much higher than in Europe, that we require more currency per capita. We now produce the larger part of the gold and silver of the world and cannot limit our coinage except by the wants of our people and the demands of commerce.

"Congress alone can change the value of our coin. I see no object in negotiating with other powers on the subject. As coin is not now in general circulation with us, we can readily fix by law the size, weight, and measure of future issues. It is not worth while to negotiate about that which we can do without negotiation, and we do not wish to limit ourselves by treaty restrictions.

"In England many persons of influence and different Chambers of Commerce are earnestly in favor of the proposed change in their coinage. The change is so slight with them that an enlightened self-interest will soon induce them to make it, especially if we make the greater change in our coinage. We will have some difficulty in adjusting existing contracts with the new dollar; but as contracts are now based upon the fluctuating value of paper money, even the reduced dollar in coin will be of more purchasable value than our currency.

"We can easily adjust the reduction with the public creditors in the payment or conversion of their securities, while private creditors might be authorized to recover upon the old standard. All these are matters of detail, to which I hope the commission will direct their attention.

"And now, my dear sir, allow me to say in conclusion that I heartily sympathize with you and others in your efforts to secure the adoption of the metrical system of weights and measures. The tendency of the age is to break down all needless restrictions upon social and commercial intercourse. Nations are now as much akin to each other as provinces were of old. Prejudices disappear by contact. People of different nations learn to respect each other as they find that their differences are the effect of social and local custom, not founded upon good reasons.

"I trust that the industrial commission will enable the world to compute the value of all productions by the same standard, to measure by the same yard or meter and weigh by the same scales. Such a result would be of greater value than the usual employments of diplomatists and statesmen.

"I am very truly yours,
"JOHN SHERMAN."

The terms of this letter, which were communicated to Secretary Seward, were entirely approved by him in a note to Ruggles, as adequately and accurately representing the views of the administration. Ruggles showed the letter to Parieu, who introduced him to the Minister of Foreign Affairs, and the latter quickly secured for him an interview with the Emperor at the Tuileries. Ruggles afterwards gave Secretary Seward an account of this interview, from which it appears that Napoleon secured all the information he could as to what the United States might do and what Ruggles thought France could do. He showed the Sherman letter to the Emperor, and said it was as good a statement of the opinion of Congress as could be secured. He also presented it to the international committee, and it unquestionably had influence on the course of events, but only a cumulative influence in developing a plan which soon became the plan of the conference. In a letter to Seward several weeks later Ruggles said: "It is but due to the history of unification of money to state that the earnest and active agitation of this subject in a practical form on the part of the United States exerted its full share of influence in leading the government of France to adopt the decisive measure of inviting in diplomatic form an authoritative conference of delegates, duly accredited from all the nations of the European and American world practically accessible, to meet at Paris on the 17th of June, not merely for an exchange of views or a discussion of general principles, but practically to seek for the basis of ulterior negotiations between the nations."

So general was the sentiment for uniform coinage, so shrewdly had Napoleon directed the favorable current of events, and so easily did various opinions conform to his programme, that the enthusiastic representatives of other nations overlooked his influence and his purposes, and actually thought that they were themselves the mainspring of the movement. The United States Commissioner may, under the circumstances, be pardoned for seeking to give to his government more credit than it actually deserved for bringing about the conference, the prospects of which seemed so bright. Baron de Hock, of Austria, another enthusiastic advocate of uniform coinage and member of the international committee, had a similar opinion of the part Austria was playing. Even had it been for a long time Napoleon's intention to call a conference when he had secured all the additions possible to the Latin Union, the United States and Austria deserve whatever credit should be accorded them for being, for reasons of their own, distinctly favorable to the Emperor's ambitious project, which, had it been carried out, would unquestionably have been of the greatest benefit to mankind, not so much in providing a uniform coinage as in demonstrating quickly and clearly that the simultaneous adoption of an exclusive gold standard by all Christendom was at that time a practical impossibility.

Early in May France sent out through the diplomatic channels the formal invitations to the conference. Minister Berthemy assured Secretary Seward that the commissioners would assemble "without any programme arranged in anticipation," a form of expression frequently used by those who have been quietly making the most elaborate preparations. The jester's definition of diplomacy as the art of skillful lying did not lose its appropriateness with the lapse of the eighteenth century. "The conference proposed," wrote Berthemy, "has not otherwise any immediate object than to call out an interchange of views and discussion of principles; in a word, to seek for the basis of ulterior negotiations." His government, he said, desired to be informed of the names of the accredited delegates as soon as possible, the time set for the conference being not far off. It is obvious that the calling of a conference to meet in four weeks would naturally have the tendency, if it had not the object, of securing as delegates to it a large number of the representatives of the governments already at Paris as members of the international committee, which, under the guidance of the Imperial Commission, had the subject of uniform coinage, according to French ideas, well in hand. Secretary Seward acknowledged the note on May 29, and informed Berthemy that Ruggles, who was "familiar with the views of this government," had been specially authorized to represent it to the extent and in the spirit of the invitation.

The international committee meanwhile continued its work and conveniently completed its labors on the very day that the conference met by adopting the following propositions as a means for securing international uniformity in coinage:

"1. An identical unity in the issue of gold coins by different nations.

"2. The desirability of having such coins uniformly nine-tenths fine.

"3. The desirability of having for each government pieces of equal value with pieces in other states.

"4. Recommending the coins of the Latin Union as the basis of a general monetary system.

"5. Recommending the five-franc piece as a unit.

"6. Uniform coins of each country to be legal tender in all the other countries.

"7. The desirability of abolishing the double standard where it exists.

"8. The desirability of using the decimal system everywhere.

"9. The desirability of agreeing upon common measures of control."

Such was the programme laid down by the international committee for the formal conference, some of the leading members of which were members of the international committee. It becomes clear enough, when events are thus arranged in their proper order, that the adoption of the principle of the gold standard and the extensive demonetization of silver which occurred a little later was not due to hidden conspiracies or surreptitious efforts of the moneyed classes, but was an economic movement, open and above board, except in so far as Napoleon was using it for his own ambition. Bimetallic France, eulogized so much for its devotion to the double standard, was mainly instrumental in hastening the consummation of the movement, which was principally due to the abundance of gold and the difficulty of keeping appreciated silver in concurrent circulation. It was an agitation which conspicuously bore the stamp of the approved school of political economy.

Napoleon could not have been otherwise than gratified at the response of the nations as indicated by the character and standing of the delegates who assembled on the morning of the 17th at the hôtel of the Department of Foreign Affairs. There have been many congresses of a politico-diplomatic nature attended by the most eminent statesmen of the times, but there has seldom been an international conference made up of so many men of the highest standing in science and economics. In point of recognized ability no monetary conference has surpassed it. Great Britain sent Thomas Graham, the celebrated chemist, who, since 1855, had been Director of the Royal Mint, had published many valuable and standard works on chemistry, and was a fellow of the Royal Society. From Bavaria came Friedrich Wilhelm von Hermann, one of the most distinguished economists of his day. His great work, "Staatswirthschaftliche Untersuchen" ("Economic Researches"), appeared in 1832, and three years later he was made a member of the Royal Bavarian Academy of Science. From that time until his death, a few weeks after the conference, his life was a succession of active and energetic services in economic lines. In 1839 he assumed charge of the Bavarian Bureau of Statistics, which acquired a wide reputation; in 1848 he sat as member for Munich in the national assembly at Frankfort, where he was instrumental in organizing the so-called "Great German party," whose views he also represented at Vienna. In the course of his busy life he published many reviews and papers, and as the head of the Bureau of Statistics published a yearly report of high value. The little state of Switzerland was represented by three of its ablest and most distinguished men, Dr. J. Conrad Kern, Dr. Alfred Escher, and Charles Feer-Herzog. Dr. Kern, who was then Minister to France, early in life became prominent in Swiss affairs, and distinguished for his legal and administrative ability. When, in 1838, the French government demanded the extradition of Louis Napoleon, then living in exile in Switzerland, Dr. Kern took the most prominent part at the Diet in stirring up the Swiss to refuse to be intimidated, and war was averted only by Napoleon voluntarily going to England. In 1848, Kern took a leading part in the preparation of the federal constitution, and on many notable occasions in Europe he was the representative of his country. In the regeneration period of Switzerland which marked the beginning of a new era in the history of the country, no statesman had taken a more conspicuous part than Dr. Escher. In later life his energies were chiefly devoted to educational plans, the reorganization of church policy, and the promotion of banking institutions and railway enterprises, the notable manner in which engineering difficulties in the Swiss mountains have been met, as in the St. Gothard line, with its fifty tunnels, being a monument to his energy. In 1849 he became President of the National Council, and at the time of the conference was Director of the Mint. Charles Feer-Herzog, a member of the National Council, had been active in the formation of the Latin Union, and was destined to have an influential part in this and a subsequent conference. He had studied and written much upon monetary subjects, and was already considered a leading advocate of the gold standard. From Russia came Moritz Jacobi, a celebrated scientist, a Privy Councillor, and a member of the Imperial Academy of Sciences at St. Petersburg. From Greece, Theodor Delyannis, a man of forty, just beginning his notable career as Minister to France. The accomplishments and earnest services of Samuel B. Ruggles, the American delegate, have already been referred to. He was a native of Connecticut, a graduate of Yale, and for many years had been a leading member of the New York bar, having made commercial matters an especial study.

Austria was represented by Baron de Hock, Privy Councillor, and a member of the House of Lords; Baden, by Baron Schweizer, Minister to France, and Dietz, Privy Councillor and Commissioner-General to the Exposition; Bavaria, in addition to Hermann, already mentioned, by Haindl, Director of the Mint; Belgium, by Senator Fortamps, Director of the Bank of Belgium, and by Stas, Commissioner of Coinage and member of the Royal Academy; Great Britain, in addition to Thomas Graham, by Rivers Wilson of the Treasury Department, and better known later as the Minister of Finance, chosen by the Khedive of Egypt in 1879, when England was seeking protection for the Suez bonds; Italy, by Isaac Artom, Councillor of the Italian legation at Paris, and by F. Giordono, Inspector of the Royal Corps of Mines and Commissioner to the Exposition; Denmark, by Count Hvitfeldt, Minister to France; the Netherlands, by A. Vrolik, formerly Minister of Finance, and the author of a work on "The Demonetization of Gold," which had attracted considerable attention, and by President Mees of the Bank of the Netherlands; Portugal, by Count d'Avila, Minister to Spain and Commissioner to the Exposition, and by Viscount de Villa Major; Prussia, by Meinecke, Superior Privy Councillor of Finance, and Herzog, Councillor of the Department of Commerce and Commissioner to the Exposition; Sweden, by Wallenberg, member of the first chamber of the Swedish Diet and a Director of the Bank of Stockholm; Norway, by Dr. O. J. Broch, member of the Storthing and President of the Commission to the Exposition;

Spain, by Count Nava de Tajo of the Department of Foreign Affairs; Turkey, by Djemil Pacha, Ambassador to France; Würtemberg, by Baron de Soden, Privy Councillor of Legation at Paris.

To meet this array of influential men, France had chosen the Marquis de Moustier, Minister of Foreign Affairs; Esquirou de Parieu, Vice-President of the Council of State; Lavenay, President of the Section of Finance in the Council of State; Herbet, Director in the Department of Foreign Affairs; and Dutilleul, Director in the Department of Finance. The invitations to the conference had announced that the Marquis de Moustier and Rouher, the Minister of Finance, would preside jointly over the assembly, the vice-presidency devolving upon Parieu, so that the conference was officered by Napoleon without putting it to the trouble of choosing for itself. The usual courtesy prevailing in such bodies would doubtless have resulted in the choice of one of the French delegates to the presidency, though the same courtesy might have given the vice-presidency to some other country. The Marquis de Moustier was present at the opening of the conference, but its direction was immediately left to Parieu, who had probably made a more extended study of the subject of international coinage than any delegate there, had been Napoleon's chief agent in effecting the Latin Union, and in getting the international programme into shape, and who, in the chair, seconded by his associates on the floor, was entirely competent, as well as determined, to promote the interests of France and the desires of Napoleon. He was a member of the Institute, and, as a prolific contributor to the French reviews on monetary subjects, had gained a wide reputation.

It will appear that the Latin Union, considering the leading part taken by delegates from the countries composing it, was ably represented. The French and Swiss delegates together were quite sufficient to meet any criticism or handle any opposition that might be raised to the system of the Latin Union. Six of the nine delegates to the conference of 1865 were in this conference, one of them in the chair, and none on the floor had greater influence than Feer-Herzog. A majority of the other delegates were either members of the international committee or commissioners to the exposition. The French government was familiar with their views.

International uniformity in the world's coinage was the great object in the minds of these notable representatives of nearly all Christendom, assembled in the hôtel of the French Foreign Department on this June morning. They little dreamed of the great economic problem soon to be precipitated on the world largely by their deliberations. In opening the conference the Marquis de Moustier stated that the approximations which late commercial reforms had wrought between the economic interests of nations ought to result in a more earnest appreciation of the advantages to be derived from the unification of coinages. "To substitute for the variety of monetary types actually in use metallic coins struck in accordance with uniform regulations and placed beyond any variations in exchange would remove one of the most serious obstacles to the development of international relations." Without further generalities, he called attention to the Latin Union and to the suggestion for "a more extended association." No time, he said, "could be more favorable to the realization of this wish than that of the Universal Exposition; the government of the Emperor hastened to avail of it." After other pleasant words concerning the delegates and the happy auspices under which they assembled, he introduced Parieu, who would, he said, "cheerfully direct the labors of the conference."

Parieu at once proceeded to business like a man who had previously considered and knew exactly what he proposed to do. He suggested that the preparation of heads of inquiry to serve as the basis of deliberations be confided to a sub-committee, and that it be composed of seven members representing the three groups into which the states were divided from a monetary point of view, having adopted respectively the gold standard, the silver standard, and the double standard. The suggestion was seconded by Herbet, also of France, and Fortamps, of Belgium. Baron de Hock, of Austria, and Dr. Kern, of Switzerland, suggested, further, that it would be convenient to devolve on Parieu and Herbet the duty of selecting the sub-committee, and, on the motion of the Marquis de Moustier, this action was taken. It was perhaps natural that France, having called the conference, should take the lead in fixing a basis for deliberations; at any rate, Parieu kept his hands well on the progress of organization. In this, it may be noticed, he was assisted by delegates from his own government and those of Belgium and Switzerland, all of the Latin Union, and by the representative of Austria, which was peculiarly close to France politically at that time; indeed, Baron de Hock had already arranged a provisional treaty for the alliance of his government with the states of the Latin Union.

Parieu and Herbet were ready with the sub-committee in a few minutes. To represent the countries with a gold standard, they chose Graham, of England, and Count d'Avila, of Portugal — then the only two countries in Europe having the gold standard; to represent the countries with a silver standard, Baron de Hock, of Austria, and Meinecke, of Prussia; the countries with a double standard, Jacobi, of Russia, Ruggles of the United States, and Parieu, of France. This was a fair committee to all appearances, and, perhaps, it was in fact. But Parieu had had facilities for knowing in advance the inclinations of the majority of these delegates. Count d'Avila and Ruggles had, as commissioners to the exposition and as members of the international committee, both expressed a desire to see monetary unity effected with the system of the Latin Union as the basis and gold as the standard. Austria, as has been seen, was friendly. It was generally believed that Prussia had been considering the policy of joining the Latin Union with its allied states, as Senator Sherman had remarked in his note to Ruggles. So there is reason to suppose that Parieu and Herbet, in choosing this committee, were confident that it would not run counter to the hidden wishes of France, whether they were suspected or not.

The sub-committee met the next day at the Council of State, and the day after, the 19th, laid its proposed heads of inquiry (*questionnaire*) before the conference in printed form. "You have been pleased," said Parieu in opening the session, "to charge me with the preparation of a detailed programme of your labors, with the collaboration of six members of your conference, representing the more considerable states in the diverse groups among which the fundamental money systems of the world are distributed." Regarding the spirit in which the questions had been drawn up he said that the monetary systems in use among the various nations showed accidental varieties, traceable to chance and former isolation, but having also some relation to the economic condition of the countries in which they had been carried into practice. In this situation, it had seemed to the committee that monetary unifications could be realized only in the proportion in which these economic conditions could be approximated. "To discern, on the one side, what relates to the circumstances affecting the economic history of nations," he continued, "and, on the other, that which is fundamental in monetary science, is now our main endeavor; for if individuals and nations separate on what may rest on arbitrary will or caprice, they easily come together on a true and calm consideration of their situations. Notwithstanding this conviction, we have not been willing that all the doctrinal and scholastic questions pertaining to monetary science, a science still imperfect, should be textually laid down in the programme of your labors. They may present themselves incidentally, and, to a certain extent, are tacitly included. The questions we have the honor to submit to you all have a practical character, which we hope will meet your approval, as circumscribing difficulties and perhaps avoiding some idle problems."

These were the questions:

"I. By what means is it most easy to realize monetary unification, whether by the creation of a system altogether new, independent of existing systems — and in such case what should be the basis of such system? — or by the mutual co-operation of existing systems, taking into account the scientific advantages of certain types and the number of the populations which already have adopted them? In this case, what monetary system should be principally taken into consideration, reserving the changes of which it might be susceptible for making it perfect?

"II. Is there a possibility of establishing at this time identities or partial coincidences of monetary types on a wide scale, on the basis and with the condition of the adoption of the silver standard exclusively?

"III. Is there, on the contrary, a possibility of attaining this result on the basis and with the condition of the gold standard exclusively?

"IV. What of the like result in proceeding on the basis and with the condition of the adoption of the double standard, with the establishment of an identity of relations in all countries between the value of gold and the value of silver?

"V. In case of a negative on the three preceding questions, would it be possible and beneficial to establish identities or partial coincidences of monetary types on an extended scale on the basis of silver coins, leaving each state at liberty to simultaneously regulate the standard of gold?

"VI. Would it be more possible and more beneficial to establish identities or partial coincidences of gold coins, leaving each state to regulate the standard of silver?

"VII. On the hypothesis of the affirmative solution of one of the two preceding questions, and following the distinctions which that alternative imports, would the advantage of internationality, which coins of the metal taken as the common standard would require, be a sufficient guarantee for their being kept in circulation in each state, or would it be necessary beyond that to stipulate either for a certain limit in the relation between the value of gold and that of silver, or for the case where the international coins would run the risk of being completely expelled from circulation in some of the contracting states?

"VIII. Is it necessary to the success of monetary unification to constitute at this time a unity everywhere identical for metallic composition, weight, and denomination; and in that case upon what basis?

"IX. Would it be of advantage, in case gold should be adopted as the international metal, that the types of that money, determined by the monetary convention of the 23d of December, 1865, to promote unification and consequent reciprocity, should be completed by new types; for example, by coins of fifteen francs and of twenty-five francs? In this case, what should be their dimensions?

"X. Would there be an advantage, under certain hypotheses — for example, in case of the affirmative on questions III. or VI. — to regulate by common obligations certain points relating to silver coins or base coin, either in regard to their composition and standard or their limits of admission in payments, or to the quota of issue of each?

"XI. Is it practicable to define precisely the means of control which would be established for securing exactness in the striking of the common types of international money?

"XII. Aside from immediate practical possibilities, the object of the preceding questions, could any ulterior solutions be attained by doctrinal decisions, and on grounds of principle, with a view to increase in the future the approximations already effected in the past two years in Europe, or that could be immediately realized in this monetary matter?"

The guiding genius in the committee which arranged these questions, adopted in conference without debate, was Parieu's. He drafted them himself, and only a few modifications were made in the committee. A man of deep research in monetary matters, and especially in this phase of it, and acting for the government at whose invitation they had assembled, the others of the committee naturally yielded the control of preliminaries into his hands. With politeness and skill he shaped them as favorably as he could for the Latin Union and for Napoleon's ambition. Having found that the limits of accession to the Union by other countries had been reached, his object was to suggest the easiest means for arriving in conference at the coordination of other systems with the French on any metallic standard so long as France was the centre of the unification.

The first question was well designed for this object. It was no general inquiry for the settlement of a fundamental principle of monetary science. The character of the standard of value was not suggested in it, but was discreetly left till later, for if the gold standard were adopted at first the English system might present stronger claims as a basis for international unity. It was a thoroughly practical question. To secure monetary unification, should a new system be created? Such an attempt, it was well known, would be beset with serious, if not insurmountable, difficulties. It would require every state to change its system to something altogether untried, to discard that around which popular traditions clustered and into which the habits of the common people were woven. The alternative was, as the question stated, a co-ordination of existing systems, " taking into account the scientific advantages of certain types and the number of the populations " which had already adopted them. The scientific advantage of the French system was its association with the metric system, which had won favorable consideration in every civilized country, and the fact that it was based on the decimal principle; but its principal advantage was that it had been adopted by a population of about 70,000,000 in Europe. The logical, if not the necessary, answer to this first question, therefore, was that the system of the Latin Union " should be principally taken into consideration." With that settled the remainder of the course was clear. While a certain implied endorsement might thus be given to the double standard, a single gold standard could be adopted without at all interfering with the pre-eminence of the French system. Whatever, in theory, France might be compelled to yield on this score would not be an actual sacrifice, her metallic circulation being almost entirely of gold. The cleverness with which Parieu maintained this position will appear as the discussion is followed.

At the very beginning an incident occurred showing how closely the French delegates were watching affairs. Fortamps, of Belgium, who was not a member of the sub-committee, expressed a wish to have the question of the standard of value settled first. " It is," he said, " an initiative point which it is convenient to settle at once in order to base the delibera tions on foundations as precise as possible." As a partisan of the gold standard, he was more earnest, even, than he had been two years before in the conference of the Latin Union, and he was impatient to take up arms for gold on a wider field and at once. Herbet, of France, was immediately upon his feet to remark that by reason of the importance of the question of the standard there would be inconveniences in bringing it at once under discussion. He inferred in one of his statements that the Belgian delegates might not have a sufficient understanding of what their government desired on this point, and made the further excuse that the Spanish delegate, who would bring a large experience to bear upon the subject, had not yet arrived. Parieu followed with an explanation that the first question had been framed to embrace an order of ideas much more extensive than the question of standard, which could as well be taken up after the conference had determined whether a new system was desired or a co-ordination of existing systems with some one system as a basis.

Notwithstanding the precautions of the French delegates, the problem of the standard cropped out, though not in a dangerous manner, in the arguments over the first question. Count d'Avila, of Portugal, considering the difficulties in the way of an entirely new system insurmountable, strongly advocated the second alternative and gratified the French delegates by holding that the system of the Latin Union should be taken into especial consideration as a basis for approximations. That done, he declared himself ready to vote for the gold standard, the reduction of the pound sterling to 25 francs, the reduction of the American dollar to 5 francs, and the adoption of the gold coin of 5 francs as the standard unit. This was practically the programme laid down by the international committee, discussed in the French reviews, and generally received with favor. No other practical plan was in the minds of the delegates, apparently, for none other seemed capable of bringing England, France, and the United States into an agreement. It would require the fineness of the English and Portuguese gold coins to be reduced from eleven-twelfths to nine-tenths, and the value of the American dollar to be reduced about 3½ per cent. Opinion among the commercial bodies in England was favorable to the project, and the opinion of the United States, so far as there could be any under a paper régime, was well expressed in the letter of Senator Sherman.

Baron de Hock, of Austria, shared in the opinion of Count d'Avila as to the impossibility of bringing about an entirely new system and completely breaking up inveterate habits. He thought also the best basis for the mutual co-ordination of types was the system of the Latin Union, provided it underwent some modifications and the new system rested on the gold basis exclusively. "This metal," he said, in speaking of gold, "which has spread in such considerable amounts through the European market during the last twenty years, would be the most convenient agent for a universal monetary circulation" — the argument of plentifulness again.

Banker Mees, of the Netherlands, said he would have preferred an entirely new system if the unification of coinage could be immediately realized upon it, as it would avoid all national susceptibilities. But he considered that actual and practical results required the adoption of an existing system. Feer-Herzog, of Switzerland, argued that the system of the Latin Union would best assist the equations of the English sovereign and the American dollar. His view was endorsed by Jacobi, of Russia. Dr. Broch, of Norway, favored the system of the union as a basis also, but said that as Sweden and Norway had a silver standard, and their commerce was principally with Germany, especially Hamburg, their adhesion to a monetary union would depend upon the action of the states of northern Germany. This made the position of those states important.

Meinecke, the Prussian delegate, spoke for them. He considered it of prime necessity to adopt as the base of the new system one already recognized and reduced to practice. He did not pretend, he said, to ask the sympathies of the conference in favor of the Prussian monetary system, for he did not believe that the standard of gold could be replaced in the countries which had adopted it by the standard of silver in force in Prussia. His country, he thought, was content with its standard, and there was no urgent necessity for a change so radical as the adoption of the gold standard, an operation which in any case would be difficult, but his government would, nevertheless, study with care the best means of joining a monetary union, though it would be necessary to have the concurrence of its Northern confederates, and also of the Southern states, co-signers in the treaty of 1857. With these reservations, he was ready to take part in the discussion and vote. It was evident that the Prussian delegate had received instructions not to commit himself too far until he saw the outcome of the discussion. It is doubtful if he could have imagined that in four years the silver standard, with which, he said, Prussia was content, would be discarded for gold, that his king would be declared the Emperor of united Germany in the palace at Versailles, and that Napoleon, who had just been riding through the streets of Paris with King William, would be a refugee from that France which was then celebrating the glory of his reign.

The English delegates said very little upon the subject. In reply to a statement made by Feer-Herzog that sovereigns actually in circulation might be kept so because of the trifling difference separating them from a 25-franc piece, Graham said that, even if it were true that the difference in value was almost comprised within the limits of tolerance, it would be equally true that his government would make it a point of honor not to avail itself of these limits. He feared such a change might lead to the abandonment of the sovereign, and he considered the immediate adoption of the French system preferable.

The American delegate explained his position at considerable length, and it is beyond question that he faithfully represented the opinion of the leading authorities of his country at that time. It would be as impossible, he said, to abolish the expression of the dollar in the United States as that of the sovereign in England. His plan would be to retain both by reducing their intrinsic value. For the sovereign it would be a reduction of only 20 centimes; for the dollar, on the other hand, the reduction would be $3\frac{1}{2}$ per cent. of its value. He assured the conference that his government was ready to make this sacrifice in view of monetary unification, such being the opinion of the American people, and after the following winter a general reminting of coin might commence. He argued strongly that all reminting should be done then or never, for gold coinage was rapidly increasing everywhere, and, if continued, the time would come when reminting would be impossible because of the expense. The United States, from 1793 to 1849, had actually coined but $85,000,000 of gold; in 1850 and 1851 alone, $94,000,000; and from 1851 to 1866, they had coined $665,000,000. During this last period of fifteen years France had coined about $995,000,000 of gold, and England $450,000,000. He considered it quite possible that in the United States in the fifteen years to follow the gold coinage might reach five milliards of francs.[1] Obviously, then, the United States preferred to reduce their unit at once. A few words, he said, reducing the weight of the gold dollar would change the whole monetary system; but his government expected that France, on her side, would coin gold pieces of 25 francs. In that case he thought monetary unification would assume a practical form.

Parieu called special attention to the favorable attitude of the United States, and said in regard to the wish expressed for the creation of a 25-franc piece in France that the matter had been given a place in the inquiry and would be discussed later. Graham, the English delegate, observed that as there was an

1 From 1868 to 1883 the total gold coinage of the United States amounted to $632,720,112, or about three milliards of francs.

identity of coin between Canada and the United States, if the latter should approximate to the French monetary system, Canada would, of necessity, follow the example.

It may at first seem remarkable that the only delegate raising objections to the adoption of the system of the Latin Union as a basis for unification was Stas, of Belgium, a party to the union. But political and financial leaders in that country had quite generally followed the opinion of a certain school of economists, important because of the scientific authority of its adepts, which would admit no other monetary unity than a metric unity in round numbers, and which had proposed to take for the unit a weight of five grams of gold of nine-tenths fineness. It was the economically ideal form of monetary unity, and had been urged with great ability in the reviews. Stas was a believer in it, and so preferred the establishment of an entirely new system, essentially French, but based on a different metric unit, thereby, as he held, settling principles rather than expedients in practice. To follow the latter course, he said, would be to leave traces in snow, not to engrave footprints in rock — it would not create anything durable; on the contrary, it would prepare difficulties, for future monetary unification, he held, would only be reached by first laying down an immovable basis. In his opinion the creation of a system based on a unit of gold of 5 or 10 grams would offer the immense advantage of having it more readily accepted by all nations, as it would avoid all national susceptibilities; and, while the adoption of the new unit would require the general reminting of all coinage, it would bring with it a definite system, sanctioned by science. Stas designated certain difficulties in the effort to approximate to the existing French coinage. The coin of 25 francs, for example, would be inconvenient in divisions — the half would be 12 francs 50 centimes, a number already fractional. In his view, there did not really exist pieces of 20 francs, 10 or 5 francs, seeing that no piece of

20 francs was exactly the 155th part of a kilogramme. Mathematically speaking, the kilogramme could not be divided into 155 equal portions, and, with stronger reasons, Stas held that it could not be divided in the order of material facts; but it would not be so with a perfect metric unity of gold, and he, therefore, concluded that only by a new system could there be a reasonable hope of the establishment of a common measure of values in the various countries. He urged that he spoke disinterestedly as a representative of one of the governments, cosigners of the agreement of 1865.

From a purely scientific point of view, Stas and his school of economists were undoubtedly right, and the conference was well aware of it. But it was practically impossible. Any other system than the French was exactly what Napoleon did not desire as a basis; and if there was any possibility of securing the co-operation of England, it must have vanished under the requirement of doing away with its distinctive coins, while Ruggles was maintaining that it would be impossible to abolish the expression of the dollar in this country. The impossibility of the theoretically proper has often been demonstrated in monetary conferences, all of which, when called to establish a condition based on theory, have failed.

As soon as Stas had taken his seat, Parieu asked significantly if he had spoken in the name of Belgium, or had simply expressed his own opinion. Fortamps replied for Stas that the opinion the latter had given was shared by the ministers of finance in Belgium, but that his government would not, of course, refuse to acquiesce in other propositions adopted by the conference. There was, therefore, no serious trouble for France to fear from that quarter. Feer-Herzog, undertaking to meet the scientific objections raised by Stas, said that even the metric system could not claim scrupulous respect for its smaller parts, the basic meter not possessing that sure scientific quantity of length which constituted its definition—the terrestrial spheroid, according to one of the dimensions of which the meter was calculated, presenting irregularities making the absolute mathematical perfection Stas sought for impossible. Nevertheless, the system presented great advantages over any other, and thus it was not indispensable to the goodness of coin that it should be metrically proportioned.

At the conclusion of this discussion, of which these were the main features, Parieu called for a vote on the propositions in the first question, each state having one vote. The proposition for the adoption of a new system was rejected without a dissenting voice; the Belgian delegates, finding themselves alone, remained quiet. The policy of the mutual co-ordination of existing systems was unanimously adopted. Then Parieu put the question as to what existing system should be principally taken into consideration, it being understood that the vote did not determine the matter of the metallic standard, and the conference, without any dissent, expressed itself in favor of the Latin Union. The only reservations came from the German states, which were bound by the treaty of 1857, and must in final settlements act together. So far, therefore, everything had progressed favorably for Napoleon and his ambition to spread the Latin influence permanently over the money of the world.

When the conference met the next day, it at once took up the questions from II. to VII. inclusive, squarely raising the subject of the metallic standard. They in effect asked whether it were possible to constitute identities or partial coincidences of monetary types on the silver standard exclusively, or on the gold standard exclusively, or on the double standard; and, in case of a negative in each instance, whether such identities or partial coincidences could be established on the basis of silver coins, leaving each state at liberty simultaneously to regulate the gold standard, or, on the basis of gold coins, leaving each state at liberty to regulate the silver standard.

Only one delegate, Mees of Holland, raised objections to the general adoption of the gold standard. While avowing himself a partisan of a single standard for each particular state, he thought that serious inconvenience would arise if all the nations in Europe adopted the same standard, either silver or gold, for, in his opinion, it would exclude entirely from European circulation one of the two metals. Representing a state whose currency rested on silver, he did not maintain that it would be properly adopted in preference to gold; he simply did not admit either the gold or silver standard exclusively, and he would not, he said, advocate the double standard unless a universal monetary union was formed, an hypothesis the realization of which was too remote to be considered.

The delegates from Switzerland and Belgium, countries having the double standard, and those of Austria, Prussia, Sweden, and Norway, having the silver standard, all advocated gold. Feer-Herzog said that gold was the only practical basis for a monetary union. As to the fear expressed by Mees of the total disappearance of silver, in case of the adoption of the gold standard exclusively, he claimed that it was not founded on an exact appreciation of the situation. "The world is divided in its monetary relation," he said, "into two considerable and very distinct groups; on the one side, the Western states, where gold tends more and more to prevail; on the other, the countries of the extreme East, where silver continues to predominate. Commerce, which develops itself more and more between Europe and those far-off countries, cannot fail to keep up on this side a considerable circulation of silver." The monetary system of Switzerland, he said, was necessarily subordinate to that of France and other neighboring states, but all the sympathies of the Swiss government were for the gold standard. Baron de Hock, of Austria, likened the double standard to opium — it might be a useful medicine in some cases, but, if used every day, it would become a poison; it might be useful in financial crises but it would be inconvenient for general use on account of the daily changes in the relative value of the two metals. Its influence was evil on the Bourse, he held, the fall in stocks always being greater in countries of the double standard than in those where a single standard prevailed. Fortamps said that the Belgian government, having long been a partisan of the silver standard, had, in view of the effects which had taken place in the monetary circulation of Europe, come to consider the gold standard as the only one that should be adopted. The Prussian delegate said he should vote for the principle of the gold standard, but added that for countries like Prussia, having the silver standard, it would be necessary to prepare the change from one standard to the other by measures of transition. The Swedish delegate reviewed the conditions of the currency in his country, on a silver basis, and declared that for international purposes the gold standard appeared to him necessary. Dr. Broch, of Norway, was even more radical, asserting that gold should not only be the sole standard, but that free coinage of silver should be prohibited in countries where that standard prevailed. He followed this with a remark which was certainly prophetic: "In some countries," he said, "any person can take bar silver to the mint and have it coined at a small cost. Individuals should be deprived of this right; the state alone should have the privilege of coinage and ought to limit the quantity of coin issued to so much per head. This provision should be made now for the 5 francs of the convention of 1865. If such a precaution is not taken and a sudden revolution renders silver more abundant than gold in Europe, the same difficulties that now exist from the expulsion of silver would then happen inversely. So private persons ought only to be allowed to coin their gold."

In stating the position of the United States, Ruggles said that the double standard did not practically exist there. "The original act of Congress," he explained, "which was passed at a time when we were less enlightened than to-day, either by study or experience, sought to establish a double standard by giving to gold coin and silver coin equal legal currency in payments, whatever might be the amount of the debt. In 1853, in view of the considerable change which had been experienced in the respective value of the two metals, and which was then in the way of increase, the double standard was practically abolished by the reduction of about 7 per cent. in the weight of the fractional pieces of the silver dollar and by the declaration that all the divisional coins which should subsequently be struck should be a legal tender only for payments of debts not exceeding $5. It is true that the silver dollar is still retained as lawful money for debts of any amount; but of a total silver coinage of $136,351,512, only $4,366,340 are in dollars, while $131,985,472 consist of subdivisions of the dollar. Almost all the divisional pieces which had been coined before the passage of the law of 1853 have disappeared, in obedience to the fundamental and inexorable law of demand and supply, which sets at naught all attempts made to fix by legislation the relative values of the two metals. The legislators and the people of the United States have sufficiently learned, if not by study, at least by experience, that the system of the double standard is not only a fallacy, but an impossibility, in assuming a fixed relation between the values of two different products, gold and silver. The value of each of these depends upon the quantity produced, and this quantity is beyond the power of legislation. A diminution of value is and ever will be the inevitable result of the increase of supply. During the fifty-six years which immediately preceded the year 1850, the United States coined in gold $85,588,038, and in silver $75,322,969, which represents a supply of about $1\frac{12}{100}$ of gold to each dollar of silver. From 1850 to 1866, inclusive, the coinage of gold has been $759,648,453, and of silver $59,027,843, which represents about $12.50 in gold to $1 in silver.[1] Admonished by so great a change in the relative supply of the two metals, the United States now share without reserve the conviction, more and more extended throughout the civilized world, that it is impossible to establish a double standard which must presuppose a fixed relation between the two metals."

With England, Prussia, Austria, the United States, and the smaller powers determined in favor of the gold standard, and France ready to accept it cheerfully so long as French coins were made the basis of arrangements, the Dutch delegate, who had suggested that it might be impracticable and unwise to have all the nations adopt the same standard, found little hope of support. The nearest approach to it came from Jacobi, of Russia, who could not perceive the necessity of agreeing upon one standard or the other. He thought it would be sufficient to stipulate that such and such coins should be received and accepted as legal coins, each state remaining in other respects free to strike other coins according to the convenience and necessities of its internal transactions. But the French delegate, Lavenay, at once pointed out that this would not do. The government of a state on a silver standard, for example, striking legal coin only in that metal, could hardly consent to give a legal character to foreign gold, and its public banks could not be compelled to take metallic specie which their government had prohibited for its own issues. Moreover, the foreign coin, said Lavenay, might drive out the national coin, thus giving preference to a metal the state had discarded. Parieu and Feer-Herzog added some further objections to Jacobi's idea,

1 The clever bimetallist of to-day would somewhat weaken the force of this statement by simply referring to the tables of the commercial ratio of silver to gold and pointing out that, while the proportion of production between the two metals so radically changed, the average commercial ratio of silver to gold was 15.40 to 1 for the seventeen years 1850 to 1866, and 15.81 to 1 for seventeen years previous to 1850 — a difference of only $\frac{41}{100}$. This variation, however, was sufficient to produce the results Ruggles described.

which would, they evidently thought, weaken the French basis of the proposed unity. Parieu proposed a vote on the third question, for the adoption of the silver standard exclusively, and the conference unanimously rejected it.

Lavenay then observed that, the general opinion of the conference seeming to be for gold as the standard, the only difficulty remaining was as to transitory measures, by which states not maintaining that standard could gradually come to it. These measures gave rise to considerable discussion. The Prussian delegate desired that the silver-standard countries be given an opportunity to adopt the double standard temporarily before going entirely to gold. Parieu agreed with him. The fact that it was much easier for a government to desire a gold standard than to actually reach it was somewhat embarrassing and was not altogether agreeable to France. Finally, the question was modified so as to read as follows: "On the contrary, is this result attainable on the basis and condition of adopting the exclusive gold standard, leaving each state the liberty to keep its silver standard temporarily?" Every state voted in the affirmative, with the exception of the Netherlands. Mees said he considered that the adoption of the gold standard by all countries would reduce silver to change money, and that consequently gold would rise. Moreover, he thought a monetary union not very certain to be adopted, and that the labor of the conference, to use one of Parieu's figures, was "only a seed sown, the germination of which cannot be foreseen." Mees seems to have possessed a prophetic vision somewhat superior to that of other delegates. But, in the abundance of gold, his fears seemed to them to be based on a theory contradicted by the practical facts of the situation. Vrolik, the other representative of Holland, excused himself from voting in the affirmative, on the ground that the question seemed to imply a fixed time in advance when the silver standard everywhere must give place to gold. He would have voted for it, he said, had each state been left the judge of the time it should keep another standard. But if the states adjoining Holland came to a mutual understanding, Holland would be forced to imitate the example. His position was very much that of Mees, except more disingenuous.

By this vote questions IV. and V. were practically solved in the negative — that is, the double standard and the proposition to establish identities or partial coincidences of monetary types on the basis of silver coins, leaving each state at liberty to regulate the gold standard, were rejected. Question VI. was suppressed by reason of the modification adopted to the third question.

At the fourth sitting, on June 21st, a long discussion took place relating to the nature of the necessary transition from the silver and the double standard to the gold. Much difference of opinion was manifested over the question whether a fixed relation between the two metals should be established. By the adoption of the gold standard the seventh question really took this form: Would the advantage of internationality, which gold coins would have, be a sufficient guarantee of their continuance in the circulation of each state, or would it be necessary beyond that to stipulate, either for a certain limit in the relation between gold and silver, or for the case where international coins would incur the risk of being completely expelled from circulation in some of the contracting states? Parieu said that the sub-committee had prepared this question in anticipation of a possible adoption of the double standard, but as the conference had decided for a gold standard, and that the double standard must be transient, he should consider it wise if the conference should declare a certain minimum, below which the relations between gold and silver should not be fixed. But the Belgian and Netherland delegates thought it better to leave each state to settle the relation for itself. Lavenay, the French delegate, was inclined to agree with them, for, he said, all international negotiations would be transacted in gold, and, if a state established a bad tariffication of coins, gold would not go there. The Austrian delegate agreed with Parieu that some principle for transitory measures should be sanctioned by the conference, but he thought it difficult to fix a limited minimum relation between the two metals for the states with a silver standard. He considered it better to adhere to a certain generality, and, for that reason, he proposed the following substitute for the seventh question:

"The advantage of internationality, which coins would acquire from the metal adopted as a common standard, would not be a sufficient guarantee for keeping them in circulation in each state, but it would be necessary to stipulate also in countries that have had the silver standard up to this time, as well as in those of the double standard, that the relation between the value of gold and silver should not be established at a rate too low to permit the serious introduction of gold."

The question was a difficult one. The members of the conference appreciated that they were in deep water. For the first time the French delegates showed that they were not sure of their position and their opinions did not always coincide. Parieu said he would willingly adopt Baron de Hock's proposal for countries of a silver standard, but he doubted if it would suit countries with a double standard which had long had a legal relation between gold and silver, and it would be difficult to suppose that on adopting a gold standard they would modify their metallic relations so as to drive gold out of circulation. The French delegate, Herbet, thought the question could come up in special conventions later and be settled by delegates authorized to do so. Ruggles asked that the vote be postponed till the next sitting, as he did not clearly see the effect of the amendment. Parieu was, nevertheless, disposed to put the proposition to vote, the delegate from the United States giving his adhesion or refusal some other time. Dr. Kern thought Baron de Hock's proposition a happy compromise of diverging opinions tending to the same end and differing only in comprehensiveness; for the good of the conference, he thought the vote should take place immediately. Ruggles excused himself from voting because, he said, he did not understand the question. The United States, he told the conference, would not consent to accept any fixed relation between gold and silver, for the double standard would be abolished only when no such relation existed. Parieu maintained that the double standard still existed in the United States, and, of course, the relation between gold and silver, which was 1 to 16. Ruggles replied that, while legislatively the double standard existed, it was virtually abolished in practice, and "hence the United States has the gold standard alone."

"Reasoning in that way," returned Parieu, "as France coins a less number of 5-franc pieces than America does dollars, we might say, like Mr. Ruggles, that France has the gold standard alone, and that is what nobody would assert."

Jacobi remarked that the United States must clearly be considered as having the double standard, unless a law was passed prohibiting the coinage of silver dollars. There was a further running debate on the subject, resulting only in greater confusion and doubt in the minds of the delegates. Finally, Parieu put the Hock proposal to vote, and it was adopted without dissent. Ruggles, however, withheld his vote, and the Prussian delegates did not vote, declaring that their instructions did not permit them either to discuss or to vote upon transient measures which might require the co-operation of their Northern confederates.

Though the difficulties of the question were thus avoided in the conference, it must have been evident to all the delegates that they could not be thus avoided in any fixed international agreement. It would have been necessary, had the acts of the conference assumed practical form later, to create some sort of a system. It would have proved vain to have decided upon an international money of gold without fixing a relation for it with the silver money in states where the double standard was transitory, for, with the relation between the two metals differing in different countries, and, as gold comes in more readily when the coefficient of silver is higher, countries in a transitory situation would find themselves at an advantage according to the ratio they maintained. But the delegates saw that the subject was best avoided for the time for the sake of securing as complete an agreement on principles as possible, leaving to the future the settlement in some way of vexatious details. The question was one that the American delegate could not easily appreciate. His country had no circulation in silver and its condition was altogether different from that prevailing among the states of Europe, so closely situated that a variation in the lawful ratios of different states might have made the circulation of an international gold coin impossible in some countries and deprived them of the benefits of internationality. But the United States government, as represented by Ruggles, saw in the question of fixing a ratio, or fixing it within certain limits, the possibility of prolonging the double standard, something that it scorned in any form. It desired no ratio between gold and silver, except such as commerce proclaimed from time to time. Its policy was the gold standard without compromise, and so, without instructions as to ratios, Ruggles was at a loss to find his position on a matter which would affect the European states, even if they adopted the gold standard.

Napoleon was highly pleased with the course events had taken thus far, and sought for some way to give to the conference an impressive expression of his imperial gratification. The Marquis de Moustier, Minister of Foreign Affairs, had made a formal report to him, speaking of the eagerness with which the sovereign states of Europe and the government at Washington had sent delegates to the conference and of its bright prospects. It was published in *The Moniteur* of the 26th, on which day the conference reassembled. With it appeared Prince Jerome Napoleon, whom the Emperor had appointed to preside, as a mark of his imperial favor. In taking the chair the Prince complimented the conference on its progressive ideas and on the course it had taken, and expressed the hope that it would continue its labors so well begun. Parieu responded by assuring the Prince how highly honored the conference felt by the presidency of His Imperial Highness, and the Count d'Avila proposed that an address, expressing the profound gratitude of the conference, be presented to the Emperor. The proposition was, of course, approved and given to Parieu for transmission.

But it is doubtful if this mark of approval had quite the effect the Emperor intended or desired. The English delegates had said very little up to this time, but had voted for the several propositions which the conference had adopted. As soon as the formalities in honor of the Prince were concluded, and he had announced that the next question would be taken up, Rivers Wilson arose and read the following declaration:

"Before recommencing the discussion of the list of questions, the English delegates deem it their duty to the government they represent, to the members of the conference, and particularly to the government of the Emperor, by whose invitation they are present, and to prevent any misunderstanding, to indicate their delicate and exceptional situation. They are convinced of the necessity of this declaration, from the serious and practical turn the discussion has borne to this time, and particularly from the high signification that must attach in public opinion to the presidency of His Imperial Highness, Prince Napoleon, and to the labors that must result from it.

"The English government was obliged to accept the cordial invitation from the government of the Emperor to participate in this conference, because a refusal would have shown a want of courtesy, and would have made it liable to accusations of prejudice upon this very important question.

"Indeed, the English nation is in a position much more independent upon this question than most Continental nations.

"So long as public opinion has not decided in favor of a change of the present system, which offers no serious inconveniences, either in wholesale or retail trade, and until it shall be incontestably demonstrated that a new system offers advantages sufficiently commanding to justify the abandonment of that which is approved by experience and rooted in the habits of the people, the English government could not believe it to be its duty to take the initiative in assimilating its coinage with those of the countries of the continent.

"But the English government will always be ready to aid any attempt to enlighten and guide public opinion in the appreciation of the question, and facilitate the discussion of the means by which such an assimilation, so advantageous in theory, may be effected.

"Thus, while consenting to be represented in this conference, the English government has found it necessary to place the most careful restrictions upon its delegates; their part is simply to listen to the different arguments, to study the situation as developed in discussion, and to report to their government. Thus far they have found no difficulty in voting in favor of all the propositions adopted by the conference, because their principles agreed with the system now in force in England. But they cannot vote for any question tending to bind their government or express any opinion to induce the belief that Great Britain would adopt the convention of 1865."

If the conference had any expectations of accomplishing any practical results, they must have been somewhat shaken by this declaration. It indicated that the English government had little real desire for monetary unity, except on the basis of English coinage, and, apparently, not much for that. The proposition to establish an equation of the coins of England, the United States, and the Latin Union, by reducing the fineness of the sovereign, lost much of its practical value by such a declaration. Although one of the French delegates, Herbet, explained that the reserves made by the English delegates were found in Lord Stanley's despatch to the French ambassador in London, announcing England's participation in the conference, it is worth noting that the English delegates did not deem it necessary to inform the conference of their "delicate and exceptional situation" till the presidency had been bestowed by the Emperor on Prince Jerome. It is possible that Lord Stanley began to feel that England was in danger of making too cordial a demonstration in the Napoleonic monetary procession. He had learned something about Napoleon's dreams of Latin influence.

Prince Jerome expressed the opinion, after Wilson had finished, that the labors of the conference were essentially theoretical; that practical results must be effected in future international conferences, and that, therefore, the English delegates need not fear to express their opinion on any question, since it could not bind their government any more than the opinions of other members. He then announced that the conference would take up the question whether it was necessary for the success of monetary unity to constitute a unity at present, identical everywhere in metallic composition, weight, and denomination, and, if so, what bases should be assigned to it, or was it sufficient to constitute common types, having a common denominator of medium amount, as, for instance, multiples of 5 francs for the gold coins.

But the statement of the English delegates had obviously brought a change over the conference. Count d'Avilla, speaking for Portugal, the only other gold-standard country represented in the conference, thought his government would not object to reduce the fineness of its gold coins from .916 to .900, but naturally England would have to set the example. He added that he was not aware of the difficulties in a change of currency for the English system; in theory, there appeared to be none, to explain the reserve of the delegates from Great Britain. It would be necessary, in his opinion, to change the sovereign, as the United States intended to change their dollar; and, in case England followed the example of the United States, Portugal would naturally come in next, particularly as the pound sterling was legal tender there. If England could not change the fineness of her sovereigns, she should, he thought, allow them to circulate as 25 francs for a time.

It was the opinion of Baron de Hock and other delegates that the adoption of the French monetary system as a centre for the proposed unification really settled the fineness of the new coins at nine-tenths, but Feer-Herzog held that nothing in the agreement of 1865 could bind this conference. He feared, he said, the frequent mention of that agreement had misled the English delegates, and induced them to declare they could not vote for its adoption by Great Britain.

After much discussion the question was proposed by Prince Napoleon in this form: "Should there be types with a common denominator for weight in gold coins of identical fineness?" It was adopted without dissent. The Prince then proposed a vote of nine-tenths as the fineness of international coins, and that was similarly adopted, Graham of England explaining that he voted for that degree of fineness only on the hypothesis of an eventual recoinage.

At the next sitting, on the 28th, the subject of fixing the common denominator was taken up. France, Portugal, Austria, Holland, and Russia advocated the 5-franc piece; England and Sweden, the 10-franc piece. The conference finally voted, 13 to 2, to adopt the 5-franc piece. England and Sweden voted in the negative. The German states and Belgium did not vote. The Belgian delegates considered the 5-franc piece too small. The Prussian delegate said he did not know what union money would be best suited for Prussia. The representatives of Bavaria, Baden, and Würtemburg stated that, as they were bound by the monetary and customs union of Germany, they felt compelled to leave the states free to act in concert. It is noticeable that the German states began to manifest a decided reserve immediately after the English delegates felt it their duty to declare their "delicate situation."

The discussion then turned to the question whether it would be expedient for the types of the coins determined by the monetary convention of the 23d of December, 1865, for the sake of unification and reciprocity, to be completed by new types. The delegate of the United States made a long statement in advocacy of the issue by France of a 25-franc piece, as a means of securing a coin approximating in value to the half-eagle and the sovereign. He argued that it would not be objectionable, as impairing the symmetry of the metric system, for France had not, and never had, a gold coin containing an even number of grammes. Giving statistics of the gold coinage of the United States, England, and France since 1849, he added: "The money of the world must be unified now or never. It is fortunate that the gold sovereign of Great Britain, around which the prejudices of the English people naturally cluster, only requires to be reduced to the value of 25 francs, a diminution of 64 milligrammes in weight of fine gold, being a reduction in value of only twopence, English, or four cents of the United States. In truth, the reduction to be made by Great Britain is less than one-fourth of that required from the United States. It is no fault of France, but her good fortune, that the burden and inconvenience of recoinage, and the modification of contracts, will be almost exclusively borne by the United States and Great Britain, while France, with her six milliards of gold in circulation will share without cost in the general advantage and the honor of having unified the money of the world. It is under these circumstances that it is asked, in the name of the United States, that France, in a spirit of wise liberality, will effectually contribute, as she easily may, to the great work of practical unification, by adding the 25-franc gold piece to her present coins. Such a coin will circulate side by side everywhere and in perfect equality with the half-eagle of the United States and the sovereign of Great Britain. These three gold coins, types of the great commercial nations, fraternally united and differing only in emblems, will go hand in hand around the globe, freely circulating through both hemispheres without recoinage, brokerage, or other impediment. This opportune concession of France to the spirit of unity will complete the work of civilization she has had so much at heart, and will inaugurate that new monetary era, the lofty object of the international conference, and the noblest aim of the concourse of nations, as yet without parallel in the history of the world."

Prince Napoleon replied to this earnest appeal that France did not object to the proposition to coin the new piece, but, the convention of 1865 being in force, the French government must have an understanding with its associates. He thought, however, that the revision of that diplomatic act, on the point in question, would meet with no difficulty. The Italian delegates thought that their government would not object to receiving 25-franc pieces, provided it was not required to coin them.

Before a vote was taken on the issue of this coin, the conference decided that it would be best to act on a general proposition as to the currency of coins of one country in other countries, and, finally, one was adopted, declaring that gold coins with the common denominator of 5 francs should have legal circulation in the states mutually bound by the monetary convention. There was no dissenting voice, but, again, England and the German states declined to vote.

Returning to the discussion of the 25-franc piece, Graham, the English delegate, expressed the opinion that the introduction of this and the proposed 15-franc piece into the French system would make too many pieces and be a defect. He asked if France really intended to coin 25-franc pieces. Prince Napoleon replied that France, if consulting its own convenience, would not, but to facilitate unification it would make this concession to the United States; it appeared also that this coin would equally accommodate England and Austria. The Spanish delegate said it would also accommodate his country

England, evidently, did not desire to be accommodated. Not unless such a coin was issued by France could England find any practicable way of approximating her coinage to that of the Latin Union, a basis for approximation which the English delegates had voted for. Their action seemed to indicate a feeling that the conference had already gone too far to suit them, or that they had discovered Napoleon's motives. The 25-franc piece was, however, adopted without objection from any state.

The coinage of a 15-franc piece was especially desired by some states, and suited southern Germany, in case of monetary unification. The Prussian delegate said he could no more vote on this proposition than on the others. Monetary uniformity was certainly desired in Prussia, he said, but all he could do was to vote for the gold standard, though he did not know when or how Prussia would pass from the silver to the gold standard. Dr. Kern complained of the apparent indifference of the representatives of certain states as to measures which were clearly intended for their benefit. Without regard to preference for his own country, he said, he voted, in a spirit of conciliation, because the delegates from Austria and the United States desired it, conceding a change in their coinage, and he had believed that England would do the same. But he was surprised to hear the English delegate say that the 25-franc piece did not appear to him useful, and he did not see the inconvenience of adopting the 15-franc piece, so long as the states particularly interested, and especially Prussia, would not pronounce in its favor, even theoretically. Rivers Wilson explained that his colleague placed himself in a purely theoretical point of view, when speaking of the 25-franc piece; it would, he considered, be rather injurious than useful to the general economy of the French system, but it would not be so in a monetary union between England and France. This was practically equivalent to his saying that he did not expect any such union.

Prince Napoleon deprecated these disagreements. The aims of the conference were definite and practical, he said, and it was their duty to direct their efforts accordingly. Rivers Wilson replied that England could not but appreciate the intention with which it had been proposed to introduce the 25-franc piece, a diplomatic way of saying that England was desirous of none of the favors the conference was anxious to accord. Parieu endeavored to pour oil on the troubled waters by remarking that the 15 and 25 franc pieces would be an "invitation" to the states who thought they were not yet prepared to decide. Prince Napoleon suggested that the conference vote on the question whether the 15-franc piece should be included in the terms of monetary union or reserved till later. Seven states voted to include at once, seven voted in the negative, and six did not vote. The affirmative votes came from France, Spain, the United States, Greece, Holland, Portugal, and Russia; the negative, from Austria, Baden, Switzerland, Italy, Denmark, Sweden, and Norway. Had the German states manifested the slightest disposition for unity, all of these states would have voted in the affirmative, except Sweden and Norway, whose representatives opposed the creation of too many types. The question of regulating by common obligations the composition, limits of admission in payments, and the quota of issue of silver and base coins was omitted by common consent, as impossible of settlement at that time; so also was the twelfth and last question, which was proposed only for consideration in case the conference could not agree upon any of the principles laid down in the first part of the list.

The theoretical work of the conference was practically completed by the unanimous adoption of a proposal by Baron de Hock, of Austria, endorsed by Jacobi, of Russia, relating to the principles involved in the eleventh question as to the practicability of defining precisely the means of control for securing exactness in the striking of the common types of international money. The measures of verification and control, it was proposed, should be specified in the arrangements between the states, the following principles being fixed:

"1. The money shall be coined of its full standard and weight, without abatement for coinage or any remedy; in no case must there be connected any particular interest, in view of any profit, with the fabrication of money.

"2. The kilogramme shall be established as a weight for the common coins; the weights used by the mints must be made after a common normal weight.

"3. Common methods of assay and equal limits of tolerance for standard and weight of the common coins must be agreed upon.

"4. Coins of the same value must have the same diameter; they shall bear the date of the year when they were coined.

"5. When many pieces coined in the same year are found to be defective, by a process to be agreed upon, the government in default shall call in all the pieces issued in that year.

"6. An understanding shall be had as to the methods of withdrawing from circulation all clipped coins, those diminished in weight beyond the limit of tolerance, or those on which inscriptions have become illegible.

"7. It shall be held as a principle that each state shall punish violations of the monetary laws of the other states, as well as infractions of their own laws, and on this principle a monetary cartel shall be agreed upon."

At the seventh sitting, July 2, the conference undertook to analyze and specify the results of its theoretical labors and to come to an understanding as to the means of arriving at a practical solution. Baron de Hock considered an understanding by special conventions with the states of the Latin Union better than for each state to proceed by separate and isolated legislative measures. The entire process, he maintained, from the metallic composition to the means of control, should harmonize, and the monetary regulations in the states of the union should give assurances of stability. To a suggestion that the arrangement for the adoption of the system of the Latin Union did not expressly stipulate the preliminary adoption of gold as a standard by its four states, Prince Napoleon replied that it might not be so easy as some thought for the French government to take the lead in the selection of a standard. To adopt gold exclusively would require a modification of the French law, and the subject, of course, would have to be laid before the legislature. The double standard, he said, had many stanch advocates in France, who would certainly oppose the withdrawal of silver from circulation. It would be very useful when the subject was laid before the French legislature for his government to rely on diplomatic arrangements, already concluded, showing that the principle of the single gold standard was admitted both in theory and practice

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by many other states. Napoleon, having secured the French system as a basis for unification, was evidently disposed to wait till other states showed a disposition to come to the French system before France assumed the responsibility of going to the metallic standard of other states. The United States delegate was of the opinion that the details of the application of the system the conference had adopted could not be settled then, but would have to be regulated by subsequent conferences. The adroit Parieu then came forward with a general and harmless proposition, to the effect that the conference should express the hope that the measures taken by the governments of the different states "to modify their monetary system, in conformity with the basis laid down by the conference, may end in diplomatic conventions." It was unanimously adopted, for it bound the states to nothing whatever, and the delegates only to the expression of a hope.

There was another difference of opinion as to the time to be allowed the different governments to make known their decisions upon the resolutions voted for by the conference, and as to the ultimate steps to be taken. In the case of the United States, Ruggles said it would be necessary to submit measures to Congress, which did not meet till the next December. German states would need to confer with their confederates, signers of the treaty of 1857. The English delegates could not promise a final decision for England for any fixed time. Prince Napoleon submitted another innocuous proposition: "As soon as answers shall be received from the different states to the communication officially made to them of the labors of the conference by the French government, that government, in accordance with the answers that may be received, will call a new conference, if necessary." It was adopted. He submitted, further, that it was desirable that answers should be received before the 15th of the following February, and Baden, Bavaria, Denmark, Holland, Portugal, Prussia, Russia, Switzerland, Turkey, and Würtemburg voted for it. Austria, Belgium, Italy, Sweden, and Norway declared for October 1st — a date only three months off — while the United States desired May 15, and Great Britain June 1, 1868.

Nothing remained for the conference but the exchange of farewell courtesies, which took place at the eighth and last sitting, July 6, and which consisted mainly of a review of the proceedings and decisions of the conference by Parieu, a response for the foreign delegates by Baron de Hock, and an expression of thanks from Prince Napoleon, promising to be an interpreter for the conference with the Emperor, who, the Prince said, had "taken a lively interest in its labors."

It must appear to one who studies closely the results of this conference that, taken with the Latin Union agreement of two years before, the cause of monetary unity had made marked progress. While the discussion was largely theoretical, and although some conflicts of national interests and occasional jealousies manifested themselves, the apparent unanimity of the nations as to the desirability of monetary union and as to many important principles, the settlement of which was essential, was most encouraging for the advocates of such unity. Though dealing with theories, these delegates were not simply theorists. Many of them were men intimately connected with the practical affairs of their governments; many of them, also, were the recognized authorities of the time in financial affairs. The Emperor may have taken considerable pride in the fact that the French system, or that of the Latin Union, was adopted as the basis of the proposed reform, but the readiness with which it was endorsed by foreign delegates is assurance that national jealousy did not — at first, any way — color their opinions. Accustomed as this generation has been to the greatest diversity of views on monetary questions, and particularly as to the standard of value, it must be considered extraordinary that a body of men of the character described, representing all the national interests, race prejudices, and governmental traditions of Europe and North America, should so nearly agree upon such important propositions regarding one of the chief elements in national life — money. The explanation must be found largely in the spirit of the times.

The most notable act of this conference, undoubtedly — and, as it proved, an act of far-reaching consequences — was its adoption of the principle of the gold standard for all civilized nations. It did not mark the beginning of the gold movement, for it had its beginning much earlier, as we have seen, but it marked the decisive turn in affairs, the consummation of an economic movement, when nations which had maintained a silver or a double standard for centuries openly announced their intention to thereafter seek the gold basis.

The conviction which controlled the conference regarding the standard was well stated by Parieu in his summing-up of the work of the session. "Here," he said, "the laws that brought precious metals into contact with the wealth of communities, and which have twice given a monetary system to the universe, came into consideration. The rule of these laws was broken by the great historic catastrophe that separated ancient from modern civilization by an intermediate period of poverty and barbarism, but now strikingly reproduced after a lapse of eighteen centuries. In the time of Augustus, when gold had gained the ascendency in money circulation, the Roman poet exclaimed:

> "'Aera debant olim; melius nunc omen in auro est,
> Victaque concedit prisca moneta novae.'

"From the middle ages to our day, the revolution that Ovid mentions incompletely, for he omits silver, has lain quiet till it breaks out now with renewed strength and peculiar mineralogical, industrial, and commercial circumstances. No new invasion of barbarism can reverse its course in Europe, where silver first took the place of iron and copper, and where silver is now displaced by gold. In most of the civilized nations of Europe and America the latter metal has become the principal instrument of circulation, because its portability and density particularly recommend it as the material for monetary unity. When the convention of the 23d September, 1865, closed, three of the associate states wished gold to be the choice of the convention. Even in the last century a learned man in Germany, where so many grand ideas originate, declared that gold was destined to become the bond of the monetary systems of the world."

With a proper understanding of this conference, the course of the succeeding events can be better appreciated, and we can avoid the misapprehension — or wilful misconstruction of events — that has been so common in recent years. The movement for a gold standard — whether it was a great human misfortune or not — did not originate with men having the secret purpose of conspiring in favor of bondholders and money-changers. The sentiment arose spontaneously and naturally among all civilized peoples at a time when gold was cheap and circulated freely, and when a reawakened industry was making gigantic strides. It was given expression by men, considered the wisest in their generation in monetary matters, honestly thinking that the welfare of the human race depended upon obedience to economic law, as inexorable as any natural law. On no other ground could the chosen representatives of twenty civilized states, only two of them maintaining a gold standard, have voted for that standard, when silver was worth more than gold, or as much, at the existing coining ratios, and when the prospects were that the interests of the creditor would be best subserved by the payment of obligations in silver. Moreover, one of the avowed purposes of monetary union, to effect which this conference labored, was to free commerce largely of the operations of the money-changer.

Having thus decided the question of the standard, fixed the 5-franc piece, nine-tenths fine, as the common denominator, determined that international types of coinage should have legal currency within the union, and proposed future diplomatic conventions to regulate details, it was not strange that most of the delegates separated in the expectation that monetary unity throughout the civilized world was soon to be realized, even if the position of England and the German states was somewhat enigmatical. Napoleon III. might well be pardoned having bright visions of a victory of peace, carrying the name of Napoleon and the coins and influence of imperial France more widely into the world than all the victories at arms of Napoleon the Great.

But the year 1867 with Napoleon III. was something like the year 1807 with his renowned uncle. It marked the turn in the tide of his fortune.

CHAPTER III

CHANGES IN COINAGE LAWS AND MINT REGULATIONS—THE DEMONETIZATION OF SILVER

Separating thus, in the hope and belief that a uniform international coinage could be practically brought about, the continued agitation of the subject by the delegates in their several countries, with some attempts at governmental action, naturally followed. The literary campaign became livelier than ever. Articles upon the question from the pens of leading authorities appeared in the financial and economic reviews of nearly every country in Europe. In England there were notable papers by W. Stanley Jevons, on the condition of the metallic currency of the United Kingdom with reference to the question of international coinage; by Ernest Seyd, on foreign exchanges, with a defence of the double standard for a proposed system of universal coinage; by Walter Bagehot, giving a plan for assimilating the English and American money as a step towards a universal money; and by others. The French writers quickly became engaged in a controversy over the question of standards. Parieu earnestly and enthusiastically defended the decision of the conference, and for a time his position was supported by a majority of the ablest economic and financial writers. On the other hand, Cernuschi and Wolowski ably argued for the retention of the double standard, and they were supported by a few of the leading financiers, particularly by those connected with the Bank of France. In Germany, economic opinion was almost entirely for gold. Dr. Soetbeer, Xeller, Bamberger, and a score of others discussed the reform of the nation's currency in all its phases; seldom has any economic topic been so thoroughly debated, and the controversy centred largely upon the subject of the standard of value, except in the United States, where there was no controversy at all as to the desirability of international uniformity in coinage or of the standard of gold; every one who considered the matter desired both. The words "coin" and "gold" were practically synonymous in this country when paper was the currency.

France, for some little time after the conference, simply used her diplomacy to encourage efforts for unity among other governments, before taking definite steps to modify her own system to conform to the decision of the delegates. A preliminary treaty was arranged with Austria, not a difficult matter, as Baron de Hock had already prepared its terms in anticipation of the results of the conference, and as the 4-florin piece was the exact equivalent of the 10-franc piece of the Latin Union. Austria was also anxious to resume specie payments, and was politically inclined to ally herself to France, since the Germans had drawn towards Prussia, where Bismarck's vigorous policy was rapidly forming a new empire in a manner somewhat disagreeable to Napoleon. Spain came into the Latin Union in 1868 as a result of diplomatic overtures.

The French government soon became aware that not the least difficult part of its programme would be to obtain a legislative endorsement of the gold standard. With the prestige of the conference, the government thought French opinion would be modified, but a commission, appointed in 1867, declared against the adoption of the gold standard. In view of the developing opposition to a change in the system, the government called into being a larger and more imposing commission, the majority of whom were known to be in favor of gold. It went through the forms of an inquiry. Advocates of the gold standard strongly pleaded its cause, restating the various arguments in its favor — the plentifulness of gold, the general sentiment for its adoption as a common standard, the danger to France unless the government acted quickly and avoided the difficulties of entering the procession late, and the fact that the states of the North German Union had practically determined to adopt the standard. The idea was also advanced that, both metals having depreciated, one of them should be demonetized so as to assure the value of the standard. But the Bank of France strongly opposed the proposal. Rouland, the Governor of the bank, said to the commission: "We have not to do with ideal theories. The two moneys have actually existed since the origin of human society. They co-exist because the two together are necessary by their quantity to meet the needs of circulation. This necessity of the two metals, has it ceased to exist? Is it established that the quantity of actual and prospective gold is such that we can now renounce the use of silver without disaster?" Baron Rothschild, one of the regents, was equally strong in opposition, and held that suppression of silver would amount to a veritable destruction of values without any compensation, for the alleged inconveniences of a lack of uniformity in coins he considered a trifling matter. But Napoleon was determined, and his commission declared by a vote of 17 to 6 for gold. This was in the summer of 1869.

Overtures were made to Germany, but Bismarck, as coolly as before, requested his minister at Paris to say that the political programme arranged in Germany embraced also the subject of coinage, and it would be necessary to await the developments of the programme before considering negotiations with other powers. But while the Chancellor was keeping his counsels to himself, the commercial organizations all over Germany were continuing an agitation for the Paris programme. At the organization of the Handelstag, a convention of Chambers of Commerce in the different cities, as early as 1861, the

German governments had earnestly recommended the adoption of measures to secure monetary unity, and it was repeated in 1865, while the organization was kept up by a permanent committee of fifteen, of which Dr. Soetbeer was chairman. This committee had from the first advocated the establishment of the gold standard as a primary step for the desired unity, and, at the fourth convention at Berlin in October, 1868, Dr. Soetbeer introduced resolutions declaring that "monetary unity, and at the same time such a general reform as befits the age, can be brought about by the adoption at the same time by all the German states of the single gold standard with the full application of the decimal system, in pursuance of the principles recommended by the International Monetary Conference of Paris in its report of the 6th of July, 1867." Special attention was called to a proposition to introduce a unit of value and of account equivalent to the gold 5-franc piece with its decimal multiples and its division into 100 shillings; or to adopt for the unit the gulden as the tenth part of a principal gold coin identical with the 25-franc piece, and divided into 100 kreuzers. The scheme of unifying the coinage of the people by a reckoning by marks as the third of a thaler was distinctly discarded as unscientific, even if better adapted to the habits of the people; yet this was the scheme which Bismarck, as a practical politician, was inclined to favor, and which was eventually adopted with some modifications. At this convention in 1868, the Handelstag petitioned the North German Union and the governments of Bavaria, Würtemberg, Baden, and Hesse to take appropriate steps without delay for transition to the gold standard, so that, if possible, it might go into effect by January 1, 1872, at the latest. Had not political conditions changed, it seems entirely probable that Germany would have adopted the plan of the conference. Its steps were all in that direction. Even late in 1869, Walter Bagehot, writing of the North German Union, said: "Germany has a currency to choose; none of her many currencies which have descended from her divided states are fit to be her exclusive currency now that she is one. If things remain as now, she is sure to adopt the French currency; already there is a proposal in the Federal Parliament that she should take it." [1] In June, 1870, or a month before the Spanish throne afforded a pretext for hostilities, Prussia appointed a commission to inquire into the best means of adopting a gold standard for the allied states.

While the British delegates had shown little zeal for a general monetary reform at the conference, the commercial opinion of England was far from indifferent. The predominating desire had been to secure the pound sterling as a unit, but upon the report of the delegates to Lord Stanley, and of Professor Leone Levi, concerning the measures advocated by the international committee, the agitation in favor of the reduction of the value of the pound to that of a 25-franc piece grew, and a parliamentary commission was raised to inquire into the subject and report upon the feasibility of the project.

The situation in the United States was unique, and should be carefully examined. The action of the Paris conference excited little interest among a people who were preparing for themselves a fresh disaster by an overindulgence in paper inflation, and were absorbed in grave questions over the reconstruction of a recently rebellious section, while the party in power was engaged in a struggle with a President which nearly ended in his impeachment. The subject of monetary union was kept alive only by diplomatic steps which for more than a year failed to attract the notice of Congress. Delegate Ruggles maintained his interest and enthusiasm, bringing the matter to the attention of the State Department regularly. In a

1 "Universal Money." Some bimetallic writers have made the mistake of citing this as evidence that Germany proposed to adopt the double standard. The proposal was to adopt the French system as modified by the conference of 1867 — a gold standard.

communication to Secretary Seward shortly after the adjournment of the conference he spoke of the unanimity, not only in the conference, but in the international committee, which, he said, acted independently, for the general abolition of the double standard. In reply to a note from Minister Berthemy in September, notifying this government that France was seeking to carry out the plans of the conference and would be pleased to receive a reply from the United States, Secretary Seward replied that the matter was already being examined by the Secretary of the Treasury and would receive prompt attention. A few days later McCulloch wrote to Seward that the idea of the conference had his approval and concurrence and that he would present the question to Congress in November. It would have been futile to have asked that body to take the matter up in 1867, when it was assembling repeatedly, only with a view of checking the President and defeating his plans, and it was not till November that Ruggles finally submitted his formal report.

He spoke of the composition and character of the conference, whose delegates represented a population of 320,000,000 souls, and of the importance of embracing in a monetary union, so much desired, the South American states. The cost of recoinage required by the proposed unification, he maintained, would be more than met by the saving to commerce in the charges of money-changers. There were, he said, scattered through the different nations of Europe and along their frontiers at least 5000 money-changers and their employés, gaining a living by changing the coins of the various countries of the world. Even supposing that there were but 2000 of them, and that they earned each only $1000 a year, it would amount to $2,000,000, which commerce would save, and which would go far towards the payment of all the necessary recoinage. In speaking of the plans for unification he referred to the matter of the standard of value in this way:

"The establishment of the single standard exclusively of gold is, in truth, the cardinal, if not the all-important, feature of the plan proposed by the conference, relieving the whole subject, by a single stroke of the pen, from the perplexity and, indeed, the impossibility of permanently unifying the multiplicity of silver coins scattered through the various nations of Europe. It is a matter of world-wide congratulation that on this vital point the delegates from the nineteen nations represented in the conference were unanimous, not excepting France itself, so strongly wedded by its national tradition to the double standard."

He fully explained the reasons that had actuated the delegates in considering the system of the Latin Union the best as a basis for unification, and why the majority had preferred the gold 5-franc piece as a common denominator, which would not only make the dollars of the United States, when reduced by a new coinage, convertible into 5-franc pieces, but France had agreed at his "earnest solicitation," to coin a 25-franc piece to correspond with our half-eagle, and, he hoped, with a modified sovereign. The report was fully analyzed by the Secretary of the Treasury, McCulloch, in his report at the assembling of Congress, and attracted enough attention to be asked for by the Senate and printed as one of its documents, so that that body was abundantly aware of what was going on in reference to the standard value. The logic of events leads naturally and directly up to the Act of 1873, acquiesced in, neither in ignorance nor through "hypnotism," by nearly everybody in Congress and out.

On January 6, 1868, or a few days after the Ruggles report was submitted to the Senate, Senator Sherman introduced a bill (No. 217) to carry out the proposed plan of unification so far as it could be done by the United States.[1] It chiefly

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1 The bill in full was as follows:

"*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled:*

"That, with a view to promote a uniform currency among the nations, the weight of the gold coin of $5 shall be one hundred and twenty-four and nine-twentieths troy grains, so that it shall agree with a French coin of 25 francs, and with the rate of thirty-one hundred francs to the kilogramme; and the other sizes or denominations provided for the reduction of the gold coins to conform to French gold coins, and also for reducing the weight of the fractional silver coins to the French valuation, while discon-

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shall be in due proportion of weight, and the fineness shall be nine-tenths or 900 parts fine in 1000.

"Sec. 2. *And be it further enacted*, That in order to conform the silver coinage to this rate and to the French valuation, the weight of the half-dollar shall be 179 grains, equivalent to 116 decigrammes; and the lesser coins be in due proportion, and the fineness shall be nine-tenths. But the coinage of silver pieces of one dollar, five cents, and three cents shall be discontinued.

"Sec. 3. *And be it further enacted*, That the gold coins to be issued under this act shall be a legal tender in all payments to any amount; and the silver coins shall be a legal tender to an amount not exceeding ten dollars in any one payment.

"Sec. 4. *And be it further enacted*, That in the assay of the gold coins to be issued under this act there shall be no greater deviation allowed from the standard of fineness than one-thousandth part above or below.

"Sec. 5. *And be it further enacted*, That the devices on the coins shall consist of such emblems and inscriptions as are proper to the republic of the United States, but plainly distinct from those now in use; each coin shall express its proper date and value; and the value of the gold coins shall be stated both in dollars and in francs; and whenever it is ascertained that Great Britain has conformed the pound sterling to the value of the piece of $5, then the value in British terms shall also be stated; and the devices as well as the diameters of the coins shall be fixed by the Director of the Mint, under the control of the Secretary of the Treasury.

"Sec. 6. *And be it further enacted*, That foreign gold coins, conformed to the basis herein prescribed, shall be a legal tender in all payments whatsoever, so long as the standards of weights and fineness are duly maintained; and it shall be the duty of the commissioners of assay, meeting at the mint in the month of February of each year, to try a sufficient number of such foreign coins of the preceding year, to be procured for that purpose by the Director of the Mint, and if any serious deficiency be found, the Secretary of the Treasury shall have power to suspend the right of legal tender in the particular case.

"Sec. 7. *And be it further enacted*, That when the gold and silver coins of the United States are brought to the mint or its branches for recoinage, such coins shall be received by weight, and those of them which have been issued as nine-tenths fine shall be so received, but all others by assay. And in payments at the mint for both gold and silver coins above specified, the value shall be rendered according to the weights prescribed in the first and second sections of this act, and there shall be no charge for coinage, seigniorage, or internal revenue; and on all other deposits of gold for coinage the charge shall be one-half of 1 per cent.

"Sec. 8. *And be it further enacted*, That for the uses of the Treasury and the custom-houses, the Secretary of the Treasury shall, as soon as this act takes effect, publicly declare the rates at which tinuing the coinage of the silver dollar. Thus the right to coin the dollar under the law was admitted, but its abandonment was proposed without any disguise. There was no secret about it, and no excuse was considered necessary. It was one of the best-advertised features of this whole scientific movement. The other sections of the measure were designed obviously for no other purpose than to accomplish the unification as quickly and as easily as possible. Meantime President Dumas, of the French commission on coins, had sent to President Johnson a specimen of the new 25-franc piece which it was proposed to have the mints issue, and gave other assurances that the Emperor was intending to have France do its part in furthering the common object.

It was about this time that an idea further complicating affairs in this country seized on large masses of voters, especially in the Western States; and leaving for a while Senator Sherman's bill to the Finance Committee, to which it was referred, and of which he was chairman, it will be well to consider briefly this idea, which was for the practical repudiation of the public debt, amounting then to about $2,500,000,000. While the subject may not pertain directly to the development of international action, it has a bearing on it, our bonds being

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the coins of the United States and of foreign countries now current shall be reckoned upon estimates furnished by the Director of the Mint.

"Sec. 9. *And be it further enacted*, That this act shall take effect on the 1st day of January, 1869, but to expedite the recoinage it shall be lawful for the mint and its branches to receive gold and silver coins of the United States for that purpose on and after the 1st day of October next, and to give certificates therefor, payable in the order of receipt in the new coins, and to convert the metals thus received into ingots and planchets to be ready for stamping when this act takes effect. And in respect to other deposits of gold or purchases of silver, the like certificates may be issued if demanded, on and after the first day of October next.

"Sec. 10. *And be it further enacted*, That the weights to be used at the mint, when this act goes into operation, may be either troy weights or French gramme weights, or both, as the Secretary of the Treasury shall direct."

so extensively held abroad, and as showing the temper of Congress on financial topics at this very important period. The burden of the debt, of course, seemed heavy, and it created a choice opportunity for demagogues. Few openly advocated repudiation, but it was generally brought forward in the shape of the payment of the "five-twenties" by greenbacks, which were then not redeemable in gold and were greatly depreciated. Some advocated the taxation of the bonds. The Democrats espoused these plans under the leadership of Pendleton, and even Republicans in the West were carried away by what was known as "the Ohio idea." Such men as Henry C. Carey, William D. Kelley, and Thaddeus Stevens, of Pennsylvania, opposed any contraction of the currency as a step towards resumption, the last words of Stevens, in the House, a month before his death, being for the payment of the "five-twenties" in paper money. Even Senator Sherman made a speech on February 27, 1868, in which he maintained the legal right of the government to redeem the principal of the debt in paper, though denying the right to make a new issue for the purpose and questioning the wisdom of such a financial policy, and, in view of his position, it created much anxiety abroad, where it was naturally difficult to reconcile such a principle with the professed desire of the United States to resume specie payment and to establish a uniform money on a gold standard. It was at about this time that Congress suspended the authority of the Secretary to retire treasury notes. But the strong defenders of the national credit in both branches of Congress quickly brought the Republican party, or the majority of it, to a realizing sense of the impossibility of resumption under such theories, and finally secured the Act of 1869, pledging the United States, in all cases where the wording of the contract admitted of doubt, to payment in coin or its equivalent, of all public obligations, and also declaring that treasury notes should be redeemed in specie before the payment of any part of interest-bearing obligations not due at the date of the act. It was entitled "An Act to Strengthen the Public Credit," and it unquestionably had that needed effect.

While this conflict was in progress, June 9, 1868, Senator Sherman reported favorably from his committee the bill "to promote a uniform currency among the nations," advocating its passage in a strongly written report. In it he said that the same reasons for adopting an international standard of value "now exist as induced the American colonies less than one hundred years ago to abandon their diversified standards of value and adopt as a common unit the American dollar. Every advance towards a free exchange of commodities is an advance in civilization. Every obstruction to a free exchange is born of the narrow, despotic spirit which planted castles upon the Rhine to plunder peaceful commerce. Every obstruction to commerce is a tax upon consumption; every facility to a free exchange cheapens commodities, increases trade and production, and promotes civilization. Nothing is worse than sectionalism within a nation and nothing is better for the peace of nations than unrestricted freedom of intercourse and commerce with each other." In this language, used as a general reason for international uniformity of coins, we get a glimpse of the prevailing sentiment for a wider family of nations — internationality was a sort of scientific, economic, almost a political fad.

One reason the senator gave why such a union would be profitable to this country was that it was gold-producing, and another was that, being a new nation, we were, therefore, a debtor nation, and by placing ourselves in harmony with the monetary units of creditor nations, the easy borrowing of money for resumption purposes was promoted; besides, it permitted the payment of debts without the loss from recoinage or of exchange, always paid by the debtor. The committee also regarded the plan proposed by the Paris conference as the best to accomplish the desired end. "The single standard of gold," he said, "is an American idea, yielded reluctantly by France and other countries where silver is the chief standard of value. The impossible attempt to maintain two standards of value has given rise to nearly all the debasement of coinage of the last two centuries. The relative market value of silver and gold varied like other commodities, and this led first to the demonetization of the more valuable metal, and second to the debasement or diminution of the quantity of that metal in a given coin." The committee, he said, recommended the 5-franc unit because it was the smallest gold coin in use, and, therefore, the most convenient unit; it approximated more nearly to the existing coinage of the great commercial nations that any other, the franc being already in use by 70,000,000 people in Europe, and easily adapted to the existing coinages of other nations. The Secretary of the Treasury and the Director of the Mint had been consulted concerning the bill, the report added, and there were positive assurances that other nations would adopt the system. "A strong party in Great Britain, including many of her ablest statesmen and the great body of her commercial classes, has urged the adoption of the plan even in advance of the United States." South American states had also expressed a purpose to adopt it.

The zeal of the committee in appropriating the gold standard as an American idea, and of claiming that it had been yielded reluctantly by France and other nations, is difficult to understand except on the theory that it was a popular thing in this country then to claim as much as possible of responsibility for that policy. It was convenient for France to have something to yield, if only for effect, but she was required to make very little use of this ammunition, for, as already observed, the other nations were quite as ready to adopt the French unit as they were to adopt the gold standard. This statement in the committee's report was used by the silver advocates years later in an effort to substantiate the absurd claim that silver was demonetized by the stealthy acts of men in this country; used by those who were, in the sixties, quite as pronounced in their eulogies of the gold standard as any one.

The objections to the discontinuance of the coinage of the silver dollar did not come from the mining states in those days, but from commercial centres like New York city. The minority report on the bill was written by Senator E. D. Morgan, of New York, who for years was at the head of one of the large commercial houses of that city. But he did not base his objections on the ground that it was better to have a double standard. He said: "The reduction which this measure would effect in the present legal standard value of the gold coin of the United States would be at the rate of $3.50 in the hundred, and the reduction in the legal value of our silver coinage would be still more considerable. A change in our national coinage so grave as that proposed by the bill should be made only after the most mature deliberation. . . . The United States has a peculiar interest in such a question. It is a principal producer of the precious metals, and its geographical position, most favorable in view of impending commercial changes, renders it wise that we should be in no haste to fetter ourselves by any new international regulation based on an order of things belonging essentially to the past."

After speaking of the silver mines of Nevada and our proximity to the silver-producing people of Mexico, he continued:

"The Pacific Railway will open to us the trade of China, Japan, India, and other Oriental countries of whose prepossessions we must not lose sight. For years silver, for reasons not fully understood, has been the object of unusual demand among these Asiatic nations, and now forms the almost universal medium of circulation, absorbing rapidly the silver of coinage. The erroneous proportion fixed between silver and gold by France, and which we are asked to copy, is denuding that country of the former metal. Our own monetary system, though less faulty, is not suitably adjusted in this respect. The silver dollar, for instance, a favorite coin of the native Indian and distant Asiatic, has wellnigh disappeared from domestic circulation, to reappear among the Eastern peoples with whom we, more than ever, seek close intimacy. As they prefer this piece, we do well to increase, rather than discontinue, its coinage."

Nothing was said by Senator Morgan against making gold the exclusive standard of value. He considered a silver dollar for commerce with the East desirable, and here we have the first plain suggestion of the trade dollar, which became a feature of the law of 1873. He argued, further, that the reduction of the value of gold coins was a movement in the wrong direction, as, owing to the increased abundance of gold and its consequent decrease in value, the standard of coins should be raised instead of lowered, and cited the opinion of Chevalier regarding the possible necessity of demonetizing the yellow metal. These two reports, taken in connection with other evidences, show how unsettled in its view was the monetary world, following a long period of remarkable gold production, but Senator Morgan's opinion was shared by very few people anywhere at that time.

The bill was not called up for action, the Senate as well as the country being absorbed in other matters, one of which was a presidential election. In July Congress adjourned to meet September 21, but before its adjournment William D. Kelley, of the Committee on Ways and Means, introduced a bill for international coinage, proceeding from the view, unanimously rejected at the Paris conference, that an entirely new monetary system should be adopted, conforming closely to the metric system. The bill provided for a coin of the nominal value of one dollar, but weighing $1\frac{2}{3}$ grammes, with a fineness of .900, or containing about $1\frac{1}{2}$ grammes of fine gold; it also provided that the coin should be rated as legal currency in the United States from January 1, 1869, and that the ratio of exchange should be \$1000 of the old coins for \$1003 of the new. As will be observed, this change of value was slight, simply bringing the weights nearer an even metrical number, with less decimal figures, but leaving the coins as far away from those of any other system as they were before.

Congress reassembled on September 21, and the same day adjourned to October 16; met that day, and at once adjourned to November 10, when, on reassembling, the second session at once adjourned. The third session met in December, and did little except to keep a watch on President Johnson till March 4, when the Forty-first Congress and President Grant came in. Under such circumstances, of course, there was little thought of international coinage, and as the new Congress adjourned in a month to December, nothing could be done in the way of legislation in 1869.

Now let us glance again at the course of events in Europe while the Congress of the United States was thus occupied. The English parliamentary commission, the appointment of which has been mentioned, and of which Rivers Wilson, a delegate to the Paris conference, was secretary, made an exhaustive report of the coinage of different countries, and reviewed the plans which had been proposed to unify them without suggesting any definite course for Great Britain, except by so regulating the mint charge as to make the sovereign the equivalent of the proposed French 25-franc piece. It gave opinions of many economists favoring seigniorage. Shortly afterwards the French government wrote to the English Chancellor of the Exchequer, Right Honorable R. Lowe, asking what steps his government would take for unification. He replied that until he knew the feeling of the House of Commons he could give no exact opinion. All he could say in advance of that was that it would be impossible to hold out any hopes of assimilation till France made up her mind to have only the gold standard, her double standard being an alternating standard only, and if her silver should drive out her gold it would leave England nothing with which to compare her international coins. He thought also that it would be impossible to have an international coinage unless the seigniorage charged on it were identical in both countries, for people would take their gold where they could have it coined the cheapest. In reply to this France, in July, 1869, sent the report of the Imperial Commission, showing that France was ready to abandon the double standard, but making no promises as to seigniorage.

In bringing the subject to the attention of Parliament, in August, 1869, the Chancellor said he believed it possible for England and France, if they could make up their minds to give up a little of their prejudice for the sake of having an interchangeable coinage, to arrive at that object. If Great Britain would impose a seigniorage of about 1 per cent., the sovereign would be identical in value with the 25-franc piece. "But," he said, "in order that that might be done, France would have to make a sacrifice on her part. I believe the mintage she charges is between a fifth and a quarter per cent. If she could be prevailed upon to make it 1 per cent., we would have solved the problem so far as England and France are concerned of an international coinage. The operation would be performed by modifications of the same principle. France would, as now, take the payment in money; England would deduct from her coin, and thus equality would be obtained." He further said that, in his opinion, the Spanish doubloon, the Russian frederick, and the half-eagle of America, already nearly approaching each other in value, could be brought to the value of the proposed sovereign and the 25-franc piece, and that it would be a great step in civilization. Three months later the association of Chambers of Commerce, in session at Birmingham, decided unanimously to present a report in favor of the internationalization of coinage on the Paris idea, one of the reasons advanced being that other nations were upon the point of forming a powerful monetary union, and England could not afford to keep out of it; but by going into it, possessing the most important general trade, she would be the largest gainer.

Meanwhile the German states were solidifying under the leadership of Prussia more rapidly than any one outside of Germany appreciated, and the demand for monetary reform became stronger daily. The Customs Parliament which assembled in Berlin late in 1868, and which was the first representative body of the entire nation that had yet met, though convoked to discuss cotton and tobacco, seemed to have for its real object the paving of the way for the "consummation of the national destinies." Money was fully discussed, and the gold standard advocated.

The first sales of silver, with the gold standard in view, were made in Norway. In consequence of the action of the conference of 1867, the Bank of Norway was authorized by a law passed in June, 1869, to change its reserve into gold, and it at once began to dispose of its white metal. Sweden had formed a monetary commission which was almost unanimous for gold, and which eventually brought about the Scandinavian Union. Holland did little. Delegate Mees strongly opposed the idea of a universal gold standard, and to him belongs the honor, from a bimetallic point of view, otherwise the discredit, of first suggesting international bimetallism. In the conference he had confessed to being a partisan of a single standard for each particular state, while against the same standard for all states. In 1869, while combating the double standard as it had been practised up to that time, within a limited territory, he advocated as superior to any other system a universal double standard, claiming that the moment it was universally accepted the two metals must everywhere conform to the common legal ratio. But he confessed that it did not seem possible of accomplishment.

Thus were affairs progressing when Napoleon III. became involved in serious trouble. His impressionable people contrasted the failure of imperialism in Mexico, and the forced withdrawal of the troops, with the recent successes of

Prussian arms, and the facility with which the smaller states were uniting under Prussia. Bismarck's efforts to form alliances with the south German states were an aggravation to the French, who began to waver in their support of the pacific policy of Napoleon. He realized that something must be done, but was reluctant to go to war when apparently so near the realization of his economic dream. He proclaimed changes in the constitution, and later secured the plebiscite of the spring of 1870, by which the people were called upon to renew their expressions of confidence in the Napoleonic rule. They did so by a large majority, but still clamored for war with Bismarck, who was doing all he could to drive the French people to a frenzy. So a pretext had to be found, the war came, Napoleon ingloriously fell, and after Sedan few hopes of international coinage were left. The subject was first obscured and then forgotten, but that "cardinal principle," as Ruggles expressed it — the gold standard — continued to be the goal of nations, while the French system as a basis dropped out of sight and out of mind.

Enough has been given of the history of monetary events up to this time to show the mistake of assuming that the result of the Franco-Prussian war changed the purpose of the German states regarding the standard of their currency. Both France and Germany had fully intended to adopt gold; Germany did so, and the only reason France did not was that she was left by the war in a political condition which allowed her no opportunity to consider the subject till it was too late, so late that her monetary condition made it inadvisable, if not impossible. Long before Napoleon sent his challenge to Bismarck, or before the candidacy of Prince Leopold of Hohenzollern-Sigmaringen for the Spanish throne was announced, the states of the Latin Union, knowing that the German states expected to adopt the gold standard as soon as possible, began to consider the advisability of adopting it first. Napoleon, hoping to restrain the warlike feelings of his impetuous people until his monetary scheme could be accomplished with other nations, probably thought France could act in advance of Germany, even if the states became united, for their money was on a silver standard and complicated, while France had only to go through the formal operation of dropping silver as a measure of value, her currency being already almost entirely gold. So from the date of the adjournment of the conference up to within a few weeks of the outbreak of the war he sought to carry out the policy of unification in confidence that France could quickly adopt the necessary measures when the right moment arrived. If he could wait till he secured the adhesion of England or the United States, the bimetallists would be more easily silenced.

Even in 1870, when war seemed inevitable, France was not disposed to heed the clamor that some of the other representatives of the Latin Union were making for the immediate adoption of the gold standard. About two months before the declaration of war, Feer-Herzog, the eminent Swiss representative at the conference of three years before, in addressing the French monetary commission, said: "There are two milliards of silver in Germany and Austria demanding that they be converted into gold, because the states which possess them are resolved to adopt the gold standard. The state which demonetizes first will do so with but little loss, while the state which shall have hesitated and waited will undergo the losses resulting from the demonetizations which have preceded its own, and so will pay for all the rest. The German authors," he added, "have perfectly understood and explained the advantages which will accrue to their country from acting speedily, while the states of the Latin Union still hold to the double standard."

But, if we accept the theory of Ernest Seyd, the French commission was guided by different motives. He said in explanation of the action of the commission in adopting the gold standard that the influence in the minds of the majority of the members "was entirely political, and was developed by the probability of a war with Germany. It soon became evident that the members of the Imperial Commission had a political design, that they had in view the forging of another weapon against Germany. For there cannot be the slightest doubt that, if the Emperor had beaten Germany and exacted a war indemnity, he would have used the war indemnity for the purpose of paying for the adoption of the gold valuation and weakened Germany further by the demonetization of silver." Seyd says that from personal conversation with the members of the commission and from observation, he can vouch for the fact that this design upon Germany was underlying the inquiry as one of the chief though not avowed motives.

Seyd was an ardent advocate of the double standard, and his knowledge of the events of the few years previous seems to have deserted him at this point. In the first place, the French commission had adopted the gold standard long before the probability of a war with Germany could have supplied the motive, and had so informed the British government. In the next place, France was very differently situated, so far as the adoption of that standard was concerned, from Germany. Seyd himself gave as his estimate of the stock of coin in the states of Germany before 1871, about $150,000,000 of gold and $380,000,000 of silver. On the other hand, France had a stock of gold, according to the estimates of the best French authorities at that time, amounting to $700,000,000, and of silver amounting to only $300,000,000. Indeed, France had but a few years before taken steps to keep silver in circulation; her total coinage of 5-franc pieces from 1860 to 1870 had not amounted to more than 150,000,000 francs (say $32,000,000), and they circulated little till 1867.

Now, with the knowledge that both countries intended to adopt the gold standard, and assuming that France had been victorious, it is clear that a lot of German silver could not have helped her to adopt the gold standard, except incidentally in the reduction of her public debt, and any indemnity she could have exacted from Germany would have no more than sufficed to have paid the ordinary expenses of the war. But to go to a gold standard Germany, unlike France, needed to buy gold and sell silver, unless she could take the gold in the shape of an indemnity. It is commonly supposed that this was exactly what she did. There has been a great deal of loose talk on this topic, the assumption being that the 5,800,000,000 francs France paid over to the conqueror in about two years was in the yellow metal, and that Germany at once used it to institute the gold standard. As a matter of fact, in the settlement of the indemnity and interest, France paid Germany but comparatively little specie, about one-tenth of the whole, and almost one-half of that tenth was in silver.[1] Germany made no net gain in gold till she began to sell silver in 1873, when all but a slight remainder of the indemnity had been paid. The French payment was largely a transaction in credits. There exists in Europe a system of international payments of which very little seems to be known in this country. If a Paris merchant wishes to make a payment in Berlin, he usually sends some kind of securities having international value to

[1] Leroy-Beaulieu, "Traité de la Science des Finances."

"The fine was paid, either in actual specie or in bills of exchange on London and other specie-paying points. France borrowed nothing abroad wherewith to make the payment, and at the end of this vast operation is found to be possessed of as much gold and silver as when the operation began, while Germany has permanently gained no gold and silver by it." — Report of the Silver Commission of 1876.

In the years 1871–3 the net loss of gold in France was about $70,-000,000, while her exports of silver were about $50,000,000 greater in those three years than in the three years previous to 1871. These figures coincide very nearly with the amount of gold and silver actually paid Germany.

his Berlin agent, where they are sold for the benefit of his creditor. At the close of the war France had a vast amount of foreign credits. This foreign paper was sent abroad to secure funds for the purchase of the new rentes, the transaction, therefore, amounting to a drawing by France upon her foreign debtors in favor of Germany.[1] Of course, it was at first a hard blow to France, for it deprived her of a vast amount of the wealth she had accumulated through her commerce and the investments of her domestic industry, but it did not exhaust her specie, and in one year, 1874, she made a net gain of gold larger than her net loss during the three years 1871--3.

However much, therefore, Bismarck relied on the indemnity as a means to cripple France, Germany did not adopt the gold standard because it was obtained. Victory hastened the operation which Germany had long contemplated, largely because it hastened the union of the states, but it did not make it materially easier. The indemnity scarcely more than paid the German expenses of the war, her army being nearly three times as large as that of France, whose expenses in the brief struggle, outside of the indemnity, were about 4,000,000,000 francs. It is doubtful if Germany really gained any wealth except in the territory ceded to her. Her great gain was the accomplishment of unity after so many struggles.

A departure has been made from the strict chronological order of events for the purpose of completing without interruption a brief history of the important part played by the Franco-German war in the collapse of the scheme of international coinage, and the inauguration of the period of silver demonetization. It is necessary now to return for a moment to an examination of steps that meanwhile were being taken elsewhere with those ends in view. The Forty-first Congress sat for a month only after the inauguration of President Grant,

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[1] Henry C. Adams. "Public Debts."

March 4, 1869, and, as has been stated, did nothing with the measures for conforming our coinage to that of the Latin Union originating with the Fortieth. The new Secretary of the Treasury was George S. Boutwell, and, as soon as the department was fairly organized, the matter of international coinage was brought to its attention by those who were deeply interested in its accomplishment. It has been said that Secretary Boutwell was not inclined to favor the provisions of the Sherman bill, drafted in accordance with the plan of the Paris conference, but preferred the Kelley idea of fixing the dollar as near as possible to a metrically even number. The difficulty of adjusting contracts under a change so great as the Sherman bill required presented itself even to a country having no specie in circulation.

An examination into the question by the Treasury Department necessarily involved a search of our own mint laws, and when this was made it was discovered that these were scattered, disconnected, and some of them obsolete, the statutes on the subject not having been revised for over thirty years. Consultation with mint experts revealed the fact that the Treasury really had no authority over the mint, and that the whole system needed to be modernized. Naturally, a revision of these regulations, putting them into a concise and practicable form, not only to meet the possibility of an international coinage, but with a view to the resumption of specie payments, appeared to be demanded by the interests of the government. At this task the authorities set to work under the general supervision of Secretary Boutwell and the immediate control of the Deputy Comptroller of the Currency, John J. Knox, and it is seldom that anything is done for the government with more thoroughness, or that efforts are made to secure information from so wide a field.

It is plain enough that in a work of this kind the main thing at first was to bring together into a well-digested whole the various mint regulations enacted at different times. The proper operation of the mint, whatever the character of the coinage, would naturally take precedence of any other question. The matter of changing the value of the dollar with a view to internationality in coinage could be easily determined later, as Congress saw fit by a new provision in the revised draft, or perhaps, a slight change of the language. The State Department was carrying on a correspondence with other nations regarding uniform coinage while this revision was in preparation. But there were certain changes, entirely of domestic concern, both as to the operation of the mint, upon which authorities agreed, or as to coinage, commended by common consent, which were introduced in the original draft, nine-tenths of which was, however, a transcript, with slight modifications in language in the interests of conciseness, clearness, or consistency, from the then existing mint laws, mainly of the law of 1837. When completed, late in 1869, the draft was sent out to the various mint officials and to other experts for suggestions, and the changes made were specifically noted. The bill met general approval; some suggestions were made, and of these some were adopted. The Comptroller of the Currency prepared an elaborate report to accompany it, enumerating the changes made in existing laws, and under sub-heads carefully explaining the character of each change and the reasons for making it, and, on April 25, the bill and the report were together transmitted to Senator Sherman of the Finance Committee by the Secretary of the Treasury with a note stating that it included in a condensed form all the important legislation upon coinage, not obsolete, since the first mint was established in 1792, that there had been no revision of the laws pertaining to the mint and coinage since 1837, and that it was believed that the measure, if passed, would greatly conduce to the efficiency and economy of that branch of the public service. The nature of the report is indicated by the following:

"The method adopted in the preparation of the bill was first to arrange in as concise a form as possible the laws now in existence upon these subjects, with such additional sections and suggestions as seemed valuable. Having accomplished this, the bill, as thus prepared, was printed upon paper with wide margin, and in this form transmitted to the different mints and assay offices, to the First Comptroller, the Treasurer, the Solicitor, the First Auditor, and to such other gentlemen as are known to be intelligent upon metallurgical and numismatical subjects, with the request that the printed bill should be returned with such notes and suggestions as experience and education should dictate. In this way the views of more than thirty gentlemen who are conversant with the manipulation of metals, the manufacture of coinage, the execution of the present laws relative thereto, the method of keeping accounts, and of making returns to the Department have been obtained with but little expense to the Department and little inconvenience to correspondents. Having received these suggestions, the present bill has been framed, and it is believed to comprise within the compass of eight or ten pages of the Revised Statutes every important provision contained in more than sixty different enactments upon the mint, assay offices, and coinage of the United States, which are the result of nearly eighty years of legislation upon these subjects.

"The new features of the bill now submitted are, chiefly: The establishment of a Mint Bureau of the Treasury Department, which shall also have charge of the collection of statistics relative to the precious metals; the consolidation of the office of Superintendent with that of the Treasurer, thus abolishing the latter office, and disconnecting the mint entirely from the office of Assistant Treasurer; the repeal of the coinage charge, and authorizing the exchange of unparted for refined bars; a reduction in the amount of wastage, and the tolerance (deviation in weight and fineness) in the manufacture of coin; requiring the token coinage to be of one material of uniform value, and to be redeemed under proper regulations when issued in excess, and the expense of its manufacture to be paid from specific appropriations, and not from the gain arising in its manufacture, as heretofore; an entire change in the manner of issuing the silver (subsidiary) coinage; discontinuing the coinage of the silver dollar; limiting the amount of silver to be used as alloy, so as to make the gold coinage of uniform color; the destruction of the dies, not in use, annually; requiring vouchers to pass between the different officers of the mint in all transfers of bullion or coin; requiring increased bonds from officers of the mint, and authorizing each officer to nominate his subordinate before appointment; and also making it an offence to increase or diminish the weights used in the mint."

The report called special attention to the discontinuance of the silver dollar as a standard, as may be seen from the following paragraph:

"SILVER DOLLAR — ITS DISCONTINUANCE AS A STANDARD.

"The coinage of the silver-dollar piece, the history of which is here given, is discontinued in the proposed bill. It is by law the dollar unit, and, assuming the value of gold to be fifteen and one-half times that of silver, being about the mean ratio for the past six years, is worth in gold a premium of above 3 per cent. (its value being 103.12) and intrinsically more than 7 per cent. premium in our other silver coins, its value thus being 107.42. The present laws consequently authorize both a gold-dollar unit and a silver-dollar unit, differing from each other in intrinsic value. The present gold-dollar piece is made the dollar unit in the proposed bill, and the silver-dollar piece is discontinued. If, however, such a coin is authorized, it should be issued only as a commercial dollar, not as a standard unit of account, and of the exact value of the Mexican dollar, which is the favorite for circulation in China and Japan and other Oriental countries."

None of these proposed changes were likely to excite any serious controversy in 1870. The gold standard was desired by every one who was at all in favor of specie, and without any uneasiness of conscience. The silver miners of the Pacific slope had no desire to have their product coined at a ratio of 16 to 1 when commercially it stood to gold as 15½ to 1. Few people in the country could remember ever having seen a silver dollar, and the only question concerning it was whether it should be made a part of the subsidiary coinage, or be coined exclusively for trade with the East, or should be dropped altogether. Some thought that by reducing the weight sufficiently, thereby making it a token coin, the silver bullion might be attracted to the mints and silver coins made to circulate. The Director of the Mint, Dr. Linderman, in his report in 1869, urged the restoration of the silver currency for change, in lieu of the postal and small-note currency, as the first step towards and "an important adjuvant to a general resumption of specie payments," and the plan was emphatically endorsed by the leading commercial papers of the country. He persistently advocated the policy, expressing the belief a year later that the product of silver in Nevada and Colorado would be sufficient to meet the demand. His plan was for a much more debased coinage than that formerly in use, and he defended it in these words, furnishing further evidence of the manner in which the metals were popularly regarded:

"This is not a scheme for debasing the standard of value. Its only object is to restore silver on such a basis, under legal sanctions, as will enable it to keep its subsidiary place, whether the chief currency be paper, as it now is, or gold, as we hope it will soon be." It is not strange that the Treasury and mint officials, providing in their revision of the mint laws for a gold dollar as the unit of value, were disinclined to favor a debased silver dollar, even for subsidiary purposes, but in view of the doubts that existed they inserted in the original draft of the bill, in brackets, words which, if retained, would provide for a silver dollar equal in weight and fineness to the French 5-franc silver piece.

This bill, which was known as Senate Bill No. 859, was, on April 28, referred to the Finance Committee, but was not reported by it at that session, although it lasted till July 15, the very day that France decided on war. The delay does not seem to have been occasioned by any disagreement in the committee, for the members all favored it. One of the main reasons seems to have been that it was not desirable for Congress to act on the measure till it was discovered what steps other nations, particularly France and England, were likely to take towards an international coinage. The committee waited to learn what modifications might be advisable in the weights of the coins. The United States were at this time, like other governments, in an attitude of expectancy.

On February 8, or while the bill was still in the hands of the revisers, Senator Sherman had introduced the following resolution: "*Resolved*, That the President be requested, if not incompatible with the public interests, to invite a correspondence with Great Britain and other foreign powers, with a view to promote the adoption by the legislatures of the several powers of a common unit and standard of an international gold coinage, and that such correspondence be submitted to Congress for its information and action."

The President acted accordingly, and Secretary Fish sent out to the various ministers communications upon the subject. That sent to the Minister to Sweden will serve as a convenient sample, and it will introduce the fact that the Swedish Monetary Commission already had the formation of the Scandinavian Union well under way, and had declared for a gold standard. The circular asked the Swedish government to consider "whether it is not practicable to arrive at an assimilation of coinage which will secure many of the advantages that cannot be obtained without a uniform system of weights and measures, and which may lead hereafter to complete unification," and "to express its views upon the subject of a common unit and standard of an international gold coinage with a view of promoting its adoption." Minister Andrews delivered a copy of the circular to the Swedish Commission, and meanwhile Congress adjourned. It is unnecessary to outline the results of these overtures — or rather lack of results — for after the fall of Sedan, September 2, the whole scheme fell to the ground, and when the Forty-first Congress met for its third session in December the Finance Committee reported the Mint bill promptly (December 19), unanimously, and without any changes of importance.

It was discussed during the morning hours of January 9 and 10, 1871. The only feature occasioning much debate was an amendment, emanating from the Finance Committee, providing for a charge for coinage. The Senate finally struck out the amendment at the earnest plea of the senators from the Pacific States, and the majority of the Finance Committee voted against the whole bill on its final passage rather than pass it in that form. But it passed by a vote of 36 to 14, the senators from the Pacific slope thinking they had won a great victory. They little dreamed, apparently, that ten years afterwards they would be declaiming against the passage of the measure as a secret conspiracy, and against the act itself as a crime.

As it was reported by the Finance Committee and as it passed the Senate, the bill contained this provision:

"Sec. 15. *And be it further enacted*, That of the silver coins the weight of the half-dollar, or piece of 50 cents, shall be 192 grains; and that of the quarter-dollar and dime shall be, respectively, one-half and one-fifth of the weight of said half-dollars; that the silver coin issued in conformity with the above section shall be legal tender in any one payment of debts for all sums less than $1."

The following section was in the bill at the start, was never molested in whatever shape the measure took, and was in the law as finally enacted:

"Sec. 18. *And be it further enacted*, That no coins, either of gold, silver, or minor coinage, shall hereafter be issued from the mint other than those of the denominations, standards, and weights herein set forth."

The effect of this was, of course, to drop the silver dollar. The next day the bill was referred by the House to the Committee on Coinage, Weights, and Measures, and printed in full; February 25, it was reported by Kelley, of that committee, with a few amendments, the last sentence of Section 15, quoted above, being changed so as to read, "which coins shall be a legal tender, at their denominational value, for any amount not exceeding $5 in any one payment." A week later the Forty-first Congress adjourned; the Forty-second met at once in special session, and five days later Kelley reintroduced the measure, as his committee had reported it in the preceding Congress two weeks before, and it became known as House Bill No. 5. But an adjournment was taken without action a month later, and Congress was not to meet again till December.

Meanwhile there were important monetary events in Europe. During the month of November, 1870, the President of the North German Union entered into treaties with the Grand Dukes of Hesse and Baden, and with the Kings of Würtemberg and Bavaria, concerning the articles of union of these states and the pledge to establish the German empire on the

1st of January, 1871. On the 18th of January, in the famous Hall of Mirrors of the palace of Versailles, King William of Prussia was crowned Emperor, and on the 21st of March the first German assembly elected by the direct vote of the people met at Berlin. Nothing remained now but to organize the empire, and one of the first things done was to institute the monetary reform that had so long been awaiting the completion of the political programme. While the Congress of the United States was waiting to meet, the German Parliament passed the act by which the new empire assumed the right of coinage in its own name, ordained a coinage of gold coins, decimal multiples of unit called the "mark," the gold mark being rated as one-third of a Prussian thaler, and the relation between the gold and silver mark being $15\frac{1}{2}$ to 1. The act also provided that the coinage of the larger silver coins should cease.

This was simply an act providing for a transition state looking to the ultimate adoption of the gold standard, and so far was entirely compatible with a purpose to follow the course laid down by the conference of 1867 for countries then on a silver standard. Very little is known about some of the coins that were circulating in parts of Germany at the time this act was passed, but the entire stock consisted probably of something like three parts of silver to one of gold. The silver coins continued to be legal tender, so that Germany was practically on a double standard, but coining only gold; to this day there remain some 400,000,000 old thaler pieces in circulation at full legal tender, besides about 70,000,000 Austrian thalers or vereinsthalers coined under the old treaty of 1857, and left in Germany when Austria withdrew in 1867.

But this transition step was not well calculated to promote an international coinage. Bismarck probably had no disposition at this time to "Frenchify" the coinage of the new empire, even had it been convenient to do so. Shrewder than most men of his time, and having, earlier in his career, as Prussian Minister to Paris, taken his own measurement of the French Emperor, he regarded the plan for international coinage as a Napoleonic dream. But, further than this, he found a large part of the German people wedded by tradition and habit to the old thalers, and it is doubtful if he would have advised the Federal Council, which by the law retained considerable jurisdiction over coinage, to have complicated the situation of the new empire by an unfamiliar coinage, even had it been other than French.

The mark, though a new unit, was not a new term for coins. It was found among the German people as early as the end of the tenth century. The mark of Cologne was the standard of payment for centuries for the traders of the Rhenish states. The proposition for a unification of the German currency by reckoning all transactions by marks, the mark being a third of a thaler, was extensively advocated before 1860; but after that time was abandoned by the German writers. The makers of the empire, however, considered it, if less scientific, the most practicable as a system for Germany. It indicates that when a nation makes a coinage system for itself it pays very little attention to the systems of other nations, but rather gives to it a national characteristic.[1]

On the same day that the German empire enacted its first coinage measure, the Forty-second Congress convened at Washington for its second session, and another chapter in the

[1] The almost irreconcilable difference between the new German system and that of the other great commercial nations may be observed from the following table:

Country.	Monetary unit.	Weight, grains.	Fineness.	Value.
Germany,	Mark,			\$0.2382
France,	Franc,	4.978	.900	0.1929
Great Britain,	Pound,	123.270	.916⅔	4.8665
France,	25 francs,			4.823
Germany,	20 marks,			4.764
United States,	Half-eagle,	6.146	.900	5.00

career of the Mint bill was begun. It was reported favorably on January 9, 1872, by Kelley, who said that the committee had been over the bill " line by line, and word by word." He considered the most important change that of creating a Director of the Mint with headquarters in the Treasury Department. In the course of the discussion he said that he would have preferred a wider difference between the gold and silver coinage, and he also " would have liked to have made the gold dollar uniform with the French system of weights, taking the gramme as a unit," from which it appears that there were still some hopes of international coinage after the fall of Napoleon. But generally the discussion was confined simply to some features of the mint regulations, and on the next day it was recommitted to the Coinage Committee.

At this time, in the temporary absence of Kelley, the bill was taken in charge by Samuel Hooper, of Massachusetts. A London friend of his, Latham by name, who was acquainted with Ernest Seyd, the strongest advocate of bimetallism in England at that time, had sent to Hooper, early in 1872, one of Seyd's books — " Suggestions on American Coinage " — in which disastrous consequences of silver demonetization were predicted, and the fact that the United States seemed to be on the point of lending a hand to that movement deplored. Hooper evidently read the book with care, for he sent to his friend Latham a copy of the bill then before the committee, and expressed a desire that Seyd should examine it and write to him any suggestions he might desire to make. " As to the theory of the double valuation," he wrote to Latham, " I do not understand it."

Without awaiting a reply — for he had been seeking information from various sources — he reintroduced the measure on February 9th as House Bill No. 1427; it was printed, recommitted, reported back four days later with some amendments, and again printed. In this measure, for the first time since the subject had been brought to the attention of Congress two years before, a provision for a silver dollar appeared. The section quoted above from the previous bills appeared in Hooper's measure as follows:

> "That the silver coins of the United States shall be a dollar, a half-dollar or fifty-cent piece, a quarter-dollar or twenty-five-cent piece, and a dime or ten-cent piece; and the weight of the dollar shall be 384[1] grains; the half-dollar, quarter-dollar, and the dime shall be, respectively, one-half, one-quarter, and one tenth of the weight of said dollar; which coins shall be a legal tender, at their denominational value, for any amount not exceeding $5 in any one payment."

These changes regarding silver coinage could not have been easily misunderstood, even if they were largely ignored. The committee were not unaware of the warnings of the bimetallists, whatever may be said of the other members of Congress. A few days after Hooper introduced the amended bill he must have received Seyd's reply, which was written on Feb. 17. It was a long criticism of the bill, section by section, but his chief criticism was directed against the section regarding silver coins. He strongly argued against the discontinuance of the silver dollar (the bill Hooper had sent to him was the previous draft reported by Kelley, and, like the bill as originally introduced, made no provision for a silver dollar), and, after citing many reasons for his views, suggested that provision be made for a dollar of 400 grains, to be legal tender up to $100, and for which the mint charge should be 1 per cent. He thought that Congress could not be sufficiently aware of the controversy that had been going on in Europe on the subject, and said:

> "At all events. I hope you will fully investigate this subject before you commit America to this course of the one-sided gold valuation. Men like yourself. on framing a coinage bill. undertake a gigantic responsibility. which strongly affects. not only a whole nation's welfare and happiness, but also that of the world at large. Pray. do not despise this language. The deep study of all the principles and interests connected with the organization of social life warrants it.

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1 Equivalent to the 5-franc piece.

Obscure as this subject is to many people, they succeed in establishing their work, and when it once stands it is like a fate decreed, to which all must bow because they do not see its evils clearly, and it is difficult to amend it. Nay, as an existing thing it is defended and elevated into a principle."

But Seyd's arguments evidently failed to convince those in Congress who may have been informed of them ; to use Hooper's words, " as to the double valuation," they could not understand it. It was next to impossible for any one in the United States then to regard silver as other than subsidiary. When the bill came up for discussion, April 9, Hooper, in a speech occupying ten columns in the *Congressional Globe*, explained that the committee had provided a silver dollar, but " making it a subsidiary coin in harmony with the silver coins of less denomination, to secure its concurrent circulation with them." Stoughton, of Michigan, another member of the committee, in a further explanation, made this perfectly plain statement: " The office of silver or subsidiary coins is simply to supply the public want for small change. They are made the tokens of value, not the value itself, and are designed only for exchange and circulation at home up to, but never in excess of, the requirements of trade." If there were many people in the United States at that time who held a different view, there were very few in Congress. Some opposed reducing the silver in the dollar because the dollar was a unit of value, and one or two congressmen were inclined to think that small coins should be of full value. We may quote, as a sample reply to these, the remark of Kelley, who, four years later, became a free-silver advocate, and told his constituents that the demonetization of the silver dollar in 1873 was a mystery which nobody could explain. He said:

" I wish to ask the gentleman who has just spoken (Mr. Potter) if he knows of any government in the world which makes its subsidiary coinage of full value? The silver coin of England is 10 per cent. below the value of gold coin, and, acting under the advice of the experts of this country and of England and France, Japan has made her silver coinage within the last year 12 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. They were 15 to 1 a short time ago; they are 16 to 1 now.

"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. But, sir, I again call the attention of the House to the fact that the gentlemen who oppose this bill insist upon maintaining a silver dollar worth 3½ cents more than the gold dollar and worth 7 cents more than two half-dollars, and that so long as those provisions remain you cannot keep silver coin in the country."

On May 27 Hooper again called up the bill and offered a substitute, known as House Bill No. 2934, but it contained exactly the same provision regarding silver coinage as the bill displaced. After a discussion, mainly upon the minor coinage, the bill passed — yeas, 110; nays, 13. Two days later it was referred to the Finance Committee in the Senate, and while in its hands that session adjourned.

In his report to Congress, which reconvened on December 2, 1872, the Secretary of the Treasury again urged the passage of the measure, as in his two previous reports, but, in view of the changed value of silver, he recommended alterations in the bill prohibiting the coinage of silver dollars for circulation in this country, but that authority be given for the coinage of a silver dollar to be furnished at its actual cost for trade with the East. He called attention to the discontinuance by Germany and other nations of the use of silver as currency, and said that the depreciation of silver was likely to continue.

The Finance Committee, whether adopting these suggestions or reaching a similar conclusion in their own way matters not, reported the bill on December 16, with the following amendment of the section concerning silver coins:

"That the silver coins of the United States shall be a trade dollar, a half-dollar or fifty-cent piece, a quarter-dollar or twenty-five-cent piece, a dime or ten-cent piece; and the weight of the trade dollar shall be 420 grains troy; the weight of the half-dollar shall be twelve grammes and one-half a gramme; the quarter-dollar and the dime shall be, respectively, one-half and one-fifth of the weight of said half-dollar; and said coins shall be a legal tender at their nominal value for any amount not exceeding $5 in any one payment."

After some further amendments, reported by the Finance Committee, the bill was taken up on January 17, 1873, and passed after considerable discussion upon several features, but little regarding the new provision for silver coinage. It was fully explained, however, by Senator Sherman, who, in the course of the debate, said:

"This bill proposes a silver coinage exactly the same as the French and what are called the associated nations of Europe, who have adopted the international standard of silver coinage; that is, the dollar (two half-dollars) provided for by this bill is the precise equivalent of a five-franc piece. It contains the same number of grammes of silver, and we have adopted the international gramme instead of the grain for the standard of our silver coinage. The trade-dollar has been adopted mainly for the benefit of the people of California and others engaged in trade with China.

"That is the only coin measured by the grain instead of by the gramme. The intrinsic value of each is to be stamped upon the coin. The Chamber of Commerce of New York recommended this change, and it has been adopted, I believe, by all the learned societies that have given attention to coinage, and has been recommended to us, I believe, as the general desire."

This precisely states the case in a few words, and it is unnecessary to enter into a further statement of the historical development of this modification of the purposes before prevailing. From the first to the last the discontinuance of the silver dollar as a standard of value or a unit of coinage had been a feature of the reform, and was so generally accepted that it occasioned only the most incidental discussion. During the debate in the Senate little was said concerning silver coins, except as related to dispensing with the emblem of the eagle and stamping the weight and fineness on the coins. To some, that seemed a needless disregard of the national emblem, and the eagle was retained by a majority of two votes.

The bill went to the House, which non-concurred in the Senate amendments; the Senate insisted upon its action, January 27, and it went to a conference committee, where the House conferees receded from most of its disagreements, and the bill became a law on February 12, 1873. Thus, five years after Senator Sherman introduced a bill demonetizing the silver dollar as a collateral standard of value, and three years after the first bill for the revision of the mint laws was introduced, the change was accomplished. In none of these measures did any provision for a silver dollar of the old standard appear, and at no stage was such a provision strongly suggested. No one desired to actually make silver a collateral standard of value with gold. Silver was not in circulation, and the purpose of the revisers of the mint laws was to once more bring it into circulation by making it a subsidiary coinage. The bill was printed thirteen times by order of two different Congresses, was discussed during five different sessions, and the debates on the measure occupy 148 pages in the *Congressional Globe*. The fact that the standard silver dollar was to be discontinued was repeatedly brought to the attention of every member of Congress in the debates and in the department reports, and the purpose to make silver coins entirely subsidiary was constantly pushed forward by the promoters of the bill as one of the features commending it to favorable action.

The course of this measure through Congress is thus given with considerable detail, not simply because it was the natural outcome of the previous agitation for the internationalization of coinage under the conditions prevailing from 1867 to 1873 in this country, but because it opens up what must be considered one of the most remarkable chapters in monetary history in this country and in the world. The motives for the passage of this measure have been so persistently misrepresented during the quarter of a century that has elapsed since its enactment, even by those who took a prominent part in its long Congressional career, that a fuller statement of its history than it really deserves, in connection with efforts at international action, seems desirable.

Before the final passage of the measure several European governments had definitely arranged for the adoption of the gold standard and others were preparing to take defensive action. As a result of the work of the Swedish Commission, a monetary treaty was concluded, December 18, 1872, between Sweden and Denmark for placing the currency of the two countries on a gold basis, the monetary unit being the krone, weighing 6.914 grains; being nine-tenths fine, it was thus worth about three cents more than the German mark and seven and one-half cents more than the franc. Silver, by its provisions, was coined only on government account with limited legal tender, but all coins of either state were legal tender in the other, according to the terms of the agreement. Norway formally entered the union in June, 1873.

The Bank of the Netherlands, which for twenty years had bought, at the fixed price of 104.65 florins per kilogramme, all the silver ingots offered it, ceased the practice in 1872, and in October of that year a commission was appointed to consider the change taking place in the neighboring states by the substitution of gold for silver as currency, and to suggest such remedies as might seem expedient to counteract any influence prejudicial to the Netherlands arising therefrom. The commission reported in January, 1873, proposing the provisional suspension of silver coinage, and this was done by law in May. It also advised that, so long as there was a hope that Germany would keep the double standard, the Netherlands should coin a gold piece, and it recommended substantially the system in use previous to 1847, when Holland demonetized gold, that is, one standard of silver and one of gold at the ratio of 15½ to 1. But in October, when the policy of Germany had become more apparent, the commission made a second report, in which it strongly urged the adoption of the exclusive gold standard.

On the basis of this report, the government, through the Minister of Finance, submitted to the second chamber a bill making gold alone the standard and the gulden or florin the unit of account, .60561 grammes fine, valued as against silver at the ratio of 1 to 15.604. In supporting the measure he urged that silver was likely to depreciate in consequence of the amount being offered in the market. Germany was selling silver largely, and Belgium was preparing to do so with the evident desire to continue its use as a standard of currency, while the Netherlands, already financially isolated, by adhering to their existing system would, in his opinion, experience a growing inconvenience from which relief would become more and more difficult. But strong objection was made that the bill did not apply to the colonies; that the old standard for them, and a new one and different one for the mother country was equally unnecessary and unwise, and it was urged that action should be deferred until an expression from the colonies could be obtained. Moreover, the widest difference of opinion prevailed as to the fineness of the contemplated issue. That proposed by the government corresponded neither with the German standard nor with that of the Latin Union, being above the one and below the other. Some of the members gave weighty reasons for joining the former, and others were equally strenuous for conforming to the latter, and not a few clung to the standard urged in the bill, mainly, it would seem, because it came nearest to that used by their fathers before 1847. The principle of the "dollar of the daddies," which has exerted so much influence in our currency legislation, was instrumental in determining the character of the German currency reform, and was not wanting in Holland.

Having repeatedly discussed the project, finally for a number of days in succession, the Dutch chamber at last resolved to divide the bill so that the sense of the body might be taken on the proposition to introduce the gold standard and on the rate of alloy separately, and that the latter proposition should be put first. Accordingly, after several amendments had been offered and rejected, the question of the alloy, as in the bill, was put to test, 29 voting for it and 40 against it. On learning the result, the Minister of Finance immediately withdrew the bill.[1]

The progress of the German monetary policy was watched closely and somewhat anxiously by the other European states. Up to the end of 1872 the German gold coinage amounted to twenty-one millions sterling. That the prospect was not a comfortable one even at this date may be judged from the financial reviews in th London press at the time. "As the annual money supply of gold throughout the world is reckoned at little more than £20,000,000," said the *London News*, "and the usual demand for miscellaneous purposes is very large, it follows that, if the German government perseveres in its policy, the strain upon existing stocks and currencies will be most severe. Unless the annual production of gold should suddenly increase, the money markets of the world are likely to be perturbed by this bullion scarcity." But Germany persevered. In 1872 a bill was framed for establishing the imperial gold standard in the place of the local standards still maintained in the different states, and it finally became a law, July 9, 1873. It provided for an imperial silver coinage on government account, the maximum amount of which was fixed at 10 marks per head of the population, and the legal tender of which was limited to 20 marks between individuals, while it was payable to the government in any sum. The Federal Council was directed to designate public treasuries where redemption of silver coins should be made in gold, when presented in sums of not less than 200 marks. Questions of weight and other details concerning the coinage were remitted to the jurisdiction of the Federal Council, which also was given the power of putting out of currency any coins circulating in Germany, and the retirement from circulation of the existing silver coin was left to administrative control. Bismarck did

[1] Minister Charles T. Gorham to Secretary Fish, March 12, 1874.

not propose to have the currency question too extensively left to the tender mercies of a representative body which might antagonize his public policy, and, as he soon found, was often disposed to do so.

The peculiar feature of this monetary change was that the old silver coins remained unlimited legal tender, while the new imperial silver was legal tender only to the amount of 20 marks between individuals. For all new silver coins issued it was provided that an equal amount of old silver coin should be withdrawn; but for the time the German currency of unlimited tender consisted of silver much more than of gold. Up to the preliminary law of 1871 there had been coined of silver, in all, 1280 millions of marks, including 93 millions of marks in Austrian thalers (vereinsthalers), which stood on the same footing under the law, in respect to all payments, with the thalers of German coinage. Another feature of the law was the provision for the withdrawal of all bank-notes not made payable in imperial currency, and for the issue of none of a lower denomination than 100 marks, or about five pounds sterling, or $23.82. Previously, they had been issued as low as one thaler, and this restriction was calculated to maintain and increase the use of silver coins in small transactions, thus making it possible for the administrative authorities to throw on the market the least amount of silver consistent with the accomplishment of the reform. The future effect, therefore, of the change depended upon two things — the amount of gold absorbed for the new currency and the amount of silver melted into bars from old coins called in and thrown on the market. The former, of course, was calculated to make gold scarcer and dearer, and the latter to make silver more plentiful and cheaper. If other nations had continued to coin silver freely, as they had done up to this time, it is probable that the silver Germany found it could dispense with would not have depressed its commercial value seriously below the ratio of $15\frac{1}{2}$ to 1, for with no bank-notes below 100 marks the empire required a large amount of silver. But other nations were bent on a similar reform, and still others, alarmed at the prospect, hastened to restrict, and, finally, to stop silver coinage, at a time when its production was on the increase, and when, because of the enlarged sale of council bills, India was absorbing much less. In this situation the "silver question" was born.

CHAPTER IV

CONTINUED LIMITATION OF SILVER COINAGE—AWAKENING IN THE UNITED STATES

From 1873, which was characterized by the conspicuous instances of the adoption of the gold standard just indicated, to 1878, when the first important effort was made to secure international bimetallism, is a period requiring close examination of conditions both here and abroad for a proper understanding of the reasons for the advancement of the bimetallic sentiment, and for the avoidance of those misapprehensions quite sure to arise from a study of monetary events in any one country alone. It will be profitable to begin by fixing in the mind a few dry facts, which, whether in the nature of causes or results, will shed some light on the remarkable changes in economic conditions, and in public opinion.

The annual average production of gold and silver in the world in periods of five years, from 1861 to 1880 inclusive, as compiled from Dr. Soetbeer's table of averages, was as follows:

	Gold.		Silver.	
Years.	Fine Ounces.	Value.	Fine Ounces.	Coining Value.
1861–65	5,945,582	$122,989,000	35,401,972	$45,772,000
1866–70	6,270,086	129,614,000	43,051,583	55,663,000
1871–75	5,591,014	115,577,000	63,317,014	81,864,000
1876–80	5,543,110	114,586,000	78,775,602	101,851,000
Total Production.				
1861–70	61,098,340	$1,263,015,000	392,267,776	$507,174,000
1871–80	55,670,618	1,150,815,000	710,463,078	918,578,000
Difference,		$112,200,000		$411,404,000

The value of the world's product of gold, therefore, was $112,200,000 less in the latter decade than in the former, and of the product of silver $411,404,000 greater.

From the reports of the Director of the Mint is derived the following statement of the coinage of gold and silver in the world, 1873--80, and the gold coinage of the United States and Germany for the same period:

	World.		Germany.	United States.
Year.	Gold.	Silver.	Gold.	Gold.
1873	$257,630,000	$131,544,000	$140,490,000	$57,022,000
1874	135,778,000	102,931,000	22,264,000	35,254,000
1875	205,340,000	123,143,000	39,608,000	33,553,000
1876	213,119,000	126,577,000	37,943,000	38,178,000
1877	173,675,000	78,402,000	26,784,000	44,078,000
1878	188,386,000	161,191,000	29,742,000	49,786,000
1879	90,752,000	104,888,000	11,043,000	39,080,000
1880	149,725,000	84,611,000	6,662,000	62,308,000
Total,	$1,414,405,000	$913,287,000	$314,536,000	$359,259,000

Recoinage of gold during the period . . .	$190,000,000
Recoinage of silver " . . .	145,000,000
Production of gold " . . .	877,554,000
Production of silver " . . .	738,187,000
Gold coinage less recoinage	1,228,405,000
Silver coinage less recoinage	768,287,000

An examination of these figures shows:

1. The value of the production of gold exceeded that of silver for this period $139,367,000.

2. The coinage of gold exceeded its production $536,851,-000, and the coinage of gold, less recoinage, exceeded its production by $350,851,000.

3. The coinage of silver exceeded its production $175,-100,000, and the coinage of silver, less recoinage, exceeded its production by only $30,100,000.

4. While the demand for both metals was in excess of the production, the product of gold was but 62 per cent. of the total coinage, and about 71 per cent. of the coinage, less recoinage; but the production of silver was about 81 per cent. of the total coinage, and 96 per cent. of the coinage, less recoinage.

5. The gold coinage of Germany and of the United States amounted to nearly one-half of the gold coinage of the entire

world. If, to their coinage is added that of the Scandinavian states and of the Netherlands, which began to coin gold in this period, the total is more than one-half of the gold coinage of the world in this period, and was nearly as much as the production.

It is unfortunate that there are no sufficiently authentic statements of the relative coinage of the world for the period of ten years preceding 1873, for the purposes of comparison, but we have already seen that it was a period characterized by an abundance of gold, when Great Britain was the only country of consequence maintaining a gold standard, and by a scarcity of silver everywhere except in the far East.

The change in the conditions is apparent. It is unfortunate also, that it is impossible to secure any definite data as to the amount of gold and silver consumed in the industrial arts in this period. It has been variously estimated, and, even adopting the minimum, it must have amounted to $40,000,000 for gold and $20,000,000 for silver. Recent investigations by the Bureau of the Mint indicate that in recent years the United States, England, France, and Switzerland alone annually consume in the arts bullion worth as much as that above estimated for the whole world before 1873, so that the estimate can hardly fail to be on the safe side. If, then, from the gold production of the years 1873--80 is deducted bullion to the value of $320,000,000, and from the silver production bullion to the value of $160,000,000, the amount left available for money would be, of gold, but about 45 per cent. of the coinage, less recoinage, and of silver but 70 per cent.

Under these circumstances it would have been irrational to have expected an actual decline in the value of either metal, as compared with most commodities of commerce, but it would have been the natural thing to expect a change in the relative value of the two metals. Although both were demanded in excess of their production, the demand for gold suddenly became pressing, while that for silver suddenly relaxed. But this relaxation could not have been due to reduced coinage during the first part of the period. It was not till 1880 that the production of silver began to exceed its coinage. It is difficult, if not impossible, to find a reason for believing that the value of silver suffered any perceptible decline, as measured by the price of articles of commerce, until long after that time. But as compared with gold the demand for silver fell behind, and the world hastened to aggravate the situation.

From a carefully prepared table submitted to the International Conference of 1881 by Dr. Broch, of Norway, it appears that the total value of silver imported into India from 1855 to 1880 was $1,086,259,300, and of gold $481,781,000, while the total amount of council bills sold in London during the period was equivalent to $902,456,000. The average annual importations, therefore, were of silver about $43,450,300, and of gold about $15,271,000, and the average amount of council bills sold about $36,098,000. But a striking change took place about 1870. The table shows the following for the Indian fiscal years 1870 to 1880:

Fiscal Year.	Importation of Silver.	Importation of Gold.	Council Bills sold in London.	Average Ratio, Silver to Gold, London market.
1870–71	$12,511,400	$13,467,000	$42,347,000	15.58
1871–72	37,600,000	17,297,000	49,290,000	15.55
1872–73	9,089,800	12,692,000	69,090,000	15.71
1873–74	19,476,800	8,980,000	67,069,000	16.00
1874–75	28,444,400	10,111,000	55,178,000	16.28
1875–76	16,280,000	8,888,000	64,761,000	16.85
1876–77	46,962,400	6,989,000	69,832,000	17.56
1877–78	74,151,900	7,642,000	54,830,000	17.37
1878–79	26,315,300	9,401,000	77,855,000	18.33
1879–80	45,143,500	9,923,000	86,245,000	18.18
Total,	$315,975,500	$105,390,000	$636,497,000	
Total, 1855–70	$772,213,800	$376,391.000	$265,959,000	
Annual Average, 1855–70	$51,480,920	$25,092,730	$17,730,600	
1870–80	31,597,550	10,539,000	63,649,700	

Some important facts are obvious from this table. During the period of fifteen years ending in 1870, India absorbed more than twice as much silver as she did in the next ten years; for the latter period the annual importations averaged over $20,-000,000 less than the annual average of the former period, and this notwithstanding the increased importations from 1877 to 1880, by reason of the severe famine that prevailed in southern and western India. Otherwise the importations of the latter period would have been materially less. During these three years of famine silver ornaments to the value of 332 lacs of rupees, or about $16,000,000, were brought to the Bombay mint to be converted into rupees, so that the demand for silver was urgent, and yet in only one year did the value of silver imported exceed the annual average of the period from 1855 to 1870. In the ten years 1861--70 India imported $200,000,000 more of silver than in the ten years 1871--80.

The cause of this decline is apparent from the change which took place about 1870 in the amount of council bills sold. As remittances, these bills, sold to settle India's debt to England, took the place of bullion, and, merchants finding them more convenient than silver, they were sold in the ten years from 1870 to 1880 to a value of nearly two and one-half times that of the preceding fifteen years, and the annual average sold in the seventies was nearly four times that from 1855 to 1870. This $45,000,000 worth of silver withheld from the Indian market annually by the sale of council bills represented one-half of the annual product of the world during much of the decade. The difference in India's absorption of gold between the two periods may be accounted for partly by the increase in the sale of council bills, partly because of the increased demand for gold in Europe and America, and partly because silver became cheaper. During the period of greatly increased gold production, while silver was worth more than gold at the ratio of 15.50 to 1, remittances in gold were easy and natural; India absorbed a vast treasure and kept it. This only served to aggravate the stringency in the market when the demand for gold was suddenly increased.

No responsibility, however, for the decline of silver, as compared with gold, during this period can be laid at the doors of the United States, unless it be because of their increased production of the metal. In no five years in the previous history of the mint was one-half the silver coined that was coined in the five years following the so-called Demonetization Act of 1873, and not till 1883 was as much coined under the Bland-Allison Act as was coined in the year preceding its enactment.

Moreover, if the available statistics are correct, the net result of Germany's monetary operations could not alone have occasioned a serious surplus in the silver market. Baron von Thielmann, the German delegate to the conference of 1881, reported that up to the end of 1880 the government had sold in round numbers $135,000,000 of fine silver. But the silver exports for the years 1873--81 are reported as amounting to but $93,000,000, while the imports were $87,000,000, and the German production of silver amounted to $50,000,000. The imports and productions, less the exports, leaves about $44,000,000 as Germany's net absorption of silver during those eight years when she was supposed to be flooding the market. The imperial silver coinage for the same time, on the same authority, amounted to 427,000,000 marks, or about $102,000,000. The total amount of old coins withdrawn and delivered to the mint to be made into imperial coins was, up to the end of 1880, only about $90,000,000, and it is doubtful if all of this had left the mints by that time; so that if Germany did not consume in her imperial coinage any new silver, she at least absorbed the metal for industrial or other purposes to the value of $44,000,000 during the eight years.

Summarizing these statements of the commercial and monetary conditions of the seventies as compared with the sixties, the following facts tending to enhance the demand and value of gold as compared with silver will be observed:

1. Decrease in the production of gold	$112,000,000
2. Gold coinage in excess of its production (1873--1880) over and above silver coinage in excess of its production	366,000,000
3. Increase in the production of silver . . .	411,000,000
4. Decrease in India's absorption of silver . .	200,000,000
5. Increase in the sale of council bills over and above the decrease in silver remittances . . .	194,000,000

All these conditions prevailing together tended to force the two metals from that relationship as to value that had been maintained for a long period. It is doubtful if any two of them would have seriously disturbed that relationship, but all together the disturbance became inevitable. If the increased demand for the coinage of gold had not occurred, the relationship might have withstood the other phenomenal tendencies. Indeed, the surprising thing about it is that, in the face of these tendencies, the change in the relative value of the two metals was so slight in the seventies, and the only explanation of it is that silver was still demanded for industry and coinage to an amount in excess of the available supply. The following table shows the average quotation of bar silver in London per ounce British standard (.925) and the equivalent in United States gold coin of an ounce 1000 fine at the average price during the two periods of 1861--70 and 1871--80:

1861	$60\frac{13}{16}$	1.333	1871	$60\frac{1}{2}$	1.326
1862	$61\frac{7}{16}$	1.346	1872	$60\frac{5}{16}$	1.322
1863	$61\frac{3}{8}$	1.345	1873	$59\frac{1}{4}$	1.298
1864	$61\frac{3}{8}$	1.345	1874	$58\frac{5}{16}$	1.278
1865	$61\frac{1}{16}$	1.338	1875	$56\frac{7}{8}$	1.246
1866	$61\frac{1}{8}$	1.339	1876	$52\frac{3}{8}$	1.156
1867	$50\frac{9}{16}$	1.328	1877	$54\frac{13}{16}$	1.201
1868	$60\frac{1}{2}$	1.326	1878	$52\frac{9}{16}$	1.152
1869	$60\frac{7}{16}$	1.325	1879	$51\frac{1}{4}$	1.123
1870	$60\frac{9}{16}$	1.328	1880	$52\frac{1}{4}$	1.145

Some facts which appear from this table are:

1. From 1861 to 1870 the average price varied within two cents and one mill per ounce, the net decline being only seven mills, though the production increased 20 per cent.

2. While the average price fell below the French coining ratio in 1867, it was not till 1874 that it fell below the coining ratio of the United States.

3. The first heavy fall occurred in 1873; it corresponded with an increase in production of about 25 per cent., yet the price fell only two mills when the production of 1871 exceeded that of 1870 by 19 per cent.; and the price in 1871 was actually a mill higher than in 1869, though the production was 28 per cent. greater.

4. Though the production in 1872 was nearly 50 per cent. more than in 1869, the average price in the former year was but one-eighth of a penny, or about a quarter of a cent lower than in the latter.

5. Though the production in 1880 was more than double that of 1869, the average price in the former year was only ·18 cents an ounce lower than in the latter.

The inevitable conclusion from these facts is that the increased production would have had little influence on the price of silver had not the demand for gold been suddenly increased and the demand for silver been suddenly relaxed by the closing of mints to it in Europe, and by the increased sale of council bills in India. Here the reader will perceive the basis for one of the main arguments for the practicability of bimetallism, which developed into such prominence in the decade we are about to consider.

In resuming the study of the course of events among the nations, Europe naturally demands attention first, for, as has been noted, the action of the conference of 1867 was quickly followed by an earnest discussion of the question of the standards, the general belief in the advantages of the gold standard abiding, however, notwithstanding the warnings and arguments of a new school of able and zealous bimetallists. When, after the German and Scandinavian monetary reforms, the commercial value of silver began to fall seriously below its coining value at the ratio of the Latin Union, the European governments ceased to regard the subject with complacency. But in the United States, where silver still commanded a better price in the markets than the mints would have yielded, had its coinage been free, and while the government was absorbing as large a part of the production of the country as it could secure in the coinage of trade dollars and fractional coins to take the place of "shinplasters," the subject of standards awakened no controversy — indeed, was either unheard of or regarded with indifference.

No European government was more perplexed than Belgium. It had long been a partisan of the gold standard, and was bound by treaty to the double standard of the Latin Union. In 1873 it found on one side Germany, seeking gold and discarding silver, and on the other France, its monetary ally and the holder of much of its coinage. Its mints were open to silver at the ratio of 15.50 to 1, and commercially it was fluctuating wildly and barely averaging better than 16 to 1. Immediately after the passage of the German coinage act, the Belgian Minister of Finance asked the Bank of Belgium what measures could be taken to parry the effects of the apparently inevitable depreciation of silver. The directors unanimously replied that they were in favor of the single standard, regarding the simultaneous use of two different and variable metals in measuring values as an attack upon logic and good sense. A monetary commission was appointed, and at its sessions the bimetallists pleaded their cause with fervor. "Debtors, and, among them, the state," said Professor Laveleye, Belgium's most celebrated economist, "have the right to pay in gold and silver, and this right cannot be taken away without disturbing the relation of debtors and creditors to the prejudice of debtors, to the extent of, perhaps, one-half, certainly of one-third. To increase all debts at a blow is a measure so violent, so revolutionary, that I cannot believe the government will propose it or that the Chambers will vote it." But, while the commission disagreed with him, no way could be found to safely break with the Latin Union, and during the whole year the Belgian mint was kept busy, coining over 100,000,000 francs of silver, but not a franc in gold.

France was in a peculiar position. Demoralized by defeat and the fall of the empire, its capital for a time under a communal reign of terror, and the resources of the whole nation strained to pay the indemnity demanded by the Germans, there was little opportunity for the consideration of any questions save those of reconstruction. It was not till January, 1874, when Thiers had succeeded in bringing some order out of the chaos of conflicting policies, that, in view of the appeals of other states, the representatives of the Latin Union were called together. Again did Belgium and Switzerland plead for the adoption of the gold standard, claiming that if their advice had been followed in 1865 the union would not have found itself in a position requiring defence. But, though Parieu and others long identified with the monetary policy of France favored gold, the bimetallists now preponderated in influence. They pointed out that the adoption of the gold standard by the union would further depreciate the value of silver, of which so much was in the hands of the people; besides, France had suspended specie payments, and, naturally, did not desire the demonetization of one of the precious metals which had always been sought for by the people, and had so recently answered the purpose of paying a considerable portion of the war indemnity. The result was a compromise. On the 30th of January a treaty, supplementary to that of 1865, was adopted, whereby it was agreed that the coinage of the union, exclusive of subsidiary coins, should be limited to 140,000,000 francs. The proportion was fixed at 12,000,000 francs for Belgium, 60,000,000 for France, 40,000,000 for Italy, and 8,000,000 for Switzerland, and by a special article Italy was allowed to coin for the reserve of her national bank an additional 20,000,000 francs. The delivery of coins upon mint receipts from December 31, 1873, was made applicable upon these quotas. But while these limits were fixed, any country might decline to coin the quota assigned to it, and Belgium and Switzerland did so.

The government of the Netherlands was not content with the law of May, 1873, which simply suspended the coinage of silver except on government account, and, in accordance with the advice of its monetary commission, kept pressing for the adoption of the gold standard and the sale of existing florins. But the two chambers favored a provisional monetary law, and such was passed in June, 1875. It introduced into the coinage a 10-florin gold piece of full legal tender, to be freely coined (though subject to the convenience of the state) on the basis of 6.048 grammes fine, being equal to 10 florins, or at the ratio of $15\frac{5}{8}$ to 1. The act also provided for the suspension of silver coinage till the end of 1876, but the States-General would not agree to the calling in of silver coins to be melted and put on the market. Just at that time silver coins occupied a peculiar position in Holland, their value being regulated neither by the market value of gold nor by that of silver. For some reason the demand for coin greatly increased between 1873 and 1875, so that in the latter year, while the value of silver as a metal was declining in the market, Dutch silver coins were appreciated as against gold, the rate of exchange on London falling as low as 11.12 florins to the pound sterling. This situation was not helped by the new gold coins minted in the latter half of 1875 and 1876, for they were not used in internal circulation, but were kept in reserve. Silver and paper florins constituted the currency of the country except for foreign exchange. But the government, though considering the general adoption of the gold standard a mistake, thought that Holland's interests could be protected only by disposing of its silver before it depreciated further, and by making the metallic currency of full legal tender consist entirely of gold. So another bill was introduced by which authority was given to the executive not only to coin gold, but also to withdraw silver from circulation and to sell it in such a manner and to such an extent as might be deemed necessary. After a prolonged debate it was carried through the lower house by a vote of 37 to 35, but was rejected in the first chamber, which strongly objected to an eventual demonetization and sale of silver, deeming it the proper course not to enter into any fresh legislation on the subject, but simply to prolong the provisional law of 1875. Under these circumstances there was nothing for the government to do but to bring in a bill proposing the renewal of the law of 1875 for another twelve months, and in doing so it gave the States-General to understand that in the course of that further twelve months another attempt would be made to settle the matter finally; but when the time came the conditions had so changed, there being a general European awakening to the gravity of the situation, that the government considered it sufficient to prolong the suspension of silver coinage till otherwise provided by law, and a bill to that effect was adopted by both chambers late in 1877.

This change in the situation was due to the indications of extreme anxiety among all the commercial nations as to the future effect of the continued demonetization and consequent depreciation of silver. Such distinguished economists as Wolowski, Courcelle-Seneuil, and Cernuschi in France, Seyd in England, Laveleye in Belgium, and W. C. Mees in Holland, had been waging a persistent and vigorous warfare in the reviews against the exclusive gold standard and in favor of a new doctrine, international bimetallism; its effect, taken with that of the depreciation of silver and the uncertainties of exchange, was to produce a state of doubt as to the desirability of the exclusive gold standard, or of actual belief in the necessity of the general adoption of the double standard. At least as early as 1875 these economists had urged the calling of another international conference to undo the results of that of 1867, maintaining the position that, if all civilized nations were to adopt the double standard, with a uniform proportion, a stability in the respective values of the two metals would be created such as could not be attained in any other way.

Commercial bodies all over Europe began to take up the question late in 1875. At a convention of the Society of the Netherlands for the Promotion of Industry held at Devanter the opinion prevailed that a serious danger threatened the monetary circulation, not only of the Netherlands and her colonies, but of all civilized nations. The delegates shared the opinion of the government that under the existing circumstances the Netherlands had no alternative but to adopt the gold standard, but they voted to address the King as to the desirability of securing an international understanding or agreement for the adoption of the double standard, deeming it the only way to check the depreciation of the white metal. The address was presented to the King in July, 1876. After treating of the stability in the relative value of the two metals during the great increase in the production of gold, and attributing it to the fact that the mints of so many nations were open to the coinage of both gold and silver, and expressing the belief that the same result would follow the general re-opening of the mints to silver, the address continued:

"In view of all the advantages we have here enumerated, advantages which, in our judgment, are far from being imaginary, would it not be desirable to convene, at an early day, not a diplomatic congress, but an international monetary conference, to which all governments might send men specially qualified for the service and most conversant with the subject? To such a conference, the two following questions might be submitted:

"Is it, or not, probable that if all civilized nations were to adopt the double standard, with a uniform proportion of 15.50 to 1, as the intrinsic value of gold and silver legal-tender money, a stability in the relative value of the two metals would be thus obtained during a long period of time, which, if not absolute, would certainly be very great; and that the oscillations of that value would be very small compared with those which have taken place during the course of the present century.

"If this question should be decided in the affirmative, what measures should be submitted to the several governments, in order to secure this desired uniformity?

"Without anticipating the answer which competent judges might give to these questions, we venture to express the opinion that it would not be desirable to agitate, at the same time, the question of the unification of coinage. Every country holds, with a certain tenacity, to its national money, around which its historical traditions cluster; and the attempt to combine on a new international monetary unit would meet with a formidable opposition in nearly all countries against any unification of moneys.

"The several countries should simply engage that, if they have the single gold standard, they will add to it legal coins of silver; if they have the silver standard, that they will add to it legal coins of gold, with a uniform proportion of 15.50 to 1. Countries having the double standard, but a different proportion than that of 15.50 to 1, would be required to conform to that proportion. In all countries of the monetary union all debts should be payable indifferently in money of one or the other metal; individuals should have the right to have bullion of either metal converted into legal tender coin, according to the statutory conditions prevailing in each country.

"The government which shall gain the adhesion of other governments to the plan of convoking an international monetary conference will, in our opinion, render an eminent service, not only to its own citizens, but to all countries of the world.

"According to a communication made by the Minister of Finance, in the month of May, 1876, it appears that the government of your Majesty has considered the plan of an international agreement, looking to the general adoption of the double standard, but has decided that all attempts in that direction would be without avail. Since that time, however, the depreciation of silver has gone so much further than before that a new attempt would perhaps meet with a more favorable reception."

It appears, therefore, that as Mees, of the Netherlands, was the first to advocate a plan of international bimetallism, so the first governmental suggestion of an international conference in behalf of a general bimetallic arrangement came from his government before many in the United States had really awakened to the fact that something had happened to silver. In sounding the other governments the Dutch ministers found that they either regarded the project with disfavor or as premature, and the natural conclusion was that the attempt would be futile. While the economists were tearing each other's opinions into shreds, financial circles were balancing on a doubt and statesmen were perplexed. The old gospel of the gold standard had not lost its force; a double standard of varying values as a measure of other values seemed as illogical and absurd as ever. But they began to wonder if, after all, it might not be practicable. The doctrine that gold was the natural standard of the stronger and richer nations, and silver of the weaker and poorer nations, was still extensively held by financiers, but the proud Germans, who had put their currency on a par with England's, were perplexed and in doubt when France, after spending 11,000,000,000 francs on an unsuccessful war and suffering the losses of a reign of terror, began to prosper beyond the other nations of the earth, gathering steadily and without any apparent effort a rich harvest of gold, while her mints were either freely open to silver, or, after 1874, to as much as 60,000,000 francs a year. The following extract from a letter of December 4, 1874, from the United States Minister at Paris, Mr. Washburne, to Hamilton Fish, Secretary of State, is instructive at this point:

"The exportations from France of this year will amount to a fabulous sum. Notwithstanding the enormous taxes, the financial condition of the country is a marvel to the nations. All the countries of Europe are complaining that France is gaining all the gold. The condition of the Bank of France excites the wonder and admiration of all financial men. It is a long time since specie payments have been practically resumed. Five-franc bank-notes have gone out of circulation, and, for months, the bank has not paid out any 20-franc notes. It will probably not be long before the whole circulation under 50 francs will be in gold and silver. All these results have been accomplished without talk, boasting, or parade, and what a humiliating contrast it is to us! Proclaiming ourselves constantly the "greatest, richest, freest, noblest" government on the face of the earth, our promises to pay are to-day at 12 per cent. discount."

There were, at the lowest estimate, fully 1,500,000,000 francs of silver of full legal tender in France at that time, and about 500,000,000 in the vaults of the bank. It is not strange, therefore, that opinion in France was very much divided as to the proper course to pursue. The depreciation of silver threatened her currency; still she was wonderfully prosperous. Neighboring nations threatened to pour their discarded silver into her mints and take away her gold; still the gold kept flowing to her. Her confederates in the Latin Union were pleading with her to at once adopt the gold standard, and so were some of her own ablest statesmen; but if she did, what would become of her immense stock of silver, and how could Belgium and Switzerland redeem all their silver circulating in France and held in the bank?

The battle of the standards never, perhaps, waged so fiercely anywhere as it did in France at that time. Conspicuous on the side of gold were Chevalier, Parieu, Victor Bonnet, Frédéric Passy, and Leroy-Beaulieu, and they had for their organs the *Journal des Débats* and the *Economiste.* On the other side were Léon Say, Magne, Wolowski, André, Courcelle-Seneuil, and Cernuschi, having for their organs the *Siècle* and the *République Français.* Léon Say, while a bimetallist, was a conservative one, and opposed keeping the French mints open to silver under the existing circumstances; indeed, none of the bimetallists considered their system practicable without the co-operation of the great commercial nations. Their chief fight was to prevent the adoption of the gold standard by France or any other nation. In this condition of the controversy the newly elected Chambers met early in 1876. One of the first acts of the Minister of Finance was to present a bill empowering the government to restrict the coinage of silver in so far as it might be deemed necessary, or, in other words, not to avail itself to the full extent of the right granted to France by the last agreement of the union. It should be kept in view that, while that agreement established a maximum amount of coinage, it established no minimum, and that in 1874 and 1875 France coined the maximum allowed her only because her own laws did not allow her to do otherwise. The object of the bill was to alter this state of things. It was brought before the Senate on the 21st of March, and gave rise to a long and interesting debate in which Parieu, so long eminent because of his special knowledge of monetary matters, attacked the principle of the double standard vigorously, while Rouland, Governor of the Bank of France, with marked ability defended it. The bill passed and the government soon began to avail itself of its privileges.

The actual result was, therefore, that by the middle of 1876 none of the mints of the Latin Union were open to the coinage of silver except that of Italy, and as her currency was on a greatly depreciated paper basis, any silver coined there was immediately exported. Indeed, between 1872 and 1876 Italy exported more silver than Germany sold, and a large part of it went into France. In the summer of 1876, Spain practically severed its relationship with the Latin Union by interdicting the coinage of silver except on government account, the government at the same time declaring its intention of limiting its legal tender to 150 pesetas, or about $28.

Even Russia, though nominally maintaining a silver standard, was compelled to suspend the coinage of silver the same year by a state of things both peculiar and suggestive. It was brought about by its forced currency of inconvertible "bills of credit," the name which Russian paper money bears. In July, silver, being worth 48½ pence per ounce in London, was depreciated as compared with gold 27.12 per cent. The gold half-imperial was worth at St. Petersburg in Russian paper six roubles, twenty-six copecks, the paper being depreciated as compared with gold 21.47 per cent. Thus the paper was worth more in gold than the silver it nominally represented. Under these conditions it became profitable to send silver into

Russia to be transformed into metallic roubles. With 1000 paper roubles one could buy a draft on London for £130 1*s.* 6*d.*, and that would buy $664\frac{10}{47}$ ounces of silver, which at the Russian mints gave the right to receive 1061 roubles, 67 copecks, a profit of over 6 per cent., and by virtue of the law the silver money was like the bills of credit received at a nominal price. The government, therefore, very quickly suspended the coinage.

Manifestations of concern over the prevailing monetary tendencies appeared in England as early as anywhere. Her cheerful belief that the gold standard was the only logical and proper one for the highly civilized began to be disturbed by the conviction that her enjoyment of it depended somewhat upon her success in keeping it as exclusively as possible for herself. It would not do to share it with too many other nations. When it was seen that, in spite of an inconveniently high rate of discount, the gold of the Bank of England continued to pass into France and the United States, the governmental policy changed from one of gold monometallism for the civilized world to one of gold monometallism for England anyhow, Germany if necessary, but silver or bimetallism for as much as possible of the rest of the world. While that answered the purposes of a policy, it did not prevent an accumulation of embarrassments. The business world became aware that a depression of trade had set in; manufacturing drooped; the demand for money, of course, fell off, but, instead of the discount rates falling, as would be naturally expected, they were kept artificially high for the protection of the reserves. A bimetallic sentiment began to grow and flourish among the commercial men of centres like Liverpool and Manchester, while the government began to be importuned with complaints from India. Whereas, for twenty years before 1873, the proportion of conversion had been 10 rupees to the pound sterling, in 1876 it required 11.3 rupees to make a pound. This necessitated taking 10 per cent. more money out of the Indian nation to pay the same foreign obligation.

A writer in the *Westminster Review* in January, 1876, speaking of the demonetization of silver, said that one of the things involved was the probable appreciation of gold, and, unless fresh discoveries were made, debts contracted in gold would tend to press more heavily on the borrowers, and that it would be well if this pressure did not become so intolerable as to suggest by way of solution something like universal repudiation. Writing upon the same subject, the president of the Liverpool Chamber of Commerce said: "It will practically beggar all nations that have borrowed in silver and have to pay in gold. Money values would fall greatly; national debts like our own would press much more heavily, and a period of suffering and contraction of business would ensue, similar to what the United States has experienced on coming painfully back from inflated paper towards specie payments. No doubt, at last the process would be accomplished, and after a century or so the world could trade as well on gold alone as gold and silver combined. But why have the intermediate chaos if it can be avoided?"

But the government was less concerned about the woes of debtors, English financiers being large creditors, than it was about the increasing difficulties of its trade with India. The variations in exchange had already made trade with that colony so much of a gamble that its volume was affected by the uncertainty of profits, and as the Indian government was seriously discussing the feasibility of suspending silver coinage, the consequence of which must be a further depreciation of silver, the commercial world was either uncertain or fearful as to the future.

In July, 1876, the Bengal Chamber of Commerce passed resolutions advocating the suspension of silver coinage, and the issue of notes against silver bullion, on the ground that it was a necessary precaution for the government to take for the preservation of the country's currency, and to prevent the flood of silver from foreign nations. It was represented that these measures were no more stringent than the first financiers of Europe had found it necessary to adopt. A memorial was made to the government, and in this the Calcutta Trades Association joined. But for the time being the government simply urged the necessity of the utmost economy of the public resources.

Meanwhile the English Parliament had felt compelled to consider the subject, and a Select Committee on the Depreciation of Silver was appointed in March. It made an extensive investigation and reported in July. No remedial measures were suggested, as the committee had been authorized simply to examine into the causes of the fall of silver, and to describe the effect upon Anglo-Indian exchange. The report declared that the depreciation had at least four causes: the German cause, the demonetization of silver in that country; the French cause, the limitation of silver coinage by the Latin Union; the American cause, the increased production of the mines; and the Indian cause, the falling off of the demands for coin from India. The committee was inclined to minimize the German cause in its effects on the future, believing that Germany would still require a large amount of silver, owing to the smaller use of checks and to the habit of daily payment for all family expenses. The limitation or eventful suspension of silver coinage by the states of the Latin Union was regarded as more serious. It could not find sufficient reason for the marked depreciation in the increase of production, saying: "Notwithstanding the late rise in the production of silver as compared with gold, its proportion to gold is still considerably below what it was in 1848, to say nothing of the period when the proportion was 3 to 1; and the conclusion seems justified that a review of the relations of the metals in times past shows that the fall in the price of silver is not due to any excessive production as compared with gold."

Much more was made of the effect of the marked increase in the sale of council bills at London. It was pointed out that "the supply of a different form of remittance — namely, government bills — has superseded to a great extent the necessity of remitting bullion; . . . the effect of this substitution has to be measured in very large figures. . . . It will be seen that, though the total amount of treasure and bills together remitted to India during the last four years (1872--76) has but slightly declined, the proportion between the two has been entirely reversed." After naming £15,000,000 as the then average sum of the home charges due from the Indian government, the report remarks: "This is the sum which has to be paid annually by India (on state account) to England, and this sum, *pro tanto*, displaces the dispatch of bullion." The statistics given in the report show that, whereas, in the four years ending 1872, the annual average sales of council bills had been only £7,000,000 while the import of treasure into India had been ten millions per annum, in the four years ending 1876 the sales of council bills had been increased to an average of £12,600,000, and the imports of treasure, chiefly silver, had declined to £4,100,000 yearly, or less than one-half. This displacement of silver, therefore, by the London sales of council bills, must have exerted a much greater effect on the market at first than the German sales of silver, the greater part of which did not take place till 1877, when the average price of silver was $1\frac{3}{4}d.$ above that of 1876, and $2d.$ above that of 1878. The German sales from 1873 to 1880 amounted to about £27,000,000, or an annual average of only about £3,-400,000.

The cessation gradually, from about 1868 to 1874, of the sterling sums paid by the great guaranteed railway companies into the treasury of the India office, was, no doubt, responsible in a large degree for the increase in council bills, for they had been a set-off to the home charges. There was no evidence that India had become overstocked with silver, and the committee said in its report that the use of silver was likely to extend, "not so much by the use of more silver in the territories already occupied by the existing currency as by the gradual increase of its use in the remoter parts of India."

When the report of the British Committee had been considered by the Indian government, it published a response to the appeals of the Bengal Chamber of Commerce and the Calcutta Trades Association, in which it asserted that it could not yet be decisively proved that the divergence of the two metals was due wholly, or even chiefly, to a fall in the value of silver, for the ruling prices of commodities and of the precious metals in London and in India witnessed to a considerable rise in the value of the yellow metal after 1873, and especially after 1875, and did not show any fall in the value of silver measured in commodities other than gold. The government, therefore, declared that "to suspend the free coinage of legal-tender metallic money, as advocated by the Bengal Chamber of Commerce, would give a monopoly value to the existing stock of rupees and so reduce prices; whereas prices are not yet risen." The government, for these reasons, rejected as inadmissible the closing of the mints to silver without at the same time opening them to the free coinage of gold, and said there was nothing in existing conditions to demand recourse to a measure so costly. Such was the situation at the end of 1876.

With this general survey of the monetary conditions in Europe, and in India up to the beginning of the year 1877, we must now return to a consideration of affairs in the United States after the passage of the Mint Act of 1873. An entirely different order of events was taking place on this side of the water. For over ten years the people had known no currency but the paper promises of the government to pay, and no people, no matter how highly civilized, can transact their business affairs on such a basis for that length of time without injuriously affecting their appreciation and understanding of the principles underlying good money.

One of the natural outcomes of the conditions of this period in the United States was the appearance of the Greenback Party. History seems to show that similar movements follow every long season of currency inflation soon after the remedy of contraction is applied and the consequent depression in business sets in. Possibly it is more marked under the political conditions of a liberal form of government. The party out of power, with what is termed "political sagacity," seizes the opportunity to charge the party in power with responsibility for all the woes of the people, and claims that what has been done will be undone, and what has not been done will be quickly accomplished, if only the dear people will turn the "incapables" out of office. The party in power, if it finds public opposition developing through the clamor of its opponents, will with equal sagacity create from existing conditions an issue, or a measure designed to counteract or "head off" that which its opponents have raised. This unsettled state of things furnishes the opportunity, which is usually embraced, for the establishment of a new party, going to radical extremes, and depending on the passion of the hour to make it a success. Thus the exact character of the issues adopted and the party policy created are often determined more with a view to their possibilities as "vote getters" than as solutions of financial or industrial problems, though in the end the people are sure to find their true course.

Every Republican administration, from the close of the war, had kept in mind the speedy resumption of specie payments, and had used its best efforts accordingly. With this in view, it had been the policy of the Treasury Department to contract the paper currency as rapidly as possible without disturbance to business. To this policy a large class began to attribute the financial panic of 1873 and the ensuing period of depression, when the true cause was the inevitable collapse that must come sooner or later from such prolonged currency inflation. Thus the Greenback Party arose, and in many states the Democrats, who had had no abiding governmental policy since the war, quickly adopted the issue in the hope, probably, of gaining strength. The question of the day was greenbacks or gold — nothing else, so far as money was concerned. Even as late as the spring of 1876, the party platforms gave no indications of the approaching "realization" of the silver demonetization. That sudden awakening will have to be set down as one of the events that did not cast its significant shadow before. The financial plank of the National Republican convention of 1876 spoke only of the redemption of the national obligations in coin, and the Democratic platform denounced "the financial imbecility and immorality of that party, which during eleven years of peace" had made no advance towards resumption, and it denounced the resumption clause of the act of 1875 as only a hinderance to resumption. The Greenback Party denounced both of the others, demanded the immediate repeal of the resumption act, and insisted on the continued issue of government notes. None of these platforms contained a word about silver, its relation to gold, or its place in the currency, although Europe had been discussing the question for eight years, and had been agitated over it for three or four.

History does not record, so far as I have been able to observe, just who in the United States "discovered" that silver had been demonetized in 1873. Though the fact that the old standard silver dollar had been dropped was quite generally realized, the possible seriousness of it did not, evidently, suggest itself to any one for some time, for, as we have seen, it did not appear in the platforms of 1876, and it was a year later when the first certificate of a doubtful character was given to it, still later when it really obtained the political rank of a crime. The bill for the resumption of specie payments brought financial questions to the front in 1874, but it seems certain that no one in Congress then had any disturbing thought regarding silver or its condition under the laws — not even the men interested in silver mines. In a speech in the Senate, April 1, 1874, Senator John P. Jones, of Nevada, in a strong argument for resumption of specie payments, said:

> "Does this Congress mean now to leave entirely out of view and discard forever a standard of value? Did any country ever accumulate wealth and achieve greatness or attain a high civilization without such a standard? And what but gold can be that standard? What other thing on earth possesses the requisite qualities? Gold is the articulation of commerce. It is the most potent agent of civilization. It is gold that has lifted the nations from barbarism. So exact a measure is it of human effort, that when it is exclusively used as a money it teaches the very habit of honesty. It neither deals in nor tolerates false pretence. It cannot lie. It keeps its promises to rich and poor alike."

Does it seem probable that in thus speaking of gold Senator Jones was referring also to silver? Is it not clear that he used the word as it had been used for a generation, considering gold as the ideal standard, and having no other conception of silver coins than as subsidiary money? Senator Stewart of the same state, in February of the same year, said in the Senate: "I want the standard gold, and no paper money not redeemable in gold; no paper money the value of which is not ascertained; no paper money that will organize a gold board to speculate in it." On another occasion during the same month he said in a speech: "By this process we shall come to a specie basis, and when the laboring man receives a dollar it will have the purchasing power of a dollar, and he will not be called upon to do what is impossible for him or the producing classes to do, figure upon the exchanges, figure upon the fluctuations, figure upon the gambling in New York, but he will know what his money is worth. Everybody knows what a dollar in gold is worth."

Could Senator Stewart have said this of silver at that time? In explaining this utterance in the Senate nearly twenty years later, he said:

> "It was of no consequence whether or not I knew, in February, 1874, that silver was demonetized in February, 1873. It was too late to prevent what had been done in the previous year. My position at that time, as well as my knowledge, were entirely immaterial and irrelevant to the discussion. I did not know that silver was demonetized *for more than a year after 1874*, since which time my bitterest enemies will hardly blame me for not doing all in my power in and out of Congress to remonetize silver. . . . The use of the term gold for specie was inaccurate, but *it was the common practice at that time.*"

This really amounts to additional evidence that at that time, as for twenty years previous, silver was generally regarded as having a subsidiary place in the currency system of the country. "It was the common practice at that time" to use the word gold for specie. The statement further shows that not until the year 1876 did Senator Stewart "know" that silver had been demonetized. As he probably became conscious of the fact nearly as early as any one, we are thus enabled to fix the date with sufficient accuracy. It is difficult to understand how, in view of all the circumstances we have enumerated, the absence of any legal provision for the coinage of a standard silver dollar could have escaped attention if there had been any reason in the mind of any one for deploring the omission. The resumption act, which was so extensively discussed in 1874, and was approved January 14, 1875, plainly implied the single gold standard. The second section repealed the charge for converting gold bullion into coin, but nothing was said about silver, except in the provision authorizing the Secretary of the Treasury to issue small silver coins for the redemption of fractional paper currency. The Forty-third Congress adjourned shortly after the approval of this act, and at some time between this and the assembling of the Forty-fourth Congress, in December, 1875, it dawned upon some one, but in a mild way, that the dollar of the "fathers," which, to be historically accurate, must be further defined as the dollar which very few of the fathers ever saw, had been legislated out of an existence which, in practice, it had never maintained. It was during this year that the trade dollar, which, with the increased coinage of fractional coins, had more than absorbed the increase in the silver production of this country, became worth less than its face value, and, as in practice it was found that in most Chinese ports the suspicious merchants received coins as ingots, according to their weight and fineness, it naturally began to have a less value in commerce, and also a less value for the silver producer, a fact that the latter was, it may be presumed, not slow in discovering, particularly when the general suspension of silver coinage in Europe had deprived him of any outlet for his surplus silver. In this situation the absence of the right to take silver to the mints of the United States and have it coined at the ratio of 16 to 1 became for the first time embarrassing to the silver producer, and the fact that silver was demonetized in 1873 was soon thereafter "discovered." This was in no way discreditable to the silver producer. It was simply natural. Bimetallism could not appeal strongly to him so long as the government stamped silver for less than it was worth, nor did it appeal to him seriously in this country when, owing to a further decline, the mints began to stamp it for more than it was worth. It was not till his silver became more depreciated as to gold than was the government paper that the advantages of bimetallism were strongly revealed to him.

But the pregnancy of the "discovery" did not at once impress the Congressional mind. There was nothing to show when Congress assembled in December, 1875, that there had been any change in the attitude towards silver. Much of the report of the Secretary of the Treasury was devoted to a discussion of resumption and the resumption act, and, in speaking of the redemption of United States notes, he invariably used the word gold, whereas the act speaks of redemption in coin. He spoke of the difficulty of accumulating gold without meeting opposition from the financial powers, but no one suggested that it would be easier to redeem in silver. Regarding this metal the Secretary said:

"The diminished use of silver coin in various European countries and the increasing production of our silver mines would appear to render the present a very favorable time for procuring supplies of bullion for the manufacture of silver coin, to be used in the redemption of the *fractional currency*. . . . Since the passage of the act, 8,242,642 ounces of silver bullion have been purchased at an average price of $111\frac{4}{10}$ cents per standard ounce. The mints have been put into active operation, and the aggregate amount of silver coin now in the treasury is $10,000,000."

The subsidiary character given to silver by such declarations awakened no protests apparently. Silver coin could not yet circulate extensively, for the depreciation of the paper currency was still enough greater to drive silver coins either out of the country or into the melting-pot. But early in 1876 the revelation that there was no American legal-tender dollar in silver burst suddenly upon an astonished Congress. Apparently the appearance of Gabriel would have been less a surprise, for the pious mothers of many of the members had brought them up in the constant expectancy of such an event; but no prophet had written in plain English that Congress would discover in 1876 what it accomplished after so much discussion in 1873.

A bill had been introduced, one provision of which would deprive the trade dollar of its legal-tender function for amounts up to $5. In the course of a discussion, Senator Bogy, of Missouri, called attention to the fact that, if the legal-tender function of this trade coin were taken away, there would be no silver dollar of any legal tender. Senator Conkling, of New York, who had held a seat in the Senate when the act of 1873 was passed, in apparent surprise inquired: "Is it true that there is now — by law — no American dollar? And, if so, is it true that the effect of this bill is to be to make half-dollars and quarter-dollars the only silver coin which can be used as legal tender?"

Senator Sherman replied that the use of the silver dollar had been discontinued in 1853. Senator Bogy said that the power to issue them existed till 1873, "but since 1873, I think," he said, "there has been no power." Senator Jones further explained that the privilege was taken away in 1873, "but it needed no law to prevent people from coining such a dollar for use in business, when there was another dollar to be got 3 or 4 per cent. cheaper." The revelation did not at first attract public attention, was considered of too little importance to be given a place in the national platforms of the year; but during the presidential campaign it became a covenient "object lesson" in the arguments of Greenbackers, and when the people once took hold of the fact it spread like wildfire. They wondered whether it had been in any way responsible for producing the panic of 1873 and the subsequent depression, and then began to believe that it had. Inflationists classed it as another scheme for contraction. Senators and Congressmen, observing the wave of popular feeling, hastened to explain that they had no idea the bill dropped the silver dollar when they voted for it. (We are anticipating a little here, for it should be understood that these explanations were not made at once, there being no political necessity for them till 1877. They were made mostly in 1878, when the issue had become dangerous in political conventions, and they are introduced at this point for the purpose of indicating the mild character of the first effects of the revelation, and we may as well close here one of the most remarkable incidents in the political history of the country.) William D. Kelley, of Pennsylvania, who, in the course of the long history of the bill in Congress, had twice introduced it with the provision omitting the silver dollar, and denying the right of any other silver coinage but that specified in the act, who had said that his committee had been over the measure line by line and word by word, and who ably and distinctly argued for a single standard of gold, said in his confession or explanation: "In all the legislation of this country there is no mystery equal to the demonetization of the standard silver dollar of the United States. I have never found a man who could tell just how it came about, or why." [1]

This was after the Republicans of Pennsylvania had in state convention demanded the remonetization of silver with free coinage. Many other Republicans, including the most distinguished men at Washington, made the most humble confessions of their ignorance of the measure when they voted for it, and the Democrats, who were fully as responsible for its passage as the Republicans, first confessed, and then tried to justify themselves by calling the act "a colossal swindle." This made it politically necessary to find the swindlers. The records were industriously searched for circumstantial evidence, and, among other things, it was quickly discovered that Senator Sherman was in Paris just previous to the Monetary Conference of 1867, had advised Commissioner Ruggles, as has already been related, and had been the promoter of the bill in the Senate. So Sherman became a convenient object of suspicion. It was also discovered that the chief advocate of the bill in the House had stated in debate that Ernest Seyd, of London, had examined it and made many valuable suggestions. This was in time expanded so that Seyd, who for years had been as earnest an advocate of bimetallism in England as Cernuschi had been in France and Laveleye in Belgium, and who had by letter distinctly warned the committee in charge

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[1] Compare with Kelley's remarks in 1872. See page 120.

of the measure against dropping the dollar, was, by misquotation from the *Congressional Record*, made to appear as being in this country while the measure was pending as the agent of a syndicate of foreign bondholders, and with a big corruption fund to secure the adoption of the gold standard. It is unnecessary to enter into the final elaborations of this fiction, made after Seyd's death, and of other fictions equally characteristic of the unfortunate career of the Silver Question in this country. The claims for the metal from a monetary standpoint deserved honest treatment, but they could have received no worse from its bitterest enemies than they suffered through the indiscretion of those who suddenly became its friends after the producers of the Pacific slope, who for years had declined to take their product to the mints and had been advocates of the gold standard, discovered that, at the time when it would be highly convenient and profitable to have it coined at the mints at the rate of $1.29 an ounce, it wasn't coined at all, except on government account, and after the congressional constituencies of nearly every state west of the Alleghanies began to demand what they called the traditional double standard of the American people. There is no mystery about the act of 1873 if its history is read aright and from the beginning. With the facts that have been given, further reasons for the remarkable change in the opinions of the legislators of that time may be left to the psychologists.

Returning now to the first days of the Forty-fourth Congress, it is observed that the discovery of the demonetization of silver was followed by a large crop of silver bills. In March, Senator Reagan, of Texas, brought in a measure to raise the legal-tender privilege of silver dollars to $50. In April, Senator Sherman reported it from the Finance Committee, amended so as to provide for coinage of silver dollars of 412.8 grains legal tender up to $20. This made the ratio exactly 16 to 1, instead of 15.98 to 1. Senator Bogy moved to strike out the amendment, and spoke for the unlimited legal tender and coinage of both metals at the old ratio. He was followed by Senator Jones, who meanwhile had been making an extensive study of the subject, and acquiring a knowledge of what had been going on for years in Europe. His speech was the real beginning of the silver discussion in Congress, and of that higher type which has since been exceedingly rare. It was he who first suggested in this country an international conference to secure a bimetallic agreement. But he evidently did not appreciate the situation in Europe, probably giving too much weight to the zealous bimetallists and too little to the real sentiments of the different governments. He said:

"It would be desirable for all nations to adopt permanently the same standard of value, and if the same were, as in my opinion it no doubt would be, the double standard, to adopt the same relation between the metals. To effect this object all that is necessary is an international-standard convention, which can be called by any one of the great powers, and should be called by the United States. Provision should be made that no other projects but the standard and ratio should be determined upon, and that the nations should vote according to population or wealth, or on a mixed basis consisting of both. For such an international-convention to be called by the United States there is imminent necessity. I regard this project as likely to lead to results of the highest importance. It may be the forerunner of that federation of the nations of which poets have dreamed and bards have sung."

Free-coinage amendments were offered in the House, and passed by a majority of two to one. In July, William D. Kelley, who had quickly become a free-silver man, introduced a bill for the unlimited coinage of the old standard dollar, and the restoration of its legal tender, and asked for its immediate passage under a suspension of the rules, but it failed to receive the two-thirds vote necessary, although it was 119 to 66. A few days later, Bland, of Missouri, made another effort with a similar bill, but it again failed, as did several other attempts. A bill was passed, however, depriving the trade dollar of its legal-tender quality, and authorizing the Secretary of the Treasury to coin silver change to exchange for legal-tender notes, which were to be reissued only in exchange for fractional paper currency, to be thereupon destroyed. As a result of the discussion and the failure to pass any measure for the free coinage of silver, a resolution was passed on the last day of the session providing for a commission, to consist of three senators to be appointed by the Senate, three members of the House to be appointed by the Speaker, and not exceeding three experts to be selected by and associated with them, whose duty it should be to inquire:

"(1) Into the change which has taken place in the relative value of gold and silver; the causes thereof, whether permanent or otherwise; the effects thereof upon trade, commerce, finance, and the productive interests of the country and upon the standard of value in this and foreign countries.

"(2) Into the policy of the restoration of the double standard in this country; and, if restored, what the legal relation between the two coins should be.

"(3) Into the policy of continuing legal-tender notes concurrently with the metallic standards, and the effect thereof upon the labor, industries, and wealth of the country; and

"(4) Into the best means for providing for facilitating the resumption of specie payments."

The further this event recedes into the past, and the less, therefore, we can appreciate the conditions then prevailing, the more unique will it appear as a feature of monetary history. Here was the legislature of a great nation, which, for various reasons, had had but little metallic currency for forty years, and which had been compelled to refuse specie payments for fifteen years, which from 1835 to 1873 had scarcely seen a standard silver dollar of its own mintage, and which, in the two years following the demonetization of silver by law in 1873, had coined more silver dollars than had been coined for eighty years before 1873, solemnly inquiring into the effects upon its trade, commerce, and productive interests of a change in the relative value of silver to gold, into the policy of restoring that which in practice had not existed for years, and at a time when all the other great nations of the earth were discarding it. England, with her gold standard, had in circulation, probably, ten times more silver than could be found in all the old stockings of the American people at that time, to say nothing of the enormous silver currency of her colonies. England had reason to be concerned over the change in the relative value of the two metals, and so had Germany, with over a hundred million dollars' worth of old thalers of full legal tender, and so had France, with the largest stock of legal-tender silver in the world, outside of India. But the United States had not even a circulation of fractional silver, and dared not put it out unless paper was surrendered for it. The first practical question in this country was resumption; so far as a change in the relative value of gold and silver bore on that subject, an inquiry was practical. The usefulness of the commission depended on the light it should furnish for the determination of the policy of the future, in anticipation of the resumption of specie payments, and not upon the trade and commerce of the past, under an irredeemable paper régime. Had not steps for resumption been already taken, and the future course definitely marked out, the work of the commission would have had simply theoretical value; but under the circumstances it proved of great practicability, and the report proved to be one of the most valuable compendiums of monetary facts that had been published up to that time.

The commission, as appointed, consisted of Senators Jones of Nevada, Bogy of Missouri, and Boutwell of Massachusetts, Congressmen Gibson of Louisiana, Willard of Michigan, and Bland of Missouri, and, for experts, William S. Groesbeck of Ohio, and Prof. Francis Bowen of Harvard University. It did its work thoroughly and collected vast stores of information from the best sources in this country and in Europe. Briefly stated, the conclusions of the majority, according to the report, which, it has been asserted, was written by Senator Jones, were that the production of silver relatively to gold had not been greater than formerly, that the fall in the price had not been caused by any large production, but mainly by concurrent demonetization of silver in Germany, the United States, and the Scandinavian states, the closure of the mints of Europe to its coinage, the temporary diminution of the Asiatic demand, the exaggeration of the actual and prospective yield in the Nevada silver mines, and a prevailing idea that the efforts of the holders of government securities would bring about its demonetization; that gold is more fitful in production than silver; that the average production of both is more steady than that of either one; that, to annihilate the money function of one must greatly increase the purchasing power of the other and greatly reduce prices; that silver to the amount of three billion dollars in coin, the accumulation of fifty centuries, was so worked into the web and woof of the world's commerce that it could not be discarded without entailing the most serious consequences, social, industrial, political, and commercial; that the evil was enormously aggravated by the selection of gold as the metal to be retained, and silver as the metal to be rejected; that the exchanges of the world and especially of this country were continually and largely increasing, while the supplies of both the precious metals taken together, if not diminishing, were at least stationary, and the supply of gold taken by itself was falling off; and that to submit the vast and increasing exchanges of this country and of the world to be measured by a metal never to be depended upon in its supply, and then actually diminishing, would make crisis chronic and business paralysis perpetual. The majority also recommended the restoration of the double standard, and the unrestricted coinage of both metals, as not simply the best, but the essential means for the resumption of specie payments. In its opinion, moreover, the remonetization of silver in this country would have a powerful influence in preventing, and probably would prevent, the demonetization of silver in France and other European countries, and, even without change in legislation abroad, would draw to this country silver from other countries, while cheap, in exchange for exports, so that this country would have the benefit in the rise in value which, it was believed, would take place when the temporary causes of its depression had passed. The facts that Germany and the Scandinavian states had adopted the gold standard, and that some other European nations might possibly adopt it, instead of being reasons for perseverance in the attempt to establish it in the United States, were precisely the facts, the majority held, which made such an attempt entirely impracticable and ruinous, for the attainment of such a standard became difficult precisely in proportion to the number and importance of the countries engaged in striving for it; and in precisely the same proportion would the ruinous effects of striving after it be aggravated. "To propose," said this majority, "to this country a contest for the gold standard with the European nations is to propose to it a disastrous race, in reducing the price of commodities and of labor, in aggravating the burdens of debt, and in the diminution and concentration of wealth in which all the contestants would suffer immeasurably and the victors even more than the vanquished." Such were the conclusions of Senators Jones and Bogy and of Congressmen Willard and Bland, and of Groesbeck, the expert. Senator Boutwell made a minority report against the remonetization of silver except upon a previously agreed basis, adopted in conjunction with European nations, and he considered it expedient to extend an invitation to the commercial nations of the world to join in a convention for the purpose of considering the wisdom of providing by treaties concurrent legislation for the use of both silver and gold upon a fixed relative valuation. He maintained the uselessness of inquiring into the causes of the variations of the two metals when, so long as gold was generally accepted as the standard of value even in countries where silver was endowed with the legal-tender quality, the relation which other articles, including silver, bear to gold was one of fact, and all theories regarding values must conform to it; that human experience had shown that no country had been able to maintain two standards of value in actual use at the same time; that if the United States remonetized silver without regard to the policy of other countries, the discarded silver of those countries would flow to this country, and it would steadily decrease in value; that it would not be useful in the redemption of our paper currency, as it would not answer for the purpose of liquidating foreign balances; that the adoption of silver as a standard would be followed by a loss in the depreciation of the public credit far greater than any gain to the government by the payment of the interest and principal of the public debt in a coin less valuable than gold; that, however, it would be wise if the nations could agree to the use of both gold and silver as a standard, as the annual product of the two metals combined appeared to be more uniform than the annual product of either, justifying the conclusion that together they would furnish a more unvarying basis for business than either one, render the transaction of business more safe, diminish the danger of revulsions and the suspension of specie payments; but that the remonetization of the white metal by the United States alone would be followed by such a depreciation in its value as to furnish a reason against the adoption of the plan by the rest of the world.

Prof. Bowen, the other expert, also wrote a lengthy dissenting report, which was concurred in by Congressman Gibson. Very briefly stated, his conclusions were:

1. The great changes that have taken place during the last year in the relative value of the two precious metals are attributable almost entirely to fluctuations in the market price of silver.

2. These fluctuations prove that silver has become entirely unfit for use as a standard of value.

3. The so-called double standard is an illusion and an impossibility.

4. The proper place for silver in a monetary system is that of a

subsidiary or token currency which is considerably overvalued by law and made legal tender only within certain limits.

From this point of view and for the purpose of facilitating the resumption of specie payments, and also of promoting the internationality of gold coinage, Prof. Bowen advocated the following legislative measures:

"The coinage of dollars, each containing 345.6 grains of pure silver, to be legal tender for any sum not exceeding $20, and to be issued only in exchange for paper currency below the denomination of five dollars, the one-dollar and two-dollar notes so received to be immediately cancelled and destroyed. These silver dollars, however, should be receivable to any amount in payment of any dues to the government, except for duties on imports.

"Gold should, in future, be coined only at the rate of 22.6 grains of pure gold to the dollar, so that the half-eagle or five-dollar piece may be almost the exact equivalent of one pound sterling, but with the provision that all debts and contracts expressly made payable in gold, and outstanding on the date of such an enactment, should be paid and discharged only by dollars each containing 23.2 grains of pure gold, or by their equivalent.

"Out of the paper currency received by the government in the collection of its internal revenue, a sum not exceeding three millions of dollars each month should not be reissued, but cancelled and destroyed, any deficit thereby created in the Treasury being supplied by the sale of any of the bonds already authorized by law."

In a supplementary note to the report, Senators Jones and Bogy and Congressman Willard strongly urged that when silver was remonetized in the United States it should be at the ratio of 15.50 to 1, and, to accomplish this, that the weight of the silver dollar be reduced to 399.9 grains. In his testimony before the commission, Cernuschi, the French bimetallist, had declared that it would be better for the United States not to remonetize silver at all than at the old ratio of 16 to 1, and these three commissioners in their report said that a legislative remonetization of silver at the ratio of 15.50 to 1 would accomplish without delay all the objects of the proposition for an international conference, for, if such a conference resulted in anything, it would be in the agreement of the United States to adopt the European ratio, as it was not expected that Europe could be persuaded by any conference to give up that ratio and adopt the old American one. But Groesbeck and

Bland could not agree with their associates in this view. The former took the ground that, if it did result in the exportation of silver, it would bring back gold or merchandise, and, in view of the fall of silver, he felt sure that, if the United States and the leading nations of Europe, including the Latin Union, were then assembled in a conference to consider the subject, they would, in view of the prevailing market value of the two metals, prefer 16 to 1 as being more accurate and just. Bland adhered to the old dollar in a note containing this remarkable observation: "I fear we should endanger the success of the movement to remonetize silver in this country should we now attempt to change the relation existing when so many of our debts, public and private, were contracted; for whatever silver dollar we authorize should in all respects in law be equal to the gold dollar in the discharge of all debts, public and private, past and future."

As most of the existing debts had been contracted when the United States had neither silver nor gold, it made little difference whether the ratio was slightly changed or not. Mr. Bland was evidently laboring under the delusion, which afterwards became so widespread, that we had had a perfect and unvariable double standard up to 1873, whereas there had been very few days in the entire history of the government when gold and silver dollars were of equal value at prevailing ratios, and it is doubtful if there ever was a time when values were actually measured in terms of silver and gold together. It will be observed from this analysis of the reports that four of the commission were in favor of the remonetization of silver, and three were opposed, while only two favored the restoration of the old dollar.

The Forty-fourth Congress met for its closing session December 4, 1876, and although the commission was unready to report, Bland at once reported from the Committee on Mines and Mining a substitute for his original bill (which had provided for the unlimited issue of coin notes based on gold and silver bullion brought to the mints), providing for the unrestricted coinage of silver dollars of the old weight, and for their full legal tender. The following day, the 13th, the previous question was ordered on the substitute, all amendments were prevented, and after a debate limited to two hours it was passed by a vote of 167 to 53. The Senate referred it to the Finance Committee, and soon afterward, the Silver Commission asked for an extension of time for making its report, which was granted. The Finance Committee at once directed its chairman to report the Bland Bill back without recommendation, to be placed on the calendar, awaiting the report of the commission before taking the measure up for action. The main part of the commission's report was submitted on March 2, and two days later that Congress adjourned, Mr. Hayes becoming President.

The silver question was fairly launched, and made its appearance in the political conventions of that year for the first time. The Democrats quite generally adopted the issue, and, conscious of the apparent strength of the Greenback Party, thought to embrace that element by declaring for the unlimited issue of notes also. One would think from reading some of the Democratic platforms of 1877 that a large portion of the people were convinced that their happiness depended upon the government working its mints and printing-presses day and night. The Republicans in many sections earnestly adopted the free-silver issue. They were more or less tainted with inflation in the West, and the leaders felt compelled to do something. Indeed, the arguments of the Silver Commission appealed to many thoughtful persons, to whom, undoubtedly, the restoration of the double standard by the United States alone seemed a wise economic step. The perceptions of the people had been blunted by the use of a paper currency, and, while desiring the resumption of specie payments, they could not fail to regard silver coin, which had intrinsic value, as better than depreciated paper. Silver had not yet fallen irredeemably, and in that year was showing an upward tendency owing to the famine in India. Hence, in 1877, we find the Republicans of Iowa making such platform declarations at this:

"The silver dollar having been the legal unit since the foundation of the federal government until 1873, the law under which its coinage was suspended should be repealed at the earliest possible day, and silver made with gold a legal tender for the payment of all debts, both public and private."

The Ohio Republicans declared:

"We are in favor of both silver and gold as money; that both shall be legal tender for the payment of all debts, except those specifically provided for by law, with coinage and valuations so regulated that our people shall not be placed at a disadvantage in our trade with foreign nations, and that both metals shall be kept in circulation as the money of the nation, as contemplated by the Constitution; and we therefore demand the remonetization of silver."[1]

The Pennsylvania Republicans expressed their position in this language:

"The long and successful existence, under the laws of Congress, of the double coin standard warrants us in demanding an early repeal of the legislation which demonetized silver and established an almost exclusive gold standard, and we therefore favor a return to the free use and unrestricted coinage of the dollar of 1798, and its restoration to the position it held as a legal tender during the eighty years of our national existence, thus preserving the equality of the commercial value of the silver dollar with the gold dollar, keeping both in circulation."

After such a statement as this we need not be surprised at the narrow limits of the popular understanding of the monetary experience of the nation prevailing in that period of depreciated paper. The common thing in the Democratic platforms of that year was the denunciation of the demonetization of silver as a "Republican outrage," and a demand for the retention of the greenbacks.

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[1] In the recent campaign (1896) for the nomination of a Republican candidate for the Presidency, bitter criticisms were made of Major McKinley by some Democratic papers (afterwards compelled to support him) because he voted in 1877 for a free-silver coinage bill in the House. He was first elected to Congress in the campaign for which this platform was made.

With the responsibility for the resumption of specie payments within a specified time resting on the shoulders of the executive department of the government, it naturally regarded with much concern the growing movement for the restoration of silver while European nations were discarding it. In his last message to the Forty-fourth Congress, Lot M. Morrill, Secretary of the Treasury, had argued skilfully that the coin payment to which the faith of the nation was pledged in 1869 was gold, and not silver, and that any other view of it, whatever technical construction the language of that act might be susceptible of, would be regarded as of doubtful good faith and its probable effect prejudicial to the public credit. He estimated that the belief that the public obligations were to be paid in gold coin had a practicable value in the probable reduction of the debt equal to one-fourth of the amount of the annual interest thereon.

In assuming his duties as Secretary of the Treasury in March, 1877, and thus entering upon the critical period preparatory to resumption, John Sherman found a contract made by his predecessor, Mr. Morrill, with August Belmont & Co., representing N. M. Rothschild & Sons and associates in London, J. & W. Seligman & Co., in behalf of themselves and associates in New York, Drexel, Morgan & Co., representing J. S. Morgan & Co., of London, and Morton, Bliss & Co., representing a New York syndicate, for purchasing bonds for the refunding of the outstanding 6-per-cent. five-twenties, the Treasury Department making regular calls for them for redemption. These houses had agreed to take—and had taken—to the extent of $40,000,000, the 4½-per-cents. authorized by the acts of 1870 and 1871, while holding the exclusive right to subscribe for all or any portion of the remaining $260,000,000. The act also enabled the Secretary of the Treasury to withdraw the 4½-per-cents. from the market, and substitute thirty-year 4-per-cents. In April, Secretary Sherman wrote to the contractors that he desired to do this when $200,000,000 of the 4½-per-cents. had been sold. By the words of the act all such bonds were "redeemable in coin of the present standard value;" and, as the act was passed in 1870, or before silver was demonetized by law, the silver men held that all bonds could be paid in either gold or silver. The contractors for the purchase of the new securities were not slow in asking Secretary Sherman what, in his opinion, the terms of the act meant, and if it would not be better to avoid any misunderstanding by making the bonds payable in gold. The Secretary at once replied that the new bonds would have to conform to the terms of the law, "payable in coin; but," he added, "they will be of the present date, when only one kind of coin is a legal tender for all debts." This meant, of course, that bonds were payable in the standard coin at the time of their issue, and not at the time of the passage of the act. But upon a closer examination of the act it was found that it also specifically said "in coin of the standard value of the United States on said July 14, 1870." Other expressions in the act, could, however, be construed differently. Whatever the fact was in law, in practice it was that at the time of the enactment it was next to impossible to find an American silver dollar, and the Director of the Mint estimated that not one hundred of them were in existence even in 1876. There is no doubt whatever that the words "standard value" used in the act were understood at that time to mean nothing else than the amount of pure gold found in coin as fixed in 1837. Secretary Sherman applied to the Attorney-General for a ruling, and the latter replied that the meaning obviously was "coin of the standard value at the date of the passage of the act." The inference, therefore, was that the bonds could be redeemed in silver, but he also said that the provision was intended to guard the holder against any depreciation that might take place in the coin while the government would not be compelled to pay the additional value should the coinage be appreciated. This might be made to mean that the bonds could not be redeemed in silver coin depreciated far below the value it had at the date of the act, or it might mean in silver coined at a ratio to gold unlike that prevailing by law in 1870. The uncertainty, therefore, was hardly removed and the character of the redemption was really left dependent on the good faith of the government. The hesitancy of the investors was not removed. In June, Assistant Secretary French, of the Treasury Department, submitted to the Secretary an opinion that, if the coinage laws had remained unchanged, bonds could have been redeemed in either gold or silver, but the act of 1873 had practically declared that silver should not be a tender for such bonds. All bonds sold after 1873, he said, carried with them the promise to pay in legal coin — that is, gold coin — and an act then to make them payable in silver also would insert an element not in the contract. He maintained, therefore, that all bonds sold by contract to the syndicate must be paid in gold.

At this time some leading Republican newspapers were claiming or representing that the President and Secretary Sherman were favorable to silver legislation, a circumstance about which the Secretary complained privately to J. & W. Seligman & Co., who had called his attention to an editorial in the New York *Times*, regarding the effect of the silver movement on the sale of the bonds, and suggested that while intelligent men knew that the Secretary and the President were "sound on the silver question," it would be, they thought, "highly advantageous to the marketing of the 4-per-cent. bonds to disabuse those who had been led to believe that the President and Secretary favored remonetizing silver with a view of paying the national debt in a metal so fluctuating as silver had become since the principal nations of Europe had demonetized." [1] About the same time August Belmont wrote

[1] Seligman & Co. to Mr. Sherman, June 12, 1877.

to the Secretary a long letter earnestly urging him to make an official expression over his own signature. "You are placed at this moment," he wrote, "by a large portion of your political friends, in a somewhat similar position as the late Mr. Chase was by the attempt of Thaddeus Stevens to have Congress pass a law to declare the principal of the five-twenty bonds payable in currency. Mr. Chase took the bull by the horns by declaring over his own signature that the principal, as well as interest, of the five-twenty bonds were payable in gold." Belmont called the "silver heresy worse than the inflation heresy." "The latter," he said, "only proposes to put off the day of payment, while the first actually proposes to pay at a discount of 14 *per cent.* what the government is now borrowing (at 4 per cent.) *at par.*" [1]

Secretary Sherman was unquestionably in a difficult position. The resumption of specie payments, the burden of which rested upon the administration, and largely upon his shoulders, was not to be easily accomplished, even under favorable conditions. It depended upon the assured credit of the government, and those to whom he looked for the marketing of the bonds doubted that credit unless redemption in gold was stipulated over his signature, while Congress, including, apparently, a majority of the members of his own party, was preparing to remonetize silver. Moreover, the Secretary was an executive officer, appointed to carry out the acts of Congress, and he hesitated to give occasion for any resentment of a body jealous of its prerogatives, or to give possible material to the silver advocates for argument or play upon popular passions. Yet the bonds must be sold. The people who could buy them asked to be assured of their payment in gold, and the people who couldn't buy them demanded that the government pay its obligations in silver, if it wished to. To com-

[1] Belmont to Sherman, June 14, 1877.

plicate matters, at just this time the foreign market was disturbed by the Russo-Turkish war and the threatened revival of the Eastern Question, and at home a strike on the Baltimore & Ohio Railway system was resulting in violence and destruction.

Two days after the receipt of Belmont's letter the Secretary replied that he had given the suggestion careful consideration, and had come to the firm conclusion that it would be inexpedient on his part to make any public statement, which would be calculated to defeat the very object Belmont had in view. "As a purely executive officer," he wrote, "I have no power to pass upon the question mooted. My attempt to do so would at once unite all those who are seized with this mania and those who oppose executive encroachment upon legislative power. It would create excitement, personal and political animosities would mingle with it, and it would tend more than anything else to defeat the success of the loan. I am quite sure this would be the result. As to whether Congress or the people would ever undertake to pay either principal or interest of the bonded debt, and especially the bonds sold since 1873, in silver, I have a firm conviction that the question will never seriously be raised. These bonds will be paid, principal and interest, in gold coin. The people of the United States have always been extremely sensitive as to the public credit. They never have for the sake of an apparent profit yielded any question involving the public honor. . . . Parties or factions may for a time raise and contest questions, but they are but bubbles, and will pass away, and, like all questions involving public credit, will be rightfully settled in due time by Congress and the people. Nothing would so tend to disturb this result as unauthorized 'theses' or dogmas by an executive officer upon a question purely legislative or judicial. Indeed, it may be that too much has already been said about this matter by both the President and myself, and I assure you that you will have no occasion to be disturbed by anything truthfully reported by either of us hereafter. The better way is to move right along, making your own statements, and, if at any time I see a proper occasion for a strong expression of my opinion, I will give it."

The same day that the Secretary penned this the London agent of the Treasury Department wrote to him that English investors were hesitating about taking the bonds because of the rumors that the President and Secretary of State (Mr. Evarts) were both in favor of the restoration and unlimited coinage of silver. "Our credit," he said, "would be absolutely ruined here if silver were to be made a legal tender in any large amount." This letter did not reach the Secretary, of course, for several days, but he apparently had intimations of the feeling in the London market, for two days later, the 18th, he wrote to Belmont that upon mature reflection he did not feel sure that he had been entirely right in the first part of his previous letter, which was based, not upon his conviction as to the question, but upon the probable effect of a public declaration. He did not believe that Congress would ever seriously entertain such a proposition as the payment in silver coin of bonds offered at par in gold. As to himself, it was a proposition so obnoxious that he repelled it almost as an insult. "If," he concluded, "those engaged in the sale of these bonds should, upon full reflection, think that I ought to give the weight of my official influence in clearing away an honest doubt, I will do it, but would prefer not to seem by a formal declaration to suggest a belief that I think Congress or the American people would ever resort to such an expedient to make easier the payment of their debts." After a few hours' further reflection the Secretary determined to partially yield to Belmont's request, and a letter received on the 19th from Francis O. French, of New York, furnished the opportunity. The Secretary's reply was as follows:

"TREASURY DEPARTMENT.
Washington, D. C., June 19, 1877.

"*Sir*, — Your letter of the 18th instant, in which you inquire whether the 4-per-cent. bonds now being sold by the government are payable, principal and interest, in gold coin, is received. The subject, from its great importance, has demanded and received careful consideration.

"Under laws now in force there is no coin issued or issuable in which the principal of the 4-per-cent. bonds is redeemable, or the interest payable, except the gold coins of the United States, of the standard value fixed by laws in force on the 14th of July, 1870, when the bonds were authorized.

"The government exacts in exchange for these bonds payment at their face in such gold coin, and it is not to be anticipated that any future legislation of Congress or any action of any department of the government would sanction or tolerate the redemption of the principal of these bonds or the payment of the interest thereon in coin of less value than the coin authorized by law at the time of the issue of the bonds, being the coin exacted by the government in exchange for the same.

"The essential element of *good faith* in preserving the equality in value between the coinage in which the government receives and that in which it pays these bonds will be sacredly observed by the government and the people of the United States, whatever may be the system of coinage which the general policy of the nation may at any time adopt.

"This principle is impressed upon the text of the law of July 14, 1870, under which the 4-per-cent. bonds are issued, and requires, in the opinion of the executive department of the government, the redemption of these bonds and the payment of their interest in coin of equal value with that which the government receives from its issue.

"Very respectfully.
"JOHN SHERMAN, Secretary.

"Francis O. French, Esq.,
94 Broadway, New York."

Copies of this letter were sent to members of the bond syndicate with a personal note from the Secretary to the effect that the views therein expressed were concurred in by the President and all his cabinet. It had an immediate effect on the market. The 4½ bonds advanced ⅜ in gold the next day. There were numerous expressions of approval of the position of the administration, and, whatever its effect upon the silver advocates, it seems probable that it strengthened the natural conservatism of the senators who were watching affairs from their respective homes. For a time after this the refunding operations progressed smoothly and successfully, the Secretary being able to dispose of a large quantity of 4-per-cents. by subscription both here and abroad. English investors bought the securities freely, none other having any better standing in the markets of Europe. Their sale was hindered only by the final preparations of France to resume specie payments, while Germany was accumulating all the gold it could in exchange for silver. Meanwhile silver campaigns were being carried on in the Western States, on platforms from which quotations have been made. Writing to the London agent, September 22, Secretary Sherman said that the silver question was disturbing the market somewhat, and might, if unwisely decided, suspend further sales. "But," he added, "if, as I hope, silver coin will only be authorized in exchange for United States notes, it will help us and not hinder us." The Secretary, as well as other shrewd observers, saw that the sentiment had developed great strength and would surely make itself felt in the coming Congress.

In October the results of the silver campaigns were revealed. The people had contracted the mania. President Hayes had carried Ohio in 1876 by 7500 plurality; in 1877 the Democratic candidate for governor was elected by a plurality of 22,520 over the Republican candidate. Though the Republicans had declared for free silver coinage, the people went over to the Democrats, who declared the Republicans responsible for the demonetization of the metal, and who, besides, demanded the immediate repeal of the Resumption Act and the retention of the greenback currency "as the best paper money we ever had." Coming from their own state, this verdict could not have been very encouraging to the President and the Secretary of the Treasury, whose duty it was under the law to secure gold enough to resume specie payments in fifteen months. In Pennsylvania a treasurer was elected, the Democratic candidate winning by 9900 plurality, although a year before the Republican plurality had been 17,960. The greenbackers ran a separate ticket, which received 52,850 votes, or nearly 10 per cent. of the whole. In this state also, while the Republicans demanded the repeal of the act demonetizing silver, the Democratic campaign was conducted on more radical principles. The Republicans held Iowa by a reduced plurality, the greenback ticket receiving 34,220 votes, or about 14 per cent. of the whole number cast.

The foreign market was much disturbed over the news. The London *Times* treated the results as a triumph of inflationists and silver advocates. England was not disposed to treat our securities very kindly at that time, because, the crops being short in Europe, the indications were that our exports of cereals would cause an extensive balance in our favor and lead to a drain of gold from the Bank of England, which had already suffered in spite of a high discount rate.

The Forty-fifth Congress, which assembled in special session October 15, with such expressions of the popular will fresh in mind, consisted, in the Senate, of 39 Republicans, 36 Democrats, and David Davis, independent; in the House, of 153 Democrats and 140 Republicans. Bland, of Missouri, assumed the leadership of the silverites in the House, and, without waiting for the regular session to open, introduced a new bill "to authorize the coinage of the standard silver dollar and restore its legal-tender character." The rules were at once suspended, and the bill passed without debate, by a vote of 164 to 34, the negative votes being almost entirely from New York and New England.

This vote took the financial world by surprise, as it was manifest that the House at least would pass a free-silver bill over a veto, even if that obstacle should be interposed. As soon as the news reached New York, Belmont telegraphed to Sherman that the passage of the bill by the Senate would destroy all chances of refunding and resumption; then he sat down and wrote a long letter to the Secretary, treating the action of the

House, in the most vigorous language, as an effort to violate the nation's faith and honor.[1] While he was writing this Sherman was writing a reply to the telegram. He said:

"The passage of the silver bill in its present form would, as you say, stop funding and resumption, but I have no expectation that it will pass, except a provision for issuing the silver dollar on government account in exchange for United States notes. In case it passes and you shall have assented to make the call I ask for, I will promptly assume the payment of the bonds called, for the passage of such a bill might fairly be regarded as a suspension of your contract and a practical repeal of the refunding act. We must act upon the laws as they are, and I have a confident hope that they will not be materially changed."

The same day the president of the First National Bank of New York and a member of the bond syndicate wrote to Sherman that "two gentlemen of prominence and undoubted character," who were not in sympathy with the silver movement, had conversed with the President upon the subject within a week, and had left him with the belief that he would sign the Bland measure. There was little hope of its defeat. It was telegraphed to London that it would surely pass, whereupon the Rothschilds requested the Treasury agent there to

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1 The following extracts from Mr. Belmont's letter show the feeling produced in financial circles by the event:

"To do such a thing now as is contemplated by the Bland Silver Bill, when the federal finances are in a flourishing condition, when the premium on gold has been reduced 2½ and 3 per cent., and when our funded debt sells equal to that of any other public security in the world, is actually as if a man of wealth and position, who had, by a lifelong course of strict honesty, acquired the well-earned confidence and respect of his fellow-citizens and of the outer world, should, in the midst of his affluence and without any palliating excuse of any temptation of want or necessity, commit open theft.

"When you look back and find in the archives of your department the proud records of a nation's faith, kept inviolate with a most punctilious and chivalrous spirit during a century, amidst all the trials of foreign and civil war, which strained the resources of our country to the very verge of ruin, the task before you is certainly a difficult and harassing one; but while the path of duty is often narrow and difficult, it is always straight and so well defined that it can never be mistaken. Sound financial policy and love of our country's fair name alike demand from those to whom the administration of its affairs have been intrusted the most uncompromising hostility to the blind and dishonest frenzy which has taken hold of Congress."

inform his government that it was highly important to the credit of the United States that a statement be made of assurance of a veto of any bill which did not exempt the principal and interest of the public debt from its operations. The price of the bonds dropped, sales completely stopped, and the gold premium advanced, while the financial world brought its arguments to bear on the Finance Committee of the Senate, of which Morrill of Vermont had become chairman. It soon transpired that a majority of that committee could not be secured for the recommendation of an absolutely free-silver-coinage measure like the Bland Bill, but that a majority would favor doing something for the metal. Morrill of Vermont and Dawes of Massachusetts, Republicans, and Bayard of Delaware and Kernan of New York, Democrats, were absolutely opposed to any measure for the issue of silver except in exchange for government notes and of limited legal tender. In this situation Allison, of Iowa, proposed a compromise amendment, changing the bill from a free-coinage measure to one for the purchase of silver bullion at the market price, and the coining therefrom of standard legal-tender dollars, the minimum purchase being $2,000,000 worth a month and the maximum, $4,000,000.

Such was the situation when the regular session of Congress began. The President, in his message, approached the subject with some honeyed words for the silver advocates, but in the end asked that in any legislation providing for a silver coinage of legal-tender quality there might be a firm provision exempting the public debt already issued and outstanding from payment in any coinage of less commercial value than the existing gold coinage. While he held that neither the interests of the government nor of the people would be promoted by disparaging silver, and that legislation looking to the maintenance of the volume of intrinsic money to as full a measure of both metals as their relative commercial values would permit would be neither unjust nor inexpedient, he also held that it would be far better to pay the public debt in gold than to seem to take advantage of the unforeseen fall in silver bullion to pay in a new issue of silver coin, thus made so much less valuable. The President's words were such as to leave the always sensitive financial world in doubt as to what course he would pursue in any given contingency.

Secretary Sherman was much more positive in his report. He recommended any legislation that would maintain the current value of silver coins at par with gold, the gold dollar being inconveniently small for the multitude of daily transactions, and silver coins could, to a certain extent, pass readily among all classes and be of great convenience. But he added: "This coin should be subject to the same rule as to issue and convertibility as other forms of money. If the market value of silver in it were less than that of gold coin of the same denomination, and were issued in unlimited quantities and made a legal tender for all debts, it would demonetize gold and depreciate our paper currency."

Reviewing the history of the coinage acts of the government, and holding that the importance of the gold standard was everywhere conceded, he expressed the belief that all the beneficial results hoped for from a liberal issue of silver coin could be secured by issuing it in pursuance of the general policy of the act of 1853, in exchange for United States notes, coined from bullion purchased in the open market, and maintaining it by redemption or otherwise at par with gold coin, making it a legal tender for such sums and on such contracts as would secure its most general circulation. In conclusion he said:

"To still further secure a fixed relative value of silver and gold, the United States might invite an international convention of commercial nations. Even such a convention, while it might check the fall of silver, could not prevent the operation of that higher law which places the market value of silver above human control. Issued upon the conditions here stated, the Secretary is of opinion that the silver dollar will be a great public advantage, but that if issued without limit upon the demand of the owners of silver bullion it will be a great public injury."

At the same time Chairman Morrill saw in the suggestion of an international conference the possibility of delaying action on a measure which appeared to him to invite financial disaster, and he wrote to the Secretary, suggesting that the President promptly initiate some inquiry or negotiation with foreign governments, to see if we might not be able to treat with them so far as to indicate an agreement upon a proper ratio for the coinage of both gold and silver. The refusal of his committee to exempt in the bill those bonds negotiated at a low rate of interest since 1873 he declared to be a direct and palpable violation of the statutes, and he considered that the adoption of free silver coinage by the United States, independently, would encourage European nations to adhere to the gold standard, and that American securities would be sent home for the most they would fetch.

Notwithstanding the serious condition of affairs, Sherman resolutely continued his refunding efforts, urging the syndicate to endeavor to place the 4-per-cents. and expressing the belief that no unfavorable laws would be enacted. Belmont and his associates replied that it was useless to try to sell the bonds at par, or even at the sacrifice of the syndicate's commission, when they were being offered in the open market at 99. The bill was sure to pass the Senate, he thought, the Allison amendment really being "immaterial," for the limitation of the amount to be coined seemed to the syndicate of minor importance and insufficient to allay the apprehensions of investors.

By the time the Senate had reached a consideration of the bill, about $14,000,000 in bonds had been sent back from Europe for sale, and every steamer was bringing a fresh supply, so that, although the natural balance of trade was in our favor, no gold was imported. Thus England paid for our cereals with our own bonds. In time the syndicate, as well as Morrill and others, began to consider an international conference, or a conference, at least, with the Latin Union, as offering the only reasonable grounds for hope from escape from the silver sentiment in Congress. Writing to Sherman, November 29, Belmont said:

"I wish the intelligent and well-meaning portion of the silver advocates in Congress (those who intend a bimetallic circulation on sound and honest principles) could be induced to a calmer consideration of the whole subject, and would not allow themselves to be dragged in the wake of ignorant demagogues who bellow out their insane cry against the bondholder, profess to be the poor man's friend(?), and are *his worst enemies*. We might then, in all probability, arrive at the passage of a bill for the appointment of half a dozen, or a dozen, scientific and practical men to meet an equal number of experts on the part of the Latin Union in conference. Such a congress can certainly deal better with this important question than can be done by hasty and prejudiced legislation, in which but too often the public good is sacrificed to sectional and party feeling. The position and interests of France, the leading power in the Latin Union, are almost identical with ours in regard to this question, and I have reason to know that some of her wisest and most influential financiers are in favor of a bimetallic circulation. Why not try to go hand in hand with a government which has so admirably managed its finances during the last six years that, notwithstanding war, defeat, and spoliation, and in the face of the most threatening political situation, her financial and commercial condition is at this moment sounder than that of her conqueror, and, perhaps, better even than that of England?

"I am not at all a blind and stubborn opponent of silver. On the contrary, I should be sorry to see hasty legislation excluding it altogether, but *national faith and honor* must not be jeopardized. That once secured and put on its former sound basis, I will go as far as anybody towards protecting our large silver productions and trying to secure a sounder medium of circulation of sufficient volume to restore prosperity and activity of industry and commerce, by which debtor and creditor may both be benefited alike and become better friends, so as to understand that their interests are identical, and that only by laws of equal justice to West and East, North and South, can we hope to resume again our position in the front rank of the great commercial and agricultural nations of the world."

But the silver men, now fully aroused all over the country, said that all warnings were dictated by selfishness. They claimed that the bankers and bondholders were desperately interested in the gold standard because it gave them control of the markets and increased their income through the appreciation of gold, that coined silver was as much "specie" as coined gold, and that the coinage of the former would, instead of hindering resumption, aid it by providing the treasury with more specie and enabling the people to buy the new bonds with silver. Offers of this kind came to the Secretary, and not entirely from the West. Colgate & Co., of New York, offered to buy at par \$150,000 of 4-per-cents., principal and interest payable in silver dollars, paying for them an amount of silver necessary to produce the sum required for the payment in silver dollars at par. The offer at once got into public print, although both the Secretary and Colgate & Co. denied giving it out. Sherman replied courteously that, as gold coin was the only coin yet authorized by law, he could only receive gold coins for bonds. He gave them to understand that he was not ignorant of the fact that with \$137,337 of gold coin they could buy enough silver dollars to pay for \$150,000 worth of bonds, netting them the handsome profit of \$12,663. But how about the government? Colgate & Co. made a rather discourteous reply, and the matter ended, though it was used as an argument for paying outstanding bonds in silver.

In pursuance of this argument Stanley Matthews, who had been chosen to succeed John Sherman in the Senate, introduced a resolution early in January, 1878, boldly declaring that the principal of and the interest on the public debt, issued or authorized, prior to the demonetization of silver, by the acts of 1869 and 1870, were payable at the option of the government in silver dollars without violation of public faith or in derogation of the rights of the public creditor. The majority of the Senate refused to refer it to a committee or to make it a joint resolution, which would have required the signature of the President, or to accept any amendment whatever, and it passed at once by a vote of 43 to 22. The House passed it on January 29 by a vote of 189 to 79.

The market for United States bonds was upset completely. Our securities dropped $1\frac{3}{4}$ per cent. in London, and were offered in large quantities. It began to be realized that the silver bill might pass over a veto. The London agent in the refunding operations wrote to Sherman that the argument being used in Congress that the silver dollar, if remonetized, would advance to par with gold was a grievous mistake. "The great nations of the earth," he said, "will never again recognize silver as a standard. Further demonetization is far more likely to occur than any remonetization." This was not encouraging to those who were hoping for saving results from an international conference.

Sherman threw all the optimism he could into the situation. He still hoped that the Bland-Allison Bill would be amended so as to except the public debt, but he was extremely embarrassed, and said he might have to protect the call already made with gold on hand, thus depleting his reserve for resumption. "I cannot hope to succeed," he said, "if the result of the pending legislation disables me from selling 4-per-cent. bonds. This is a rather discouraging prospect for the future, but I feel that I have done my utmost to carry out the law and will still continue all proper effort in the hope that something will turn up that will enable me to succeed."

As the syndicate could do nothing, or, at least, was doing nothing, to dispose of 4-per-cents. under the arrangements made with the Secretary, and as he was convinced that his success depended upon their sale, he gave notice to the syndicate January 14 of the termination of the contract, and of his decision to open subscriptions in the United States on a different plan, payments to be made in coin, called bonds of the United States, or gold certificates. He threw himself wholly on the mercy of a patriotic people, knowing that if they subscribed at all they must pay in gold coin or certificates or called bonds, for there was no silver coin in circulation to speak of. He was disposed to discontinue all London operations, and so informed the agent there on the 28th, adding, "We may as well admit that the prospect is that the Bland Bill, or some other bill very nearly as bad, will pass both Houses by a two-thirds vote, and, although there may be some delay, it is likely that silver will be remonetized in this country upon the substantial basis of the old law."

During the debate in the Senate various amendments were offered from both sides. One, requiring $100,000,000 in silver dollars to be coined within three years, was lost by a vote of 26 to 41. No amendments for a different ratio could secure a majority. The Allison compromise was accepted as the most practical solution by the silver men so long as free coinage could not be secured; and while the more radical silver men considered an international conference as unnecessary, or as dangerous, the amendment, which was made the second section of the bill, providing that immediately after the passage of the act the President should invite the governments of the countries composing the Latin Union, and of such other European nations as he might deem advisable, to join the United States in a conference "to adopt a common ratio between silver and gold for the purpose of establishing, internationally, the use of bimetallic money, and securing fixity of relative value between those metals," easily passed. The conference was to be held within six months of the passage of the act at some place to be agreed upon, by the executives of the governments, whenever any three of them had signified their willingness to unite. In this shape the bill passed the Senate February 15, by a vote of 48 to 21; six days later, it came up in the House on a motion to concur in the Senate amendments, and it passed by more than a two-thirds vote and after a debate limited to one hour. The amendments affixed to the measure were anything but satisfactory to the friends of silver. They believed the people of the United States demanded the complete restoration of the coinage regulations existing previous to 1873, no matter what other nations did, and, if they had considered it safe to have made a longer fight, they would have insisted upon free coinage. The opinion of most of them was fairly stated by Bland when, referring to the mutilation of his bill, he said: "It is now a question at this late day of the session whether we are to take this bill, or whether a determination to disagree with the Senate shall defeat the legislation upon this subject. I do not like this bill. It is not what the country expects. But I am in favor of taking this now, as making one step in the right direction." The average Congressman considered the feelings of the voters such that his "political scalp," depended on his earnestness for free coinage by the United States at once.

No attention whatever was given to the provision regarding an international conference in the House. It was regarded there simply as an effort to avoid free coinage, and, as has been said, the radical silver men in the Senate regarded it with disapprobation or suspicion. They were aware that the suggestion of a conference had come from those opposed to free silver coinage, and even Jones of Nevada voted against it, although he had advocated such a conference in the report of the Silver Commission. Allison, who had the management of the measure, regarded it of vast importance to the ultimate success of silver coinage. It is doubtful if he and others would have favored the measure without that provision. They looked upon the coinage of silver at the ratio of 16 to 1 as a sort of temporary affair, calculated to satisfy public sentiment for the time, but not calculated to restore in any sense the double standard. In explaining the necessity of a conference Allison said:

"We, by our legislation here, fix the value of a silver dollar at 412½ grains, which is the relation of 16 to 1. The bimetallic nations of the world to-day have the fixed relation of 15.50 to 1, which overvalues silver 3½ per cent., as compared with the monetary unit we propose. . . . The result will be either that the bimetallic nations of Europe will keep their mints closed, or, when they open their mints to the free coinage of silver, every silver dollar that is in the United States will flee again to Europe, as it did after the unfortunate and mischievous legislation of 1834, because we then established a wrong relation between the two metals."

The plain inference from this is, that some of those who were advocating the measure had no hopes of keeping the two metals in concurrent circulation at full legal tender without international co-operation. One naturally asks, therefore, why in seeking to restore the silver coinage the French ratio was not at once adopted, for, if Europe closed her mints, the burden of maintaining the parity would be thrown entirely upon the United States, and if Europe opened her mints the United States would lose the very metal they were trying to rehabilitate. A sufficient answer to this is that the passion of the hour was "the dollar of our daddies."

The majority of the silver men claimed that our coinage was purely a domestic business, anyway; that it made no difference what Europe had done or might do. One of the Southern senators had given the matter of ratios so little thought that he was compelled to ask for information as to what was the ratio in Europe, and also that fixed by the bill for which he had been earnestly and scrupulously talking and voting. Another wanted no foreign alliances or entanglements. "Let other nations fix their money standard as they will," he said, "let us fix ours as suits our convenience." After having worked and debated for weeks to secure a partial restoration of the old dollar, he did not propose, if he could help it, to go abroad to find some sanction for the effort in the esteem and approbation of foreign nations. Edmunds, of Vermont, who was really the only outspoken advocate of the gold standard in the Senate then, and whose sarcastic thrusts were frequent features of the debate, asked Allison if he would not strike out that provision limiting the conference to the consideration of the double standard and allow it to consider also the expediency of a single standard.

"That I cannot consent to," replied Allison. "That is the very thing we are struggling for here now, and I do not propose to treat it away."

"Is it treating it away to be willing to talk about it?" asked Edmunds.

"I think so," was the reply.

"I think so, too," quickly retorted the Vermont statesman, "because you cannot stand on the reason of it." Edmunds was the only senator of the 21 voting against the final passage of the bill who voted against the amendment for a conference, and his opposition, as he explained, was because it would be a conference tied up "to this thing of a double standard of value," which he likened to thimble-rigging he had seen at shows where the pea, that could not, in the nature of things, be under both thimbles at the same time, was always put under the one that cheated the public.

President Hayes sent in his veto message on February 28, strongly arguing that the right to pay duties in silver or in certificates for silver deposits would, when issued in sufficient amount to circulate, put an end to the receipts of revenue in gold, and compel the payment of silver for both principal and interest of the public debt, and thus break the pledges the government had practically made. The bill was passed over the veto the same day by a vote of 46 to 19 in the Senate, and 196 to 73 in the House.

The success of the resumption of specie payments, to take place by law ten months later, depended now upon maintaining the stock of coin already accumulated and, apparently, upon accumulating considerable more from the people of the United States. There seemed to be little hope of help from Europe. At this time the government held in various places about $104,000,000 in gold coin, $11,000,000 in gold bullion,

$5,000,000 in silver coin, and $2,800,000 in silver bullion. The preponderance of gold should be noted here, as it largely explains why the immediate effect of the bill was harmless so far as resumption was concerned. After the passage of the act, legal-tender silver dollars were made receivable, the same as gold, in payments of popular subscriptions to the loan, but, of course, there were as yet none in circulation. The large New York bankers told the Secretary that it would be useless to endeavor to sell 4-per-cents., but he kept at it, declining all offers for 4½-per-cents. unless as good as 4 at par, so as not to force the 4's to a discount. He dared not advertise a 4½ loan, fearing the bankers would bid so low as to force the 4's out. Considering it essential to obtain $50,000,000 in gold coin before January 1, 1879, in April he went to New York to see what could be done. He met the representatives of the houses belonging to the old syndicate, but his propositions were coldly received. They would have nothing to do with a 4-per-cent. loan, on account of the uncertainty of the market and the silver act, which was harped on considerably. Sherman asked for an offer for 4½'s, and, after consulting with the Rothschilds, Belmont offered 101 for $100,000,000. The Secretary said he would accept 101½ less ½ of 1 per cent. commission for $50,000,000, they to pay the expenses of the loan, and they finally accepted it. This seemed to make resumption certain. The government was left free to sell 4's for refunding purposes if it could, and, as the market kept steadily improving, popular subscriptions came in briskly, $377,000,000 being taken mostly in this country from January 1, 1878, to the day of resumption, thereby displacing old 6's, and saving in yearly interest $7,540,000. [1] Our bonds on the London market were

[1] The skill with which Secretary Sherman conducted the refunding and resumption operations in these critical times cannot be easily overlooked. In abandoning the policy of placing bonds by syndicates exclusively and adopting sale by public advertisement "under circulars," he made a considerable saving and kept the government's

by May 1 three points higher than during the silver excitement, opinion both here and abroad changing somewhat as to the effect of the law, the feeling being that it might not do harm temporarily and, when it did, could be repealed. Meanwhile it had checked somewhat the popular craze for free silver.

In studying the conditions of that eventful year dispassionately and at this distance, one cannot fail to see that there was much less ground for alarm over the immediate effects of the silver act than the financiers imagined. The monetary conditions of the country at that time were exceptional. We had no silver coins to speak of, and they were unquestionably needed to a certain extent. The capacity of the mints was limited to about 2,000,000 dollar pieces a month, and, coined at this rate, it would have taken at least eight years before the circulation equalled the circulation of legal-tender silver coins in Germany, and twice that time to have equalled the silver circulation of France. Public convenience would have been as well and more safely served by such an issue of silver of limited tender, but, when a thrifty people was ready to absorb the new coinage, its legal-tender quality could do no immediate harm. The danger lay in continuing after a sufficient amount of such money had been issued. The average person, observing that the new coins circulated at a parity with gold, easily fell into the error of thinking that the issue could be kept up indefinitely, and that even free silver could work no injury. At the time when France was flooded with silver and had closed her mints, the United States had little silver and had opened her mints. The latter were in a position to do with safety what would have been disastrous to France.

The United States had much less to fear from a law like

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indebtedness largely in this country. His total sale of 4's was $740,-847,000, at a cost of only $2,645,802.60. Under the plan followed by his predecessors, it would have cost $3,704,239.

the Bland-Allison Act than had the cause of bimetallism. It was, under the circumstances, more hostile to silver and its future interests than if it had provided simply for the coinage of dollars of limited tender, say, up to $20. The latter would have been an announcement to the world that while we proposed to make silver a part of our specie circulation, as it was in England and every great commercial nation, we proposed also to adhere to the gold standard till we could secure international bimetallism. Such a position would have had a marked effect upon Europe at that time, for we were large gold producers, and also large exporters of cereals and other products required by Europe, thus placing us at an advantage in the accumulation of gold at a time when Europe was beginning to be seriously disturbed by its scarcity, and the difficulty of maintaining a sufficient reserve in its banks of issue. Instead of that, we foolishly began the coinage of silver of full legal tender, and practically announced that it was a first step towards an unrestricted silver coinage. This was exactly what commercial Europe, which, in its study of the silver question, was about five years ahead of the United States, hoped for as a means of enabling it to more easily maintain a gold standard. Europe held enough of our securities to control our gold if we adopted a free silver coinage, and the holders of these securities were well aware of it.

For the purposes of securing a better appreciation of the financial and monetary conditions in Europe, it may be well to give a brief résumé of financial events there from the spring of 1877 to the time of the passage of the Bland-Allison Act as shown by the weekly market reviews at London. Early in May, 1877, the Bank of England increased its rate of discount to 3 per cent. because of the large withdrawals of gold for export, a large portion of which was sent to Germany. It was understood that Germany had about $60,000,000 worth of silver which it was anxious to dispose of as quickly as practicable. That government had coined very little gold for six months, but had kept it in bars for greater convenience if needed for military purposes, troubles between Russia and Turkey threatening the revival of the Eastern Question. But Germany was finding it somewhat difficult to keep the gold acquired by so great a sacrifice in the sale of silver, and the Reichsbank was compelled in May to raise its rate of discount to 5 per cent. and the rate of interest for advances to 6 per cent. The government also began to find that the new silver coinage, fixed at ten marks per capita, might be insufficient for some portions of the country, especially the southern portion, because of the small amount of wages earned by the people and their little savings. The French had had an unexampled era of prosperity, and they were more inclined to build upon it for the future than to throw away its fruits in war. England also was very desirous of avoiding the Eastern Question if possible. During this month considerable gold was imported from the United States, but it went to Germany and to France, which was preparing for the complete resumption of specie payments. The price of silver ruled at 54 pence in London, and was flat at that.

In June the Indian government sought a loan in England of about $10,000,000 at 4 per cent., Lord Hamilton explaining in Parliament that it was required to meet a deficit caused by the famine and the depreciation of silver. Russia was also trying to negotiate a loan in Paris and Berlin for $60,000,000 at 5 per cent., the issue price of the bonds to be 70 per cent. of the principal, with a liberal allowance to a syndicate for placing them. She had already made a forced loan at home of about 200,000,000 roubles. Her finances were in a bad condition for war, and very little could be learned about them. Germany resumed her gold coinage during this month at the rate of about $700,000 per week, and the bank reduced its rate to 4 per cent., having a stock of about $140,000,-

000 in coin and bullion. The government offered a 4-per-cent. loan at the low price of 94.

During the first half of July the demand for gold relaxed somewhat. The Bank of England reduced its rate to $2\frac{1}{2}$ and then to 2 per cent.

A large amount of gold arrived from Australia, and the demands from famine-stricken India stiffened the price of silver. Germany quickly availed herself of this situation, selling silver at 54 pence and withdrawing gold from London. In nine days, ending the 28th, she took about $5,000,000 worth of gold from the London market. The movement of gold for twelve months previous (from July, 1876, to July, 1877), at the principal commercial centres is well shown by a comparison of the bank balances, as follows:

Bank of England, July 26, 1876,	£33,037,926
" " " 25, 1877,	27,029,505
Loss,	£6,008,421
Bank of France, July 27, 1876,	£83,508,000
" " " 26, 1877,	88,123,000
Gain,	£4,615,000
Imperial Bank of Germany, July 25, 1876,	£26,669,000
" " " " 26, 1877,	27,206,000
Gain,	£537,000
Netherlands Bank, July 24, 1876,	£13,437,000
" " " 30, 1877,	12,546,000
Loss,	£891,000
National Bank of Belgium, July 20, 1876,	£5,464,000
" " " " 26, 1877,	4,187,000
Loss,	£1,277,000

Though Germany had in the course of the twelve months taken nearly £10,000,000 of gold from the London market alone, the Reichsbank had done little more than hold its own; the great gainer was the Bank of France. All through August the drain of gold from London continued, and the balance at the middle of the month showed that the Bank of England had lost over £9,000,000 as compared with the same date in 1876. In the latter part of the month shipments of gold to the United States began, and the Bank of England at once put up its rate to 3 per cent. and also increased the price of American eagles. By this time the Bank of France was in such a good condition that it ceased issuing any notes of less denomination than 1000 francs, which practically amounted to a resumption of specie payments. Up to this time Germany had withdrawn old silver from circulation to the amount of $200,000,000.

Early in September the Reichsbank was compelled to advance its rate again to 5 per cent. to keep its gold, a large amount of that which it had been taking away from London having found its way to France, whose bank seemed to gather it in easily, and hold it without raising its low discount rate.

The fact was anything but pleasing to Germany, which could obtain gold only by selling its silver at a low price, and then only to see it withdraw to the country she had left apparently prostrate six years before. But the price of silver being firmer than for some time, she continued to dispose of her stock and draw on London for gold.

Early in October the Bank of England advanced its rate to 4 and soon after to 5 per cent. As trade was dull and money abundant, such a high rate of discount threw the market into great confusion, and placed the other banks in a difficult position; but the drain of gold was considered serious, and it was reported that any large withdrawal of the metal for the United States would lead to a 6-per-cent. rate. It looked then as if large shipments to the United States could not be avoided, for the European crops were short, and the balance of trade was greatly in favor of America.

But in November the situation was relieved. As soon as the Bland Free Coinage Bill was introduced, Germany withheld sales of silver, and so could take no gold from London, which was reinforced by large shipments from Australia and India. The Bank of England reduced its rate to 4 per cent. It was the general understanding in the market that the managers of the German financial affairs were holding off in the hope of a better market and better prices for silver in America through our legislation, and it was openly stated in France that silver legislation in the United States would afford the government an opportunity to go to the gold standard. France had coined but a small portion of the amount allotted to it by the last arrangement of the Latin Union, and still the country was flooded with silver.

By January 1, 1878, the fear of an immediate gold famine had passed. English investors had dropped our bonds, old and new, when the passage of the silver bill seemed assured, and, being sent to this side, they absorbed our balance of trade. In other words, but for the silver bill we should have compelled England to have paid in gold for the cereals she had bought, an operation which would not only have facilitated our resumption, and very likely have made unnecessary the last issue of 4½'s, but would have so squeezed the gold reserves in Europe as to have compelled the governments to regard a conference with favor; as it was, England paid us in our own bonds, which at considerable expense had been negotiated abroad. The German holders of our securities were reassured by the press of the country, which pointed out that the possible loss on them from such a measure as the Bland Bill could not be much greater than 2 per cent., or the cost of exporting silver to America and there having it recoined and exchanged for gold. "This further contingency is to be considered," said the *Frankfurter Handelsblatt* — "that possibly the United States may in time possess no gold coin, on account of its continued exchange for silver, and that practically a single silver standard would be introduced in place of a double standard. But such an event could scarcely happen for a year, at any rate, after the double standard should be established." In the second week of January the German government sent $10,000,000 worth of silver to London to be held to await the action of our Congress. A London syndicate purchased on speculation silver amounting to $2,750,000 in expectation of a coinage demand from the United States. It obtained the money to carry it from the Bank of France at the rate of 1 per cent. per annum, pledging the silver as collateral at 80 per cent. of its market value.

The sentiment in favor of a single gold standard seemed to be growing in France. In February, at the very time when our Congress was engaged in passing the amended silver bill, the French Assembly was discussing the question of terminating the connection of France with the Latin Union. The Minister of Finance introduced a bill (which was passed) providing for a further suspension of silver coinage for twelve months. The possible remonetization of silver in the United States might, he said, relieve France of some of her difficulties in maintaining the double standard; but at a meeting of the delegates to the Latin Union to be held in October, the question of continuing the standard would be discussed. Meanwhile he urged that the only sound course for France was to cease coining legal-tender silver altogether.

Even this brief review of the monetary conditions in Europe during the nine months preceding the passage of the Bland-Allison Bill must convince any one that the provision for silver coinage first, and a conference afterwards, was a serious blow to the future of general bimetallism. England had grave doubts concerning the situation while the drain on her stock of gold lasted. Had nothing occurred to relieve the market, her delegates would not have appeared at the conference with such haughty reserve, and the attitude of the states of the Latin Union would have been different. Europe could not appreciate the feeling of the American congressmen — that something must be done at once to appease the voters in their districts.

But a harder blow at bimetallism than the immediate coinage of legal-tender silver dollars was the coinage at the ratio of 16 to 1. Very little can be said of the sagacity of those earnest advocates of the remonetization of silver who, after all the information obtained by the commission of 1876, and after repeated warnings in the public prints from those favorable to bimetallism, forced the government to coin silver dollars at the ratio of 16 to 1, and then proposed to ask Europe to agree with us. It was a ratio that existed nowhere else in the world, and that Europe could not adopt without the expenditure of millions. France alone possessed a stock of legal-tender silver amounting to nearly $500,000,000; and when to this was added the silver of Italy, Switzerland, Belgium, Greece, and Spain, and the new German coinage, all at the ratio of 15.50 to 1, there was a stock of silver coin amounting in value to at least $1,000,000,000 in Europe, and there were not, probably, when the act passed, one hundred American silver dollars at the ratio of 16 to 1 in existence! Leaving out of the question any financial wisdom, it ought not to have required much of the ordinary variety to have suggested the utter folly of resuming the coinage of the "daddy dollars" on a large scale and then running over to Europe after an agreement on a common ratio. But, strangely enough, the point did not seem to be sufficiently appreciated by any one in Congress save a few like Allison, and he did not make it so serious as to suggest, unless in committee, the adoption at once of the French ratio. He made the fact that coinage at the ratio of 16 to 1 would compel France either to close her mints or to take all our silver the reason for a conference, but he appeared to overlook completely the possibility that France would, by keeping her mints closed, thus make a conference a waste of time and money. If international bimetallism — or free coinage by the United States alone — could have raised silver from the commercial ratio of 17.50 to 1 to the ratio of 16 to 1, it could just as easily have raised it to that of 15.50 to 1, for, if a fixed ratio can be maintained by international bimetallism at all, it is simply necessary to select the most convenient ratio within the limits that civilized nations recognize.

The result of the work of Congress in the interests of silver, therefore, was to ruin the prospects of a conference, and place Europe in an attitude of expectancy. There was the reasonable expectation and belief abroad that the silver sentiment here was strong enough to soon overcome the conservatism of the Senate and result in throwing the mints open to silver. Besides, there was the possibility that the limited purchase of the metal by our government might raise its price, thus enabling Germany to drop her holdings to better advantage, and ultimately freeing the Latin Union from its difficulties. Parieu, who had become the leader of the gold monometallists in France, said in a letter to the American Minister at Paris: "The progressive and intelligent political economists of Europe who are occupied with monetary questions will be divided between the desire to see America, in the interests of general legislation, keep in the path of its legislation of 1873, and that of receiving from her the means of disburdening their national circulation at the least cost of the ballast of silver which exceeds what is necessary for a suitable amount of coinage." The statesmen of Europe, for the sake of the monetary systems of their own governments, were naturally inclined to take the latter view.

CHAPTER V

FIRST EFFORTS TO SECURE INTERNATIONAL BIMETALLISM — THE CONFERENCE OF 1878

If we have followed intelligently the history of monetary opinion up to this point, we have perceived that the variations in the relative values of gold and silver during the first half of the century, though slight, together with the differing coining ratios in force, had resulted quite generally in an alternating standard of value in countries which maintained the principle of the double standard, and this, in turn, had fostered a growth of sentiment for a single standard, which in some countries, notably in the United States, had been accepted in practice, if not adopted by law, by overvaluing gold as to silver in the ratio of coinage, and keeping silver in circulation for small change by debasing it. A fair test of bimetallism could not be expected in any state while other ratios prevailed in states with which it had commercial relations. Under such conditions, the great increase in the production of gold following the discoveries in California and Australia tended inevitably to make gold the metallic currency of the commercial world, a fact which naturally suggested its general adoption as the exclusive standard of value. At the same time there was a broadening of international relations, a remarkable development of mechanical arts, an improvement in methods of transportation, and a general scientific awakening. Advantages in international uniformity in weights and measures suggested uniformity in coinage relations, first to the students of political economy, and, later, through the ambition of an emperor, to the governments of commercial nations. Thus the conference of 1867 met and mapped out a plan for international coinage upon a gold basis, naturally, and without any serious misgivings as to the economic results. Whether the plan would have been carried out had not political complications arisen and disturbed the peace of Europe it is, of course, impossible to say; we can only imagine. It is, at least, safe to say that had all the great governments undertaken to go to the gold standard at once, it would have produced a crisis resulting in a speedy return to bimetallism. The actual effect of the step, as modified by the issues of war, was to lead nations to seek the adoption of the gold standard gradually, under coinage laws preserving in each case the characteristics of the national currency, and ignoring the possible advantages of internationality. This course, leading to an unprecedented demand for gold at a time when its production began to decline, and to a decreased demand for silver at a time when its production greatly increased, together with other influences which were noted in the last chapter, forced the two metals quickly and widely apart in their relative values, and compelled European nations which had failed to adopt the gold standard to restrict or stop altogether the coinage of silver; while the United States, the people awakening from a trance produced by paper inflation, and discovering that they had not known what they were doing when they cordially acquiesced in the demonetization of silver—an experience somewhat similar to that of some men who upon becoming sober have no recollection of their actions while drunk — resumed the coinage of the discarded metal, and sought for the international adoption of a double standard in 1878, a standard which the nations eleven years before had considered an attack on sound sense and logic. There is, perhaps, nothing in the economic history of the world to match the curious shifting of opinion and action in so short a period.

These facts have been briefly restated for the purpose of calling attention to a remarkable difference in the two metals as the human mind apparently views them for use as standards of value. In 1867 gold was plentiful, circulated widely, was cheaper at the legal ratios than silver, which was comparatively scarce and difficult to keep in circulation. Gold suggested itself as the better metal for a standard. The abundance of gold was used as an argument for its adoption as the standard in Congress and as late as 1873. Three years later gold began to be scarce, to disappear from circulation, to accumulate in reserve funds, and to be worth more than silver at the legal ratios of coinage, and silver became abundant in the circulation of bimetallic countries. But silver did not then suggest itself as the better standard, as gold had suggested itself a little before under similar circumstances. When gold was abundant and depreciated, the world availed itself of the opportunity to adopt it as the measure of values; when silver became abundant and depreciated, its re-adoption, even as a collateral standard of values, was regarded as a species of repudiation of obligations. Is there, then, the natural tendency with advancing civilization to give to gold a quality as a measure of values which it denies to silver, and, if so, does it spring from a righteous consciousness of economic fitness, or is it the wicked offspring of selfishness, the despotism of accumulated wealth, the filching of the struggling producer? This question in its various phases occupies a large space in the voluminous discussion of the last twenty years, and it is still unsettled. It will be our endeavor, however, to keep as free as possible from the theoretical and ethical features of the discussion in relating the history of the international conferences called in the interests of general bimetallism, and to develop mainly the more practical features of the efforts to bring the nations together.

President Hayes and his advisers considered the conference authorized by the law of February 28, 1878, as highly desirable, not only for the opportunities it might offer in an international way, but more for the possible quietus it might put on the silver agitation at home. Invitations were soon sent to the leading nations, and they elicited responses generally favorable. Germany declined the invitation courteously, on the ground that, having recently adopted the gold standard, her government could naturally take no part in the discussion of the project of international bimetallism. Possibly, also, it was not disposed to submit to an examination as to the stock of silver it desired to work off on the market, or as to its future plans. England, which was considerably disturbed over the possible effect of the continued decline of silver upon her trade with her Indian possessions, wished to be represented, but, being wedded to the gold standard, felt that consistency would hardly permit her to take part in an effort to secure international bimetallism; it might be considered an admission that the government was dissatisfied with the gold standard. So a reply was made to the American government to the effect that, if the exclusive object of the conference were the establishment of a fixed relation between gold and silver, England could not accept, for the government could do nothing to compromise the gold standard, to which it proposed to adhere. If, however, the invitation could be so widened as to permit the consideration of the coins of various countries with reference to a universal currency, the English government would send delegates with the understanding that they would not be committed by any conclusions reached. Our government, of course, modified the invitations to catch the English delegates, and also those of the Scandinavian states, which placed themselves in exactly the same position England had taken. The United States government at this time cared nothing about the old scheme for an international unit of money; indeed, it considered it as harmful rather than helpful to the cause of bimetallism. John A. Kasson, then Minister to Austria, wrote to Secretary Evarts immediately after the passage of the

Bland-Allison Bill, and urged that the subject of an international unit be included in the invitation for a conference, if one were to be held, but the administration gave the matter no quarter till the English government made it an excuse to get into the conference consistently. Kasson was interested in the subject of an international unit for itself, having advocated it strongly in the sixties, but it was used simply as a back door to the conference for the gold-standard countries, who cared nothing about it, and did not even suggest it in the conference.

Paris was mentioned by most of the governments as the most convenient place for the meeting, and the date was fixed for August 10. Senator R. E. Fenton, W. S. Groesbeck, and Francis A. Walker were appointed delegates for the United States, and S. Dana Horton, who had written extensively in favor of silver, and was designated by Congress as secretary of the delegation, was later admitted as an accredited delegate. Fenton, of New York, had represented his district in Congress from 1857 to 1865, had been governor of the state from 1864 to 1868, and in 1869 had succeeded ex-Governor Morgan in the Senate, his term having expired in 1875. He had been a member of the Finance Committee of which Sherman was chairman during the consideration of the Mint Bill, and was a member of it when the bill became the "Demonetization Act of 1873." Groesbeck had served in the capacity of an expert on the Silver Commission of 1876. General Walker was the son of the distinguished economist, Amasa Walker, had been made brevet brigadier-general in the war, and had been chief of the bureau of statistics and superintendent of the census, and at this time was professor of political economy and history in the Sheffield Scientific School of Yale College.

The conference of 1878 was less notable than its predecessor of 1867 in the number of men of talent and reputation it contained. In point of ability the four leading figures were Léon Say of France, George J. Goschen of England, Charles

Feer-Herzog of Switzerland, and General Walker of this country. Say, then in his fifty-third year, was the grandson of the eminent French economist, Jean Baptiste Say, who died in 1832. He made a special study of political economy and for a long time was editor of the *Journal des Debats.* He had been Minister of Finance under the presidency of Thiers and McMahon, was considered an authority upon economic and financial subjects, and had published many valuable works. Goschen was regarded as the greatest authority in England upon English financial questions. Entering Parliament in 1863 as a Liberal, he at once took a prominent part in affairs, becoming a member of Lord Russell's cabinet in 1866, and of Gladstone's in 1871. In 1876 he was the British delegate to concert measures with France for the conversion of Egyptian debts, and was also the head of the commission appointed to consider the effects of the depreciation of silver upon the Indian currency, the report of which has been alluded to. He was the author of several works, his "Theory of Exchanges" having been translated into the French by Léon Say. By the prominent part Feer-Herzog, of Switzerland, had taken in the formation of the Latin Union in 1865, in the conference of 1867, and by his published essays, Europe had come to recognize him as one of its leading authorities on monetary matters, and the most conspicuous advocate of the single gold standard.

The following is a list of the countries responding to the invitation of this government and their representatives:

Austria-Hungary:

Count Von Kuefstein, Chargé d'Affairs of Austria-Hungary at Paris.

C. Von Hengelmüller, First Secretary of the Legation at Paris.

Belgium:

Eudore Pirmez, ex-Minister of the Interior, member of the Chamber of Representatives; one of the Belgian Monetary Commission of 1873.

Charles August Garnier, Councillor of Legation at Paris.

France:

Léon Say.

Charles Jägerschmidt, Minister Plenipotentiary in the Department of Foreign Affairs.

Jean Louis André Ruau, Director of the Administration of Coins and Metals under the Empire and under the Republic.

Great Britain:

George J. Goschen.

Henry Hucks Gibbs, ex-Governor and a Director of the Bank of England.

Sir Thomas L. Seccombe, Financial Secretary of the Secretary of State for India in Council.

William Brampton Gurdon, officer in the Treasury Department.

Greece:

Nicholas P. Delyanni, Chargé d'Affairs of Greece at Paris.

Italy:

Count Charles Rusconi, formerly Minister of Foreign Affairs.

Commander Cesar Baralis, Director of the Mint of Milan.

Chevalier Constantin Ressmann, First Secretary of the Italian Legation at Paris.

The Netherlands:

A. Vrolik, ex-Minister of Finance.

W. C. Mees, President of the Bank of the Netherlands.

Russia:

T. de Thoerner, Privy Councillor and member of the Council of the Minister of Finance.

Sweden:

C. Fr. Waern, ex-Minister of Finance.

Norway:

Dr. O. J. Broch, ex-Minister of Marine and Postmaster-General.

Switzerland:

Charles Feer-Herzog.

Charles E. Lardy, Councillor of the Swiss Legation at Paris.

Only four of these had been members of the conference of 1867 — Feer-Herzog of Switzerland, Broch of Norway, and Mees and Vrolik of the Netherlands. The first two remained stanch gold monometallists, the other two had become advocates of the double standard. Mees, it will be remembered, while advocating a single standard of one or the other metals in 1867, considered it unwise for all countries to adopt the same metal. Vrolik was detained by sickness and unable to participate in the conference, but his position was well known, being president of the Society of the Netherlands for the Promotion of Industry, which, in 1876, memorialized the king in favor of international bimetallism.

The conference did little except to organize at its first meeting, August 10, at the Department of Foreign Affairs. Say was chosen president and Fenton vice-president. The former in his opening remarks explained the reasons inducing the Latin Union to restrict its silver coinage, and then to suspend it entirely. The adoption of the gold standard by Germany and the increase of the production of silver by the United States had compelled it to protect itself, he said, but it still remained in "an expectant attitude." "In the meantime," he continued, "the United States of America have adopted the policy of returning to the system of the double standard, adopting also, as in the past, their ratio of 1 to 16 instead of 1 to 15.50, which is the relation of the two metals in the Latin Union." This was a broad hint of the difficulties Congress had thrown in the way of its own desires, or, at least, in the way of the only bimetallism possible, by adopting the old ratio. The United States delegates were then called upon to make known the intentions and views of their government, and in response Fenton said that, as some of the delegates, notably those of Great Britain, had not arrived, he preferred to say little at the first meeting except in acknowledgment of the responses to the invitation of his government. "Without anticipating your discussion," he remarked, "it is but an expression of the distinct object of the conference as indicated by the law under which the representatives of the United States are commissioned to meet you, that we will be able to agree upon a common ratio between gold and silver for the purpose of establishing, internationally, the use of bimetallic money, and securing fixity of relative value between the two metals. The specific means of attaining this object we trust will soon be developed in the discussion and comparison of views which is to follow."

At the next meeting, six days later, the English delegates appeared. Meanwhile the American delegates had decided to have Groesbeek develop the views of their government and formulate the questions upon which the conference might be called upon to pronounce itself. The small consideration given to the matter of the international uniformity of coinage, which alone was supposed to have led the English and Scandinavian delegates to attend, may be judged from Groesbeck's opening remark. "The object of the conference," he said, "is to restore silver to its former position; to equalize gold and silver upon a ratio to be fixed by agreement. This is the principal object of the conference. I desire to say, however, in addition, speaking in the name of my colleagues, that we shall be happy to come to an understanding with the delegates of Sweden and Norway, and of all other states interested in the establishment of a coin of universal circulation." The delegates of the United States, he explained, had no more power to bind their government than the delegates of other states, and he assured the conference that this country would be upon a specie-paying basis the first of the following January, and, therefore, able to take its full share in executing any engagements entered into. In the effort to destroy the impression, which had prevailed extensively in Europe, that this country was taking the initiative in the conference because it produced silver, he argued that his government had no interest in either silver or gold mines, that the production of silver was greatly exaggerated, and that indications pointed to its decrease. He reviewed the history of the coinage legislation of the United States, to show that the government was returning to an old system, and was not actuated by selfish motives. Coming down to the act of 1873, he said, "Silver was made to disappear through inadvertence rather than intentionally, by an omission to say anything about it. As a matter of fact, the silver standard was found to have been suppressed. The example of Germany had proved contagious; no newspaper had discussed the question; public opinion, by no means enlightened, was, so to speak, taken unawares, and great surprise was felt when, a short time after the law was passed, the change was fully perceived. In 1878, the legislator, better advised, desired to re-establish the traditional system. If, contrary to our intention, which was to treat the two metals on the footing of perfect equality, we have nevertheless limited the coinage of silver, this was on our side a mere measure of precaution, adopted provisionally on account of the condition of the market of the metals in Europe, and by the measures taken by the states of the Latin Union." With a view to securing freedom of silver coinage in the future, they had sought a conference, and he then proposed that it pronounce itself upon the two following propositions:

"I. It is the opinion of this assembly that it is not to be desired that silver should be excluded from free coinage in Europe and the United States of America. On the contrary, the assembly believe that it is desirable that the unrestricted coinage of silver and its use as money of unlimited legal tender should be retained where they exist, and as far as practicable, restored where they have ceased to exist.

"II. The use of both gold and silver as unlimited legal tender may be safely adopted; first, by equalizing them at a relation to be fixed by international agreement; and, secondly, by granting to each metal, at the relation fixed, equal terms of coinage, making no discrimination between them."

A third proposition had been prepared, and was held in reserve in anticipation of a favorable moment to introduce it, a moment which never came. It was this:

"III. The delegations here present agree to recommend to their respective governments that, by the free coinage of silver at a relation to be agreed upon, or, provisionally, through extended coinage upon government account and the accumulation of silver bullion in public treasuries, they make a concerted effort to restore silver to its function of money of full power."

The omission to frame any proposition touching the matter of an international unit was, of course, to be expected. No one cared for it, and it was not considered necessary to allow it even the scant distinction of occupying a place among the propositions in reserve, but never to be called for. Thus completely had a human ideal vanished.

The American delegates, judging from Groesbeck's remarks, assumed that the Europeans possessed a limited knowledge of the course of monetary events in the United States following 1867; and they may even have come to believe that silver was dropped in 1873 through an "inadvertence." As a rule, the political conditions and events of this country are little understood abroad. But the men who listened to Groesbeck — it may be humiliating to confess, but it is true — had watched monetary changes in America more closely, or, at least, more intelligently, than the Americans themselves. They knew, in 1873, that silver was dropped by law in this country at that time, had written about it, some of them had even advised members of Congress against the step, and they had naturally assumed that Congress knew exactly what it was doing, and acted in furtherance of the policy advocated by the United States and adopted at the conference of 1867. They had read the reports of the Treasury and mint officials from 1870 to 1872, calling attention to the proposed discontinuance of the silver dollar, and they could not understand how the members of Congress, to whom the reports were made, had failed to read and consider them. As soon as Groesbeck sat down, therefore, Goschen expressed a desire to know what significance was to be attached to the word "inadvertence." Groesbeck replied that the American people had never been asked whether they wished silver to remain a legal tender, that no newspaper had called attention to it, that no commercial body had considered or recommended it, and that many members of Congress had since confessed that at the time the decision was made they knew not what they were doing.

This brought Feer-Herzog to his feet with copies of American documents from 1870 to 1873, specifically and plainly calling the attention of Congress to the proposed discontinuance of the silver dollar as a standard. It appeared, he said, that the step was voluntarily and with reflection determined upon. He could not believe that Congress was generally informed only upon those events or propositions which were explained in the newspapers, and, if the people had not been informed, Congress, which represented them, must, or should have known. There was no *plebiscite* in the United States. Moreover, he failed to see how the alleged subsequent surprise of the people was admissible, as the law of 1873 had brought about no change in the currency, silver having long before ceased to be money in circulation.

General Walker hardly succeeded in removing the unpleasant features of this courteous reflection upon the deliberations of Congress, by explaining that the change was even unknown to men in the United States specially occupied with financial and monetary subjects, for he himself had to confess that, though at the time lecturing on money and occupying a chair of political economy, he was not aware of what was being done. The European delegates were charitable enough to press the subject no further, though, had they been cruelly inclined, they might have asked ex-Senator Fenton, who was a member of the Finance Committee which was supposed to have surreptitiously dropped the dollar finally, and who had advocated the substitution of the trade dollar, if he also was unaware of the nature of the act.

President Say took exception to Groesbeck's remark that the action of the Latin Union had supplied a motive for the restriction of silver coinage in the Bland-Allison Act. The statement could not, he thought, be well founded in fact, for the limit was fixed by an amendment to the original bill, which was for free coinage. "The influence of the Latin Union," he added, significantly, "seemed to have counted for so little in the resolutions adopted by Congress on this occasion that it does not appear that there was, even for a moment, any question of conforming the American system to that of the Latin Union by adopting the relation of 1 to 15.50." Groesbeck replied that, while the sentiment of the people of the United States was unequivocally in favor of free coinage, it had appeared to Congress on reflection that it would be dangerous for a state to act alone. Dana Horton added that the whole question had been thoroughly discussed in the United States, that the situation of the Latin Union had not been lost sight of, and that the Silver Commission had advised the adoption of the ratio of 1 to 15.50. He did not explain why Congress had not taken the advice. This ended the preliminary discussion, and the conference turned its attention to the propositions submitted in behalf of the United States.

The position of France, as stated by Say, was in effect this:

Having the double standard in theory, it had it not in practice, for the privilege formerly enjoyed by private persons of having their silver coined at the mints had been withdrawn. In taking this step, the government had declared categorically that it was not moving towards a gold standard, but was in a condition of expectancy from which it should not move except for good reasons, when they appeared, and then, probably, to re-enter into the system of the double standard. Placed in the centre of the Latin Union, France had collected a great quantity of silver — about 900,000,000 francs in the Bank of France, and about 1,500,000,000 francs outside. It certainly would not do, said Say, to withdraw a legal-tender power from such a mass of silver and throw it on the metal market as mere merchandise. Such an idea was inadmissible. But France could not change its attitude of expectancy so long as the fall of silver should not be accurately recognized and measured, and, notably, till Germany should have completed the sale of its stock. Whatever that stock might be, so long as it remained the market would be troubled and uncertain. This might take place within two or three years; it was, he said, the dark side of the question that deprived France of her freedom of action. The propositions of the United States, therefore, seemed premature to France, which could not find a way to accept them then, but was unwilling to have this lack of assent considered as a condemnation of the bimetallic system. As there was reason to believe that less than a majority of the conference could pronounce in favor of the propositions of the United States, it would be better for the conference to abstain from making a formal answer to the questions put to it. Better results, he thought, might follow if the states represented at the meeting should simply agree upon the expression of a common idea as to the employment of silver as money, and should invite each other, reciprocally, to take no measures in their domestic legislation of a nature to contribute to the depreciation of silver. To the first paragraph of the proposition — that "it is the opinion of the assembly that it is not to be desired that silver should be excluded from free coinage in Europe and the United States" — France would willingly give assent, although for the moment it could not return to free coinage, and could not yet discover the reasons which, perhaps, it might some day have for re-establishing it. As to the second paragraph — "on the contrary the assembly believe that it is desirable that the unrestricted coinage of silver and its use as money of unlimited legal tender should be retained where they exist, and, as far as practicable, restored where they have ceased to exist" — France thought that silver ought to maintain the character of legal money where it possessed it, but it could not assert that it would be proper to give it that character everywhere where it did not possess it. As to safely adopting the use of both gold and silver as unlimited legal tender by equalizing them at a relation to be fixed by international agreement, France could not say in advance that there would be such a proportion between the future production of silver in the mines and the regular and constant demand of Asiatic commerce that the legal relation would never come to be altered; it would be especially difficult for France to assert the maintenance of this equilibrium when it knew that in a moment Germany could throw upon the metal market the mass of silver the government had in hand. The only certain thing about silver, said Say, in conclusion, was that its circulation did not proceed regularly, was unsettled, and made sickly by the instability of ratio. It was not, therefore, a final, absolute refusal which France opposed to the project of the United States. The question might one day be answered.

Say's statement showed that nothing could be expected from France while Germany held off. Count Rusconi, of Italy, thought it would be highly desirable to have Germany represented, and Goschen observed that Germany might possibly consent to send delegates, under the same conditions and reservations the English government had stipulated — that is, in expressing the resolution to remain firmly attached to the gold standard. It was decided to have the president transmit to the German government a copy of the minutes containing this expression of the desire of the conference to have Germany represented. Shortly afterwards he received a letter from the German Minister at Paris, stating that his government, while expressing its thanks for the invitation, regretted its inability to accede to the wish of the conference. So from this point the mission of the United States became hopeless.

The response of some of the other states of the Latin Union was decidedly less favorable than that of France, and it is not improbable that France would have taken a decided stand for the gold standard at this time had it not been for the mass of silver in its currency and reserves. To have adopted the gold standard unreservedly under such conditions would have depreciated the currency in the hands of the people, and forced a loss on the Bank of France which would have nearly wiped out its capital. The position of Belgium and Switzerland was less complicated, much of their silver having passed into French hands.

Speaking for the former, Pirmez said that the propositions of the United States, taken together, amounted to saying that it was advantageous to employ gold and silver as money simultaneously everywhere, and with equal freedom of coinage. It was the system of the double standard to its full extent, and Belgium could not do otherwise than reject such a proposition. The double standard, he maintained, had the effect of organizing monetary crises, and, at that moment, the removal of the restrictions in the Latin Union would have the immediate result of giving enormous profits to speculators in the metals by enabling them to withdraw gold and replace it with silver. He admitted the gravity of the situation. Never could more exceptional circumstances have justified a conference, but, by a remarkable coincidence, he said, the extraordinary situation, which so well explained the meeting, seemed destined to render it without result, for the force of the economic facts, against which they were invited to struggle, defied every effort. It had been admitted in the discussion that no serious result could be obtained unless all the governments of the world adopted simultaneously an identical relation between gold and silver, for otherwise the depreciated metal would accumulate in the states bound to receive it, and attributing to it a fictitious value. The countries bound by agreement would become a field for speculation for those countries not bound by it. By adopting such a measure, he continued, Germany would have little desire to attend congresses, for she would find her affairs managed better in her absence than she could have ventured to demand if present. He saw no chance of unanimity; the two largest empires of the world would not bind themselves, and in what proportions and with what profits would they not exert their power over the countries which should be given up to their mercy — garroted by the invariability of the ratio? The American delegates had said that their proposition was only a wish, a request to express the idea that the realization of a general understanding would be advantageous; if impossible, it would not be done, but they would at least have indicated the end to be aimed at. "We are thus," said the Belgian delegate, "very nearly in the position of people who see an extraordinary bird soaring over their heads, but at such a height that their weapons cannot reach it. A question arises. 'It is not within range,' say some, 'let us not trouble ourselves about it.' 'Let us at least decide,' say others, 'that we should like to be able to bring it down.' So in this conference," continued Pirmez, "the choice must be between those who keep to the practical view, and those who demand the declaration of a platonic desire." Belgium would favor the former. Governments should pronounce only upon what they could convert into fact. He went further, and denied that the realization of an unanimous agreement of the world would produce the happy results expected from it. It was expected to acquire a monetary calm by letting loose the most violent tempest — by fixing a value on all the silver in the world higher than commerce would give it, when governments could not call value into existence. He admitted that a legal fixing of the ratio between gold and silver might give to the latter a value superior to its real value, but claimed that that value would be taken from gold. The sum of the two values would remain the same, the dynamics of values not differing from the dynamics of bodies. Two bodies endowed with different motions might be coupled together, and made to assume the same motion, and those who looked only at the body that had moved the more slowly might think there was a gain, but, on looking at both, it would be found that what one had gained the other had lost. If England should make the Indian rupees legal tender at home at 15.50 to 1, he said by way of illustration, they would rise, and the exchange of London on Calcutta would approach par, but England would be paying for a vain appearance, for what the rupee gained the sovereign would lose. Even if the metals were linked together the link would be of rubber, allowing sufficient play to break the dreamed-of harmony. He doubted if the metals would have the same value in different countries. Gold would disappear from countries where silver was most plentiful, especially the silver-producing countries. Speculation would withdraw gold from the places where it was worth most, and a fixed par of exchange could not be maintained. He agreed that the substitution of silver for gold might be a long operation, but, if the ratio should be commercially false — and it would be false, for it was this very falsity which was to rehabilitate one of the metals — gold would gradually withdraw from circulation, finding greater use in industrial and artistic consumption, sought for by those who hoarded, and eventually bringing a premium. This grand alliance of nations, then, after casting monetary relations into an unprecedented crisis, would lead only to complete defeat. He adduced many other arguments against the double standard, and his colleague, Garnier, endorsed his statements.

Belgium, like Switzerland, had been steadfast in its belief in the gold standard for twenty years, and it was not to be expected that the American propositions would find favor in that quarter. But safety required the Belgian government to adhere to the Latin Union, and, if France would have consented to bimetallism without restrictions, it would have made little difference what the Belgian delegates thought. As it was, these two states of the Latin Union, Belgium and Switzerland, were the strongest advocates of gold monometallism in the conference. Feer-Herzog had been its chief spokesman in monetary conferences and out for a dozen years. He devoted very little time to defining his position as a representative of Switzerland with reference to the American propositions, but he constantly took part in the discussion of incidental questions, and chiefly in reply to statements of the delegates of the United States. The conference was asked, he said, whether the entire world should fix an international ratio, and admit silver to unlimited coinage. It was spoken of as the "rehabilitation" of silver, yet in the mind of no one had there been any idea of excluding silver from circulation. It was not that which separated bimetallists from monometallists. Silver would always be a monetary metal, and he considered it better to maintain the existing condition of things, continuing to have here states with the gold standard, there states with the silver standard, and elsewhere states with the double standard. Any attempt to establish an international relation between the two metals he was opposed to. While France, as stated by President Say, was awaiting the favorable moment to re-enter the system of the double standard, in Switzerland and Belgium the gold standard was taken as the objective point; but this theoretical view dividing them, remarked Feer-Herzog, did not prevent their coming to an understanding in action upon the basis of the treaty of 1865. He believed in the future of gold as sole legal-tender money of unlimited coinage, and in the future of silver as mere fractional coin, because silver was an inferior metal, ill adapted to the needs of higher civilization, inconvenient for private persons, only fit as a standard for backward nations; a metal the value of which had been constantly depreciating for four centuries, and which, when maintained in the rank of legal money by civilized peoples, caused in a certain way the emission of paper money. It was because monometallists wished to assure to the nations the benefits and guarantees of a metallic circulation that they rejected the silver standard, behind which they detected the grave abuse of paper money. The possibility of establishing by international agreement a fixed relation of value between the two metals he denied entirely, considering it practically and materially impossible anywhere to establish a ratio that would not be constantly disturbed by the varying requirements of commerce and the Asiatic world, and also by the variations in the industrial and artistic use of the metals.

Italy was in a situation differing somewhat from that of other states of the Latin Union. Her currency consisting of inconvertible paper, and her liabilities being heavy, she naturally hesitated to exclude silver, with which she could acquit herself more easily than with gold. Count Rusconi said he would like to see the conference express itself on the question whether it were possible to establish a fixed relation between silver and gold; if it were decided to be possible, then the means to establish such a ratio could be discussed. He did not think bimetallism offered so many disadvantages that it could be said mankind had made a mistake in the concurrent use of the two metals during the entire course of the ages. Nor did he favor the division of the world into two camps absolutely separated from each other. He had observed with pleasure that no one in the assembly demanded the ostracism of silver; from different points of view its utility as money was recognized, and he thought that all there was to do was to fairly face the fundamental proposition of the United States — the determination of a relation. He believed such a relation was practicable, that it would maintain itself in the midst of the fluctuations of the market, and that its establishment was not like the squaring of the circle, impossible of solution. A metal was one thing, money was another. Nature made the metal, law alone made the money. "If," he continued, "the uncoined metal is subjected as merchandise to all the accidents of supply and demand, all the variations of the market, the coined metal, being no longer a merchandise, but having legal tender power, has a price which does not vary. In a piece of metal coined according to certain rules as to alloy, impression, size, shape, weight, the law becomes in a manner incarnate. It gives it the power of paying obligations, a virtue, a price which the metal merchandise could not obtain. Our countrymen would be greatly astonished if they were to be told that the 5-franc piece which they laid by in 1873, which they put into a savings-bank or kept in their chests, has in the last five years performed all the somersaults outlined in the very instructive table which the Director of the Administration of Coins and Metals of Paris has kindly communicated to the conference. The metal changes in value, it is true; but as long as the state maintains itself the coin does not change; it has actually and effectively the value which is indicated by its imprint."

As, in his belief, this conventional relation could exist and endure, Count Rusconi urged that the conference, in establishing it by mutual agreement, should thus give another guarantee, and, perhaps, the most stable of all, to the peace of the world. He had never maintained, he said, that a fixed ratio, in order to be efficient, must be universal, nor did he believe in the necessity nor even the utility in the present state of the world of the universality of the double standard, but he believed that what then existed between several states might exist in the same way, by virtue of the same principle, between a larger number of states; the broader the basis, the greater the stability of the system. The idea of the United States seemed to him feasible, and he regretted that the majority of the conference, judging from another standpoint, seemed inclined to reject it before sufficiently considering it. The question was of great importance, in his opinion. Beyond doubt, there were among those represented at the conference some states whose voice had not all the weight desirable, owing to financial difficulties, which various circumstances had caused to weigh upon them, but, if only two or three of the greater commercial nations of the world — France and England, for instance — should come to an agreement with the United States, the imposing group would soon draw the rest of the world into its orbit. It would give, he thought, to the bimetallic system a basis broad enough to insure the stability of the relation of the two metals, would stimulate their circulation, and facilitate the return of paper-money countries to a metallic circulation. This measure, which, for his own part and as an Italian, he ardently desired, he was afraid of seeing compromised by the demonetization of silver or by the maintenance of that metal in a depressed and sickly state, for which, by mere words, no efficacious remedy would be brought.

Baralis seconded his colleague's remarks by a strong appeal for some action, and asked if it were not possible by mutual concessions to create an international coinage. He urged that a committee be appointed to prepare that phase of the subject for consideration, and cited the good results following the union of four states by the agreement of 1865. A larger number of nations might enter into an agreement which would be mutually advantageous, and might help the situation as to silver. But President Say declared that this was an incidental proposal, and that the question before the conference was the reply to the American propositions, and the conference decided that the discussion of those propositions should take its course.

The French delegates at no time expressed any desire for an international monetary system which eleven years before France had sought so earnestly and skilfully to promote. But that was Napoleonism, and Napoleonism was dead. Another significant point to notice is that while the Italian delegates to the conference of 1867, like those from other states, declared for the gold standard for the purposes of effecting an international agreement, those to the conference of 1878 asked for such a currency to be considered from a bimetallic standpoint and as a means of keeping up the value and use of silver. It is quite possible that Italy's fall to a paper basis had much to do with its change of position.

The delegate from Greece, the remaining state in the Latin Union, stated that his government was in the same attitude of expectancy as France, and he could not give his adhesion to any resolutions of a nature to create the impression that his government would renounce that attitude.

The only other bimetallic country represented was Holland, where also the coinage of silver had been suspended. Vrolik, who was unavoidably absent, telegraphed to Count Rusconi, of Italy, on the last day of the conference, authorizing him to lay upon the table a copy of the address of the Society of the Netherlands for the Promotion of Industry to the King of Holland in 1876, already noted in these pages. It will be remembered that the address, signed by Vrolik as president of the society, while declaring that under the circumstances the Netherlands ought to abandon silver as a standard, having no other alternative, nevertheless earnestly urged the calling of an international conference with a view to the general adoption of the ratio of 15.50 to 1, and the free coinage of both metals, as a remedy for the silver depreciation that threatened injury to the Dutch-Indian colonies. Curiously enough, the American delegates took this address as an endorsement of their position at the conference and an utterance at variance with the position of Mees, the other Dutch delegate. Now Mees was a theoretical bimetallist. He was the only delegate in the conference of 1867 who questioned the advisability of a general adoption of the gold standard, and the position he took in 1878 was exactly what Vrolik might have been expected to take had he been present, judging from the address he sent for submission to the conference. Mees said he had no instructions which would permit him to vote for the propositions of the United States. So long as England and Germany retained the gold standard it would be impossible for Holland to adopt another system, and his government had instructed him to declare that it could not bind itself internationally in this matter, nor could it, under the circumstances, adopt separately any other than the present system. It was not forbidden him, however, to express his personal opinion, which was that it would be most beneficial to mankind if a large group of states should adopt the double standard; but, while he considered the original idea inspiring the propositions of the United States good and sound, the propositions themselves seemed to him in the existing state of affairs impracticable in Europe, where there remained hardly a state in which the coinage of silver was free. Mentioning, one after another, every nation, his conclusion was that the only states which might possibly accept the propositions of the United States were those having a paper circulation, but it was the opinion and co-operation of precisely these states, otherwise so important, which could have no practical utility from a monetary point of view. Still he did not think it was necessary to advise the United States to entirely renounce their idea. If there were no chance of finding allies in Europe, it might be different in Central and South America, in China and Japan, and even in the English and Dutch Indies, where the gold standard was adapted neither to the needs of commerce nor to the habits of the people. If after securing these allies they subsequently succeeded in adding to them the European countries, then given over to paper money, the union might be sufficiently vast to enable the legal relation of values to dominate over the natural fluctuations. He considered that the general demonetization of silver, undertaken everywhere at once, would have the most fatal consequences.

The suggestion of one of the original bimetallists, of making allies in South America, Asia, and in European countries given over to irredeemable paper currency, could hardly have been agreeable to the American delegates, when coupled with the assertion of Feer-Herzog that silver was the natural monetary metal of backward nations. If the American nation was a heavy debtor and still on a paper basis, no nation in Europe exceeded it in resources, and there was no reason for placing it, even by implication, in the list of backward nations, when its securities sold better in the London market than England's own consols, and when its 4-per-cents. easily brought par, though those of Germany were offered at less than 93, and those of France brought no more than 96, while Portugal, a gold-standard country, could not market her bonds at all, except upon the most ruinous terms. The American delegates courteously refrained from expressing any resentment at the inferences to be drawn from these remarks, for they were apparently made without the least purpose of belittling the United States, even though they may have contained a little quiet ridicule of the silver craze of the American people. The European nations were undoubtedly anxious to have something done to keep up the price of silver. The Netherlands had the welfare of her Indian colonies to consider; so had England. The bimetallic states had their stock of silver to protect; while Germany had a stock to dispose of, and, unless the price was maintained in some way, she could sell it only at a great loss. But the gold nations would not, and the bimetallic nations claimed they could not, do anything for silver themselves; secretly they feared that the United States would not do anything without co-operation. They hoped she would. It was with this idea that the delegate from the Netherlands suggested co-operation with Asia and South America; all the delegates tried not to discourage our government from rendering all the help possible in pulling the chestnuts of their governments out of the fire, and their idea seemed to be that, as silver was largely produced in the United States, the government was in duty bound to assume the burden of maintaining the price, while paying its debts in gold. If Congress had not committed the fatal error of legislating for silver before seeking a conference, thus holding out to Europe a hope inspired by embarrassments of its own, and also enabling it to find temporary relief in paying for our breadstuffs in our own bonds, the American delegates would have been in a position to have made the European delegates "squirm," and perhaps forced them to some kind of an agreement. As it was, the latter could not conceal their anxiety beneath a disguise of polite indifference, or in the assumed complacency of an attitude of expectancy.

England's position was that of a polite and sympathetic refusal to accept the propositions of the United States. Her representatives, said Goschen, were bound by instructions so that they could vote for no proposition compromising the gold standard, and, as this was also the case with the Scandinavian states, and France did not feel free to vote yet for a change in the fixed ratio, or for the free mintage of silver, the United States had really invited the delegates to adopt a proposition which some of them were precluded from entertaining. But, he added, if the proposition were rejected entirely, the rejection might be misinterpreted by the public, and unfortunately regarded as a verdict against silver money. In the text of the American propositions there was a declaration for which almost all the delegates could vote, and to which, as a principle, for his own part, he would willingly subscribe — that it was not desirable that silver cease to be one of the money metals. But it appeared that the propositions must be taken as a whole, and they thus incurred opposition and criticism that would not have arisen had the ideas been more clearly separated.

England intended to maintain her gold standard; Scandinavia and Germany were of the same opinion, and France was unwilling to change her ratio. So very little could result from a conference on such propositions, for, though Austria, Italy, and Russia might vote for them as theoretical questions, they could give no practical support because of their forced currency, and a theoretical discussion of the double standard or the advantages of a single standard would, in his judgment, be a waste of time. If, however, the question of the double standard were set aside, he thought, another question might fairly be put to the conference, and one of a most practical and useful character. "Assuming," he said, "that the universal double standard preferred by the United States be not adopted, what will be the future of silver? And towards what ends ought all states to work as far as practicable?" The aim, he thought, should be to maintain silver as the ally of gold in all parts of the world where this could be done. A campaign against silver would be extremely dangerous, even for countries with a gold standard. Though England had a gold standard, she had great interest in the maintenance of silver as currency. She had, moreover, in his opinion, a more defined and less compromised position for the discussion of this question than other countries, for she had borne the depreciation of silver in India without trying to shut her doors to it. She had done more than any other country, he declared, to maintain silver, had allowed it to take its natural course, while other countries had been shutting their doors; and the Indian government had suffered a great loss, the merchants from fluctuations in values, and public functionaries from the depreciation. Had the example of other countries been followed in India, silver might have fallen an additional 10 or 15 per cent.; so the *laissez faire* policy pursued for India had done more than anything else to keep up the value of silver. If, however, other states were to carry on a propaganda in favor of the gold standard and of the demonetization of silver, he feared the Indian government would be obliged to reconsider its position, and to take measures similar to those taken elsewhere. In that case the scramble to get rid of silver might provoke one of the gravest crises ever undergone by commerce. One or two states might demonetize silver without serious results, but if all demonetized there would be no buyers and silver would fall in alarming proportions. Thus, he claimed, all, or nearly all, states were interested in silver. Belgium, for example, had coined a large quantity of 5-franc pieces, and if the Latin Union came to an end these coins would necessarily flow back to Belgium, which could not then escape the general embarrassment. If all states should resolve on the adoption of the gold standard there would be a fear, on the one hand, of a depreciation of silver, and one, on the other, of a rise in the value of gold and a corresponding fall in the price of commodities. Italy, Russia, and Austria, whenever they resumed specie payments, would also require metal, and the example of other countries would force them to take gold. Resumption on their part would be greatly facilitated by the maintenance of silver as legal tender in some sections of the world. While, therefore, the American proposal of a universal double standard seemed to him impossible of realization, a veritable Utopia, the theory of a universal gold standard appeared equally Utopian, and, indeed, involved a false Utopia. There was a vicious circle; states were afraid of employing silver on account of the depreciation, and the depreciation continued because the states refused to employ it. As long as the German stock of silver was on the market, he considered that an expectant attitude must be maintained, and it was, he thought, in this direction, renouncing theoretical discussion, that states should use their efforts. When speaking of the advantages of this expectant attitude, he drew no distinction in his own mind between the countries which had prevented the influx of silver by temporary measures and those which, having hitherto left the mintage entirely free, were still patiently undergoing all the inconveniences of the depreciation. As to the latter countries, it was impossible for them to enter into engagements of any kind. Their position, however, was very different, and the plan of waiting, which might suit those who had already taken defensive measures, might have a quite different effect for those still opposed to all the dangers of the situation.

A little later in the discussion, Goschen said that, viewing the establishment of a fixed ratio between gold and silver as a principle simply, he would not hesitate to affirm the entire and absolute impossibility of it, for many reasons of a scientific and economic nature into which he would not enter. The conference might last weeks and months if all the questions connected with money were academically discussed, and he did not think that such was the object of the meeting.

The response of the Scandinavian states, the only others with a gold standard represented, was hardly as favorable as that of England. They appeared to have no strong interest in the future of silver and no fear of the results of the general adoption of the gold standard. Dr. Broch, of Norway, said the double standard was almost always an ill-regulated system. In reality there never was a double standard. He recognized that the United States had a great interest in having other countries make equal use of the two metals, for they feared that, if the states still subjected to the régime of paper money resumed specie payments with the single gold standard, it would produce the double consequences of increasing the value of gold and depreciating that of products of every kind. This would, in fact, present disadvantages to the United States from their point of view as a great producing country and as a debtor state. He admitted that, having a heavy debt, a rise of gold would aggravate its weight. But, he observed, on the other hand, with the double standard and unlimited silver coinage, it was also to be feared that everywhere the price of provisions and of the necessaries of life would be considerably increased, an evil which he considered more serious, because it reached not only the proprietor and producer, but the mass of consumers, the laborers, petty employés, functionaries — all who received wages or fixed incomes. Besides, said Dr. Broch, it seemed to be silver's destiny to be always falling. After the discovery of the mines of California and Australia, gold fell, and there was an upward movement in silver. But it never commanded a premium of over 2 per cent. Following the development of the silver mines and the silver demonetization of Germany, the metal experienced a fall far greater and more permanent. In fact, he believed, silver always went on losing in value with the exception of a few moments of stoppage, or even an accidental rise. The system of the gold standard, in his view, offered great advantages; gold on account of its greater portability would always have the preference in our civilization for both the foreign and domestic trade, and it had become the money of all progressive peoples.

He considered that it was not so much the lack of metallic currency as the organization of the banks and the deplorable condition of the finances which must be held responsible for the fact that so many nations were still subject to the régime of paper money. It would require, he believed, much less gold than was generally supposed for Russia, Austria, and Italy to resume specie payments, for experience had shown that it required an amount of gold equal only to its premium over the paper. The sum required by Norway to adopt the gold standard had been inconsiderable, and it would, in his opinion, be a great exaggeration to say that the total production of gold for ten years would suffice for resumption in the three countries he had mentioned. He then paid a tribute to the United States, praised the jealousy with which they guarded the national credit, and said that, although Europe might differ with them in its opinion on certain questions, the extent of their enormous resources, and the use they made of them through their energy of character, were everywhere admired. As long as they maintained a limit wisely fixed for the coinage of silver money they would, he predicted, be able to keep up the value of the new silver dollars at par with gold, inasmuch as a large quantity would be demanded for domestic trade. But they would not be able to do so if they continued to coin silver too long or if they adopted unlimited coinage. Rather than consider the American propositions, he thought it would be better to come to an agreement upon a gold coin which should be legal tender at par in all states having the gold standard or the double standard, and likewise upon a silver coin to be legal tender at par in all states having the silver standard. It would then be for commerce to regulate the relative value of gold and silver. Waern, the Swedish delegate, endorsed Dr. Broch's position, laying special stress upon the statement that nations with comparatively little wealth could, by good monetary laws, good institutions of credit, and prudence in their foreign commerce, retain sufficient specie for their exchanges and make their paper convertible; but the richest country could retain neither gold nor silver if its currency laws were bad, the banks mismanaged, and its imports excessive.

This leaves the attitude of Russia and Austria only to be considered — both countries on a silver basis nominally, but in reality having only a currency of inconvertible paper. C. Von Hengelmüller said the Austro-Hungarian government had given its representatives no authority to bind it, but, in the opinion of that government, the depreciation of silver was greatly to be deplored. In theory it could subscribe to the propositions of the United States, but, unfortunately, the advantages of the double standard depended upon its general adoption, which, in the existing state of affairs, was not to be looked for. So Austria-Hungary was also compelled to maintain the attitude of expectancy. He feared, however, that the rejection, pure and simple, of the American propositions might be interpreted by the people as a conclusion that there was actually nothing to be done to arrest the fall of silver. If, to avoid this difficulty, the conference desired to formulate its opinions in a response to the questions proposed, his government would take its stand by the side of those pronouncing in favor of the double standard. This declaration was fully endorsed by the other Austrian delegate, Count von Kuefstein, who appeared for the first time at the fourth session.

The Russian delegate declared that his government, although feeling it necessary to reserve its decision till the time of the resumption of specie payments, had accepted the invitation to the conference in part to respond to the desire of the American government, and in part with the hope of gathering precious material. He was opposed to the double standard, and, to show how antagonistic it was to the nature of things to endeavor to establish a fixed relation between the value of gold and that of silver, he cited the experience of his own country, where, in 1876, the depreciation of silver became so great that paper reached a premium of 5 per cent. as to silver, and the government was obliged to suspend the coinage of silver, though not paying in specie.

Thus from but two of the three governments condemned to the use of inconvertible paper did the bimetallic propositions of the United States secure an endorsement, and Italy was the only state giving them unreserved and cordial support. Of the specie-paying states represented, all either opposed the bimetallic idea, or assumed the attitude of expectancy, which was really the attitude of watchful inactivity contributing to the further decline of silver. Enthusiastic people in the United States had been led to suppose from the earnestness and standing of the European advocates of bimetallism that a simple proposition for the adoption of a fixed relation between the metals would receive a hearty support. The delegates found the situation altogether different.

In the discussion, the responsibility for the situation was chiefly and conveniently laid at the doors of Germany, though there was not, even among the gold monometallists, an entire agreement as to the effect upon the price of silver of the German monetary reform. In fact, it was a much controverted point. The controversy was precipitated by a statement made by Goschen that the "temporary and abnormal difficulties were created by the German stock of £15,000,000 of silver." He claimed that it was not the fact of the stock being in existence which depressed prices. If it were in the United States treasury it would not, he held, weigh on the market. The trouble was that it was liable to be dropped on the market as merchandise at any time. President Say expressed the same view, but Feer-Herzog maintained that it was a mistake to regard the German monetary reform as the principal cause of the depreciation of silver, or of the instability of its relation to gold. "The centre of gravity of the commercial movement of silver," he said, "is not in Germany; it is not contained in the existence of this stock of silver ready for the market of which a bugbear has been made; this centre of gravity is in the Indies. Last year [1877], for example, there was an exportation of 16 to 17 million pounds sterling from Europe to the Indies *via* Suez; in 1876, about 11 millions were sent. During the preceding years, from 1866 to 1875, the exportations had been only a few million pounds sterling, while, on the contrary, from 1860 to 1866 the average export reached 12 millions." He claimed that this changeableness of the Indian trade controlled silver in the money market, and was a factor infinitely more important than the German stock, which was almost equivalent to the production of the mines for one year, but no more. He did not think the German stock was dangerous because it was held ready to be thrown on the market, for the government would act with prudence and precaution. The sale was proceeding gradually, while, on account of famine or some great undertaking, India might call for an amount of silver in a single year, as in 1877, equal to the total of the German stock.

Gibbs, of England, attributed the fall in silver to the simultaneous action of several accidental causes — to the excessive yield of the silver mines, to the suspension of mintage in the states of the Latin Union, and chiefly to the demonetization of silver in Germany, by virtue of which that country had become a producer of the white metal, and, unlike normal production, the German silver was a definite mass already in the hands of the vendor. At one time, much in the same way, a large stock of copper in Chili, in addition to the ordinary production, led to a heavy fall in the value of that metal. Feer-Herzog replied that Gibbs was looking at the German stock from the standpoint of the London market, while his own standpoint embraced the entire globe. Dana Horton, who showed himself in the discussion one of the best-informed members of the American delegation, pointedly asked Feer-Herzog if he should continue to discover the causes of the monetary derangement in the demand of India rather than in the supply of Europe if the states of the Latin Union adopted the gold standard and put their silver on the market, the goal at which the Swiss delegate said his government was aiming. Such a demonetization would necessarily put on the market a great mass of silver 5-franc pieces. Feer-Herzog did not refer to the matter again.

Another point over which there was some difference of opinion was the effect on the price of silver of the suspension of silver coinage in the Latin Union. Gibbs considered it an important influence. Feer-Herzog thought this also a mistake, for no 5-franc pieces were coined at the French mint from 1857 to 1865, and that did not prevent the rise of silver. The Latin Union did not limit the mintage of 5-franc pieces till the commercial ratio was 16 to 1. Thus, said Feer-Herzog, the fall of silver preceded the measures of restriction; it was the fall which instigated those measures. Goschen submitted that this evidence was not conclusive, and did not exclude the fact that when the right of coinage was restricted, that restriction might, and necessarily must, have contributed in its degree to the fall of silver. When one had in his coffers a silver ingot which he knew he could immediately convert into money, and of which he knew he could always in that way make an immediate use, that metal had more value than if it could be used only in manufacture, the conditions of which had to be discussed, and the demand for which might have to be long awaited. It followed, said Goschen, that the restrictive measures of the Latin Union had assuredly contributed to the depreciation which other, anterior, and more active causes had provoked. Fenton spoke of the peculiar conditions affecting silver at the time the Latin Union closed its mints, an act which added to the unprecedented combination of circumstances against silver. Feer-Herzog said he felt bound to declare plainly that the states of the Latin Union, acting under full responsibility for their proceedings, were entitled at that time to consider their own interests exclusively. Their urgent, imperative interest lay in guarding themselves against the invasion of a metal already depreciated. If the limitation of the mintage had not been decreed, the German monetary reform would have been effected at their expense; all the silver of Germany would have been poured into France, and, not in several years, but in several months, a billion of francs in thalers and florins would have taken the place, over the area of the union, of a billion of gold. By virtue of what principle, he asked, could it be asserted that the states of the Latin Union ought to bear the cost of this operation and alone undergo its consequences? Were the people of England and America in possession of a privilege by virtue of which the monetary system of the Latin Union must be regulated to their advantage, and so as to insure profit to them? Evidently not, he said, any more than the subjects of the Latin Union had a vested right in the monetary systems of England and America. He spoke with much animation, denying that the measures of the union were open to reproach, and the question, which was simply an incidental one, was then dropped.

The delegates of the United States were not silent while those of foreign countries were declaring their positions and the incidental questions were being discussed. The regular order of the debate has been departed from for the purpose of presenting at once and more intelligently the attitude of Europe, and it now remains to note the arguments of our representatives. They presented their case with marked ability, with earnestness and evident sincerity, occupying their full share of the time. They were in a disadvantageous position, having presented propositions which the foreign delegates either opposed as impracticable or illogical, or rejected for the time as impossible, and being compelled to defend their position without support from any quarter except Italy — a country in bad financial circumstances.

Groesbeck's opening remarks in submitting the propositions were made in the second session. During the fourth, August 22, when the impossibility of securing any practical results was clearly manifest, General Walker set forth in a long address the reasons for the belief in the possibility and efficiency of international bimetallism. He held that the propositions did not raise simply a theoretical question, but, in distinct form and free from the embarrassments of economic theory, a practical question of vast importance to Europe, to America, and to mankind. He combated the idea that the misfortunes of silver were due to the workings of natural law in the following words:

"Silver has not ceased to be money as the result of natural causes, that is, of economical forces operating upon the choices of individual producers or exchangers. The very suddenness of the change and the violence by which it has been accomplished would suffice to show this, did we not know that the rejection of silver has been effected by action distinctly political, the laws or decrees of government, those laws and decrees having, it is notorious, been suggested and urged by the political economists of a certain school, incited thereto in no small measure by the recommendations of a conference not wholly unlike the present. I refer to the conference of 1867.

"We are not, therefore, asking this body to decree the reversal of a law of nature in asking the consideration of the expediency of arresting and, so far as practicable, reversing the movement for the demonetization of silver. So far as that movement has proceeded, it has been wholly a work of man's accomplishing, as it was of man's devising. The action of Germany in 1871 was wholly gratuitous and of choice, not compelled or even suggested by any commercial, industrial, financial, or fiscal stress or exigency.

"That action, involving important changes in the monetary policy of the Scandinavian kingdoms and of the Latin Union, was, as we conceive, taken under bad advice, with partial or mistaken views of the proper relations of silver to the trade of the civilized nations in their present state of development, and with little or no consideration of the broader question as to the effects upon the production of wealth which would be wrought by so great a diminution of the money supply of the world.

"As the conference of 1867, wholly absorbed in the consideration of the means of securing international coinage, did incontestably exert a powerful influence in initiating the movement for demonetizing silver, it remains for the conference of 1878, with a more sober judgment and a larger view of human interests, instructed as the nations have been by the bitter experience of the past few years, to put forth its hand to stay the progress of that demonetization which has already brought such mischiefs upon trade and the production of wealth.

"In referring thus to the conference of 1867, I have no wish to disparage the object of international coinage. A uniform coinage of money by all civilized nations would offer certain, definite, appreciable, but not momentous practical advantages, and would be, moreover, of considerable sentimental importance. It is worth the making a certain sacrifice of national prejudices; it is worth the incurring a certain definite expense in recoinage, and a certain temporary embarrassment of trade, pending the readjustment of monetary systems consequent thereon. It is not worth the sacrifice of a single vital interest of mankind, and the conference of 1867, in proclaiming a crusade against silver for the sake of forwarding the cause of international money, did a mischief whose consequences are even yet only half unfolded."

General Walker then proceeded to antagonize Feer-Herzog's position as to the grouping of the nations in respect to monetary circulation, the civilized states using gold as the sole standard of value, and the uncivilized silver. There were not more than three territorially extensive countries in the world, he said — and the experience of Germany showed that she was not one of them — which could possibly maintain a single gold standard upon true economic principles.

"If there is any one thing which political economy declares with an unfaltering voice, it is that the principal money circulating in the hands of the people of any country should be of full metallic value. The coinage of *billon*, or token money, is indeed admitted by political economists, but only as applied to what may legitimately and strictly be termed the " small change " of trade. To extend the operation of a heavy seigniorage to the main body of the money of a country, what is it but to corrupt the coin and to generate in the public body the *morbus numericus* of which Copernicus wrote, that it is more fatal than civil war, pestilence, or famine?

" Better, far, inconvertible paper money than a debased coinage; for the former, at least, does not deceive the sense of the people. If a wrong, it is a wrong confessed and which is always suggestive of its proper remedy. The universal gold monometallism of Europe which has been recommended would, in most countries, amount simply to this: A scanty coinage of gold, held mainly by the banks for the settlement of international obligations, and a vastly preponderating circulation of debased silver."

He maintained that if England, while exacting a heavy seigniorage upon the shilling, florin, and half-crown, so carrying the principle of *billon* to the verge of safety, still maintained in circulation a large amount of sovereigns and half-sovereigns, it was because of her great wealth and rapid circulation, and few other countries in Europe could do it. " If," he added, " those nations only are to be called civilized which are prepared to receive gold as their principal money, their sole money of full value, we must, perforce, take a somewhat lower view that we have been wont to do of the progress of mankind."

He then entered into an economic argument to show that a fixed relation could be maintained, freeing international exchange from embarrassment, so that all would gain and no one would lose. But more important, in his view, was the probable effect upon the production of wealth resulting from the diminution of the money supply of Europe and America by the continued demonetization of silver. He said:

" Cutting, as in the first instance it does to the very quick, into profits of the *entrepreneur* or man of business, which profits constitute the sole motive to production under the modern organization of industry, and enhancing, as in its ultimate operation it must, the burden of all debts and fixed charges, public, private, or corporate — which debts and charges are, in effect, the mortgage which the representatives of past production hold upon the products of current industry — a diminution of the money supply is one of the gravest evils which can menace mankind. . . . .

"At a time when the production of the two historical money metals, jointly, is diminishing, this most unfortunate occasion is taken to throw one of them out of use as money of full value; to remit it to the uses of token money, and to banish what of the accumulated stock of three thousand years' production cannot thus be employed, to be hoarded in the East as treasure or devoted to personal ornament.

"Against so great a wrong to civilization and to the hopes of mankind the representatives of the United States here present raise their earnest protest and warning. This is our real interest in the silver question. This it is which brings us here."

The fact that the United States produced silver, he continued, was a consideration so slight in the presence of far-reaching and enduring interests like these that it sank utterly out of view. Nor did the interest of his government arise out of the possession of a stock of silver of which it feared the depreciation, for it had only a moderate supply of specie, and most of that was gold. "But if we held as large a stock as France or India, we should," he asserted, "in our view of the relations of the money supply to the interests of trade and the production of wealth, look upon the fall of that silver to 45, to 40, or to 30 pence an ounce simply as a net definite loss, once for all, of so much of our accumulated wealth — a loss to be made good by increased frugality and industry — while we should look upon the reduction of the stock of money by such a cause as an event of vastly greater magnitude, bringing in its train indefinite possibilities of evil, not to us alone, but to the whole world, not in our time only, but through generations to come."

Feer-Herzog was the chief-defender of gold monometallism from the sharp assaults of the American delegates. In reply to General Walker he questioned the historical accuracy of the statement that Europe was for two centuries devoted to a silver currency. The truth, he said, was that in Europe, as in the United States, there was a gold and silver currency, with a much larger proportion of gold than of silver, the silver currency being especially that of the less rich and less industrial nations. He thought also that Walker was wrong in criticising the tendencies of the conference of 1867, and called attention to the fact that then the United States showed themselves warm supporters of the gold standard. "It was they who led the campaign in favor of gold," he said. The conference of 1867 desired what he now asked for, a division of the world between gold and silver — to reserve gold for the civilized, rich, active nations, leaving silver, the inferior metal, to the less advanced peoples, who were content with it, and even preferred it, provisionally retaining the double standard for nations, whose situation debarred them from pronouncing immediately for one metal or the other. He also held, contrary to the assertions of the American delegates, that the greater part of the perturbations and disasters which had been provoked in great nations had been caused by the double standard. Reviewing briefly the monetary history of England, France, and the United States, he said that the double standard had nearly always been an alternating standard. The system was a necessary speculation at the expense of the people who adopted it for the benefit of people who did not adopt it. He denied that the exclusive gold standard led to the injurious issue of fiduciary money, but reasserted that such was the result of the double standard. Dana Horton took the Swiss delegate to task at this session also, holding that, even if the double standard acted as an alternating standard, neither the suspension nor the entire suppression of one of the two metals occurred. It was only the withdrawal into the background of one metal and the prominence of the other, a phenomenon which occasioned less inconvenience than was supposed.

At the opening of the fifth session Groesbeck made an earnest appeal for an agreement on a fixed ratio, and asserted the futility of the claim that an equilibrium of value between gold and silver could not be maintained, for, he asserted, it had been done. Throughout the entire past up to 1873 both metals had been in equal use as money, and had kept together evenly enough. Now and then, at long intervals, the relation between them had slightly changed, he admitted, but the change was easily made and without noticeable inconvenience. Up to the middle of the present century it had never been suggested by any writer or statesman that either of the metals should be generally abandoned because of the difficulty of keeping them sufficiently equalized. This, he said, was the lesson of many centuries, and, theorize as they might, what had been done in the past could be done in the future. He was pleased to note that, in the opinion of the conference, it was not desirable to discontinue the use of silver as legal-tender money. The conference of 1867 had expressed itself in favor of gold alone; that of 1878, he thought, would be more favorable to silver, showing some gain in sentiment because of recent economic experiences. He was convinced that a proper use of both metals could not be brought about by such a plan as that of monopolizing the gold for the more advanced nations, and relegating silver to the more backward. Nations, he said, could not come together and divide themselves into two such classes, nor would commerce make such a classification.

If the fall of silver were prevented, the rich and powerful nations must do something. The question he would suggest, therefore, was whether nothing should be done for the present, or something should be done at once. He argued for the latter course, the unprecedented conditions of 1874 regarding silver having changed, there being no silver on the market that could not be taken care of by agreement, except that of Germany. If the yearly production amounted to $72,000,000, he thought that the East would absorb $30,000,000 of it, and the silver states of South America $5,000,000 more. Fully $30,000,000 worth would be required for the industrial arts, and to make up the loss by abrasion. The small balance could easily find a place without disturbance. All that was left was the German stock of, say, $75,000,000. The United States must coin at least $24,000,000 under the new law, and might coin $48,000,000. It would not take long, therefore, he thought, before the states in the agreement absorbed all the surplus silver and brought it to a parity at a fixed ratio. Referring to the experience of a few years before when the flood of gold came from California and Australia, and some economists began to talk of the demonetization of the yellow metal, he said:

"The flood subsided, and what came as a danger remained as a blessing. What if the coinage of gold had been limited or suspended at that time? It would have been a great error, resulting in consequences very like to those now upon us. Silver would have been uppermost, and gold, excluded from the mints, would for a time have been only merchandise, for which there would have been but a small demand. Nine hundred millions of gold in six years — a production that has had no parallel in all the past. It was welcomed rather than rejected, and we put upon it the stamp of law and made it money, and so it was saved from depreciation. Seventy-five millions of silver! — can we not welcome this also, and put upon it the stamp of law and make it money, and so save it and our own silver from the possible danger of further depreciation?

"Gold and silver, neither alone, but both equally, have endured a trial of thousands of years, and through all the past it was never suggested that they were too abundant. The first suggestion of such a kind occurred quite recently, when it was recommended that gold should be demonetized because of excessive production. Alas! if it had been done. The second is now to demonetize silver. Alas! if it shall be done. It would almost as soon occur to me to strike into barrenness a part of our wheat-fields because now and then their harvests seemed too plentiful, or to desolate some of our mines of coal, iron, and other minerals, because now and then their yield seemed excessive, as to desolate any of the mines of gold and silver, because now and then their yield happened to be abundant. The more reasonable apprehension is that they may at some time fail. On the other hand, population, labor, trade, commerce, and the endless activity of life will never fail, but ever increase, and their demand for these metals will always utilize their utmost production. How, then, shall both be saved? Not by putting the small and poor and less civilized nations on silver and the great ones upon gold. Far otherwise. They are to be saved by the co-operation and influence of the great and powerful nations. Must all co-operate? It would be better, but it is not necessary. There are enough here in this council to accomplish the result."

Realizing that the hesitation of France might in some degree be caused by the American ratio, he said:

"We prefer our relation, and I believe if we could all take it today it would be better received and secure stronger acquiescence than if we should go to yours. It is not to be overlooked that the tendency has been to a widening, rather than to a narrowing, of the relation. It has been widened more than once, and the time may have come to make another slight change. However that may be, what I desire to say in this connection is, that if we can agree upon a plan to restore silver I take it for granted that all who are parties to the agreement should stand upon the same relation. It may be ours; it may be yours. In the absence of such an agreement, we shall, of course, adhere to our present positions, and it is unnecessary to decide which would be the better relation."

Dana Horton supplemented Groesbeek's earnest appeal for co-operation in a long discourse, citing many historical and statistical facts in favor of co-operate action, and maintaining that the alleged powerlessness of the nations in the existing state of things, of which Feer-Herzog and others had spoken, did not actually exist. It had never entered the thoughts of the American delegates, he said, that the proposed international relation between the two metals must be adopted by the entire world. The very fact that the East absorbed the greater part of the silver production would facilitate the establishment of that "quasi-universal bimetallism" of the Western nations which was the aim of the conference. He furnished many historical reasons for his belief in the success of such a combination, if effected.

Some of the foreign delegates manifested an impatience over the continuation of the conference after it became apparent that no agreement could be reached. As early as the fourth session, President Say remarked that, as each delegate had expressed his opinion upon the propositions, the time had possibly come to form a reply to them, if deemed wise. Goschen could see no reason for lengthening out the debate when there could be no practical result. But the American delegates did not think the limits of the discussion could be fixed in advance. Ex-Senator Fenton submitted that, if the propositions they had offered did not appear acceptable, a committee might be directed to formulate others on which an agreement might be easier. The subject, he urged, was too important to be hurriedly dismissed. In deference to the desires of the American delegates, the sessions were continued to enable them to fully present their case. Meanwhile the English and French delegates got together privately, framed a reply to the American propositions, and had it ready when the conference met for the sixth session, and Fenton obtained the floor to make the concluding appeal for a forlorn hope. He spoke of the depressed condition of trade and industry and the remedy, as it seemed to him, was some action in harmony with the general aims of the conference. It might not be practicable to step forward into formal agreement at once, but, in his judgment, it would be for the interest of all the states represented to make some expression distinctly favorable to that object. According to reliable estimates, there was something over £500,000,000 of silver in circulation in the world. The importance of the relation of this volume of money to the exchanges and industries of mankind was admitted, he said, and could not well be overstated. He spoke eloquently of the resources of his country, of its position in resuming specie payments, but there were difficulties to which he referred as follows:

"After all, even under these favoring circumstances, it must be confessed that it is hard work to pull up, harder than I could wish. We feel that the case would be made somewhat easier by international co-operation in the fuller use of silver. In the exchanges of trade, in the work of production, in the compensations of labor, and in every business transaction, its freer course is of first importance. Indeed, the question of its free relation with gold as money is closely connected with all the varied and multiplied interests of daily national and international affairs.

"It is the province of practical statesmanship to secure whatever of beneficent effect may come from the restoration of this metal to an unfettered position. Our people have felt hopeful and our government has given official expression of the desire that this conference would do something to this end, and not only for us, if so much for us, but also for the family of nations. We prefer not, if we could, to stand alone. Our interests are your interests, the interests of our respective nations in this respect are practically identical.

"The representatives of the United States, on behalf of their government, at the outset, at your instance, gentlemen, had the honor to make a brief declaration of the questions for discussion. It was in the spirit of the invitation to you to meet us in council. We felt assured of your approval; if not of just that, of an expression in some form on your part which would lead us to hope for international agreement and co-operation in the not distant hereafter.

I beg you to reassure us in your own words, if not in ours, and we shall not fail to report to our government your sense of regard for its broad views and liberal spirit. In anticipating your decision I do no more than bespeak the action of the eminent representatives of enlightened and progressive nations."

No reply was made to Fenton's remarks, and there the general discussion closed. President Say suggested an adjournment of the session for three-quarters of an hour "that the delegates of the European states might agree among themselves as to the collective answer to the propositions." This was done, and, upon reassembling, the American delegates requested that the conference adjourn after the reply was presented till the following day to enable them to agree as to a response to the declaration of the foreign representatives and present observations upon it. Goschen said that the conference should not be uselessly prolonged, but he was disposed to allow the American delegates the delay they requested. So it was decided that the reply framed by the French and English delegates should be at once presented and on the following day discussed. The text of the reply was as follows:

"The delegates of the European states represented in the conference desire to express their sincere thanks to the government of the United States for having procured an international exchange of opinion upon a subject of so much importance as the monetary question.

"Having maturely considered the proposals of the representatives of the United States, they recognize:

"1. That it is necessary to maintain in the world the monetary functions of silver, as well as those of gold, but that the selection for use of one or the other of the two metals, or of both simultaneously, should be governed by the special position of each state or group of states.

"2. That the question of the restriction of the coinage of silver should equally be left to the discretion of each state or group of states, according to the particular circumstances in which they may find themselves placed; and the more so, in that the disturbance produced during the recent years in the silver market has variously affected the monetary situation of the several countries.

"3. That the differences of opinion which have appeared, and the fact that even some of the states, which have the double standard, find it impossible to enter into a mutual engagement with regard to the free coinage of silver, exclude the discussion of the adoption of a common ratio between the two metals."

This reply was but briefly discussed at the seventh and the last session. Garnier, a Belgian delegate, made some pleasant remarks about the brilliant qualities of the American delegates in debate, and said that the frankness with which they had given their views demanded that the response should be equally clear. He accepted its terms, as framed, for himself and his colleague, who, he claimed, had demonstrated the impossibility of a fixed relation between gold and silver. Count von Kuefstein, speaking for Austria, said that he had no objection to the proposed response, as it was a declaration entirely theoretical, leaving to all states a freedom which they never intended to limit in participating in the conference, and by virtue of which they could each separately take such measures as they pleased in monetary matters, or, if they desired, could ally themselves at any time with other countries, or again set on foot a new international investigation. Goschen said that, as the response in no way attacked the single gold standard, the English delegates were free to adopt it. It would be impossible for them to support any declaration in favor of the double standard. If in his previous remarks he had affirmed that silver ought to be an ally and partner of gold, he by no means intended to say that the two metals ought both conjointly to be placed upon the same footing and become legal tender in all countries. He had merely desired to combat the theory of the economists who demanded the universal adoption of the single gold standard — a measure which, in his view, might be the cause of the greatest disasters. "I maintain my assertions in this connection absolutely," he said. "I believe it would be a great misfortune if a propaganda against silver should succeed, and I protest against the theory according to which this metal must be excluded from the monetary systems of the world." Feer-Herzog shared in the views of the delegates of England and Belgium, as to the appropriateness of the response.

Thoerner, speaking for Russia, declared that he accepted the draft proposed in the narrow sense, nothing being inferred from it except what was actually there. He wished to guard against any interpretation of it in the sense of veiled adhesion to the system of the double standard to which Russian public opinion was decidedly opposed. Count von Kuefstein rose again to say that, from the explanations given, it might be inferred that the declaration implied an admission of the impossibility of an international arrangement for the double standard. He therefore felt obliged to declare, for his part, that if he adhered to the formula it was precisely because, in his view, it did not exclude the idea that such an arrangement was possible.

The different interpretations which were thus made to justify the acceptance of the response showed that it had been skilfully drawn to be non-committal and indefinite. The early remark of the Belgian delegate as to its clearness was spoiled by these evidences of the elasticity of its meaning. Austria, which announced that it would take the side of bimetallism in theory, and Switzerland, whose delegate denied the possibility of bimetallism, even in theory, could both accept it.

The only objection to it came from Italy. Count Rusconi said he could not accept its terms, for the object of the conference was to study the means of establishing a fixed relation between the value of the two metals, and the proposed declaration did not respond to this object. It seemed to him that, in drafting it, special care had been taken to avoid anything that might give rise to a hope, even the most vague, of a future understanding. "It is," he said, "limited to a statement that each one will continue to do at home everything he pleases. It is true, a recognition is made that silver has a monetary function to perform in the world. But what value can this declaration have? Did it depend upon a conference to ascertain such a fact as this?" It appeared to him that to reach such a result it was hardly necessary that almost all the states of Europe should have made haste to accept the invitation of the United States, and he was, therefore, compelled to embody his opinion and that of his colleague in the following:

"1. That by the adoption of the formula proposed the conference does not respond to the question which was put to it, and that in systematically avoiding to pronounce itself upon the possibility or impossibility of a fixed relation to be established by way of international treaty between coins of gold and of silver it leaves its task unfinished.

"2. That since the French law established such a relation between the two metals, the oscillations of their relative value had been without importance, whatever had been the production of the mines.

"3. That consequently, *a fortiori*, if the law of France had been alone able to accomplish the result, the day when France, England, and the United States, by international legislation, should agree to established together the relation of value of the two metals, this relation would be established upon a basis so solid as to become unshakable."

General Walker then read the following in behalf of the American delegates:

"In response to the address of the representatives of the European states, the representatives of the United States desire, on their part, to express their sincere thanks to the European states for accepting their invitation and consulting with them upon a subject of so much importance.

"The representatives of the United States regret that they cannot entirely concur in all that has been submitted to them by a majority of the representatives of the European states.

"They fully concur in a part of the first proposition, viz.: that 'It is necessary to maintain in the world the monetary functions of silver as well as those of gold,' and they desire that ere long there may be adequate co-operation to obtain that result. They cannot object to the statement that 'the selection for use of one or the other of these two metals, or of both simultaneously, should be governed by the special position of each state'; but if it be necessary to maintain the monetary functions of both metals, as previously declared, they respectfully submit that special positions of states may become of but secondary importance.

"From so much of the second proposition as assigns as a special reason for at present restricting the coinage of silver, 'that the disturbance produced during the recent years in the silver market has differently affected the monetary situation of the several countries,' they respectfully dissent, believing that a policy of action would remove the disturbance that produced these inequalities.

"In regard to the third and last proposition, they admit that 'some of the states which have the double standard,' or, as they prefer to say, use both metals, 'find it impossible to enter into a mutual engagement for the free coinage of silver.' They, as representatives of the United States, have come here expressly to enter into such an engagement. The difficuly is not with them; and, wherever it may be, they trust it may be soon removed.

"They entirely concur in the conclusion drawn from this state of the case, that 'it excludes the discussion of the question of the adoption of a common ratio between the two metals.' It is useless to agree upon a particular ratio between the two metals if the nations are not ready also to adopt a policy to uphold it. We remain upon ours, the European states upon theirs."

No one expressed any desire to further prolong the discussion, and thus, on August 29, after seven sessions, the conference of 1878 adjourned. While apparently nothing of a practical nature resulted, the cause of the exclusive gold standard was, nevertheless, appreciably weakened, and that of bimetallism somewhat, if not correspondingly increased. The attitude of the nations was very different from that taken in 1867, when all were for the gold basis, and only a Dutch delegate had misgivings as to the economic effects of its general adoption. No delegate in 1867 favored a double standard, or considered it economically possible. In 1878, only the delegates of Belgium and the Scandinavian states considered the general adoption of the gold standard as either desirable or possible. England regarded it as Utopian, Switzerland admitted that only advanced nations could afford it, while France, Holland, and Austria, though deeming the adoption of bimetallism impracticable then, favored it as the object to be sought in the future. The United States and Italy desired its immediate adoption. This was undoubtedly a distinct gain.

The economic results of the artificially created demand for gold had not yet manifested themselves so appreciably as to suggest all of the arguments for international bimetallism. The fall in prices was yet largely theoretical. Statistics were incomplete, and the few attempts made in the conference to demonstrate the fall were inconclusive. But the leading advocates of gold discarded their argument of a few years before concerning the ample supply of gold. The impossibility of maintaining it had been demonstrated by some unpleasant experiences in the banks of issue, and it was, therefore, necessary to make more of the argument for the division of the world into groups according to their commercial development — an argument incapable of enduring close scrutiny.

The two serious obstacles to the accomplishment of definite results in the conference were the non-participation of Germany and the uncertainty as to the future course of events in the United States. Their legitimate offspring was the "attitude of expectancy." With German silver in the market, the Latin Union could not reopen its mints, and in all probability it would not care to do so, should the United States freely open theirs, either independently or in co-operation with governments outside of Europe, for it would never consent to the adoption of the American ratio and recoin its enormous mass of silver; nor could it reopen its mints without adopting the American ratio, for, there being 3 per cent. difference, all the silver would have gone to the Latin Union for coinage, and its gold would have gone to the United States and Germany. With Europe in this attitude all negotiations were useless.

CHAPTER VI

SERIOUS LOSS OF GOLD BY EUROPEAN BANKS OF ISSUE — THE CONFERENCE OF 1881

THE failure of the conference was a great disappointment to the American delegates, whose expectations had been unreasonably high, but it was evidently due, in a large measure, to the legislative blunder of February, 1878 — the law which created them and provided for the conference. Leaving the future welfare of bimetallism out of the question, and considering that act simply as legislation for domestic ends, it could not be called a blunder, for, although, as a means of providing a subsidiary silver currency it was wrong in principle, and, therefore, dangerous if persisted in, its immediate effects were helpful to business, and even to successful resumption. But it was a blunder from a bimetallic standpoint, not so egregious as the free coinage of silver would have been under the circumstances, but serious enough to place the European nations in an attitude of expectancy — the expectation of possible relief or safe escape through silver coinage in the United States from their own situation of increasing embarrassment. What made this blunder all the more deplorable from a bimetallic standpoint was the fact that the prospects of an international agreement decreased in the proportion that the United States coined silver at the ratio of 16 to 1, thereby increasing the difficulty of recoinage, inevitable in such an agreement.

Hardly had the conference of 1878 closed when the European governments began to be seriously alarmed over a difficulty to acquire and to keep gold in the banks of issue. They were painfully aware that, under prevailing commercial conditions, a succession of bad harvests at home and of good ones in America would necessitate large payments to us in gold, unless they could increase their exports of merchandise, or we gave them the privilege of paying us in their silver. Our tariff being protective, and our developing manufactures supplying more and more of our needs, Europe was discovering that its payments for breadstuffs presented a serious problem. For some time the leading banks had been compelled to maintain high rates of discount to keep their reserves intact. Money was generally abundant, but business was dull, a state of things which naturally would tend to the accumulation of specie in the banks.

At the time of the adjournment of the conference, the reserve in the Bank of England stood at £8,603,000, but October, and not August, was the usual month for low reserves. The average for August and October for each year from 1871 to 1877, inclusive, had been as follows:

	August.	October.
1871, ...	£15,186,000	£9,467,000
1872, ...	12,139,000	8,618,000
1873, ...	13,005,000	9,573,000
1874, ...	10,672,000	9,812,000
1875, ...	15,696,000	10,987,000
1876, ...	20,362,000	16,290,000
1877, ...	12,293,000	9,589,000

The bank was not, therefore, in a good condition to meet the later demand, but by maintaining a discount rate of 5 per cent., it succeeded for a time in preventing a further depletion. During the autumn, the price of certain railroad stocks largely held in England, notably the Erie, advanced rapidly in New York under the influence of a speculative fever, and foreign investors made heavy sales to realize the profits. This helped England to balance accounts, and enabled the bank to maintain its reserve until the tide turned, but even then it attracted only moderate amounts from abroad. *The Bullionist*, in an article on the state of trade, said:

"Of late we have had a very sharp reminder, in our inability to attract gold to our shores, that an ounce of fact is more potent than a pound of theory. At a time when money here has grown rapidly dearer and is double in value what it is in some other European centres, we find ourselves unable to bring here the supply of capital of which we so greatly stand in need. The truth is, our indebtedness to other countries has assumed such large proportions that we are no longer in a position to command supplies of gold as we once could."

An article in the treaty of the Latin Union of 1865 provided that if notice of dissolution were not given before January 1, 1879, the treaty should remain in force for fifteen years, from January 1, 1880. A large party in France had for some time considered the union disadvantageous to their country, as the silver from the other states worked its way into French provinces, and, finally, into the reserves of the bank. Nearly all the silver coined in Italy quickly passed into France, and the government determined to bring the question of the dissolution of the union before the plenipotentiaries of the different states. A conference was called and assembled at Paris late in October. The smaller states were strongly opposed to the dissolution, realizing that they might be required to redeem their exported silver coins, and they also objected to any definite arrangement for the redemption of their coins while the union was continued, though strongly urged by France to do so. An agreement was finally reached on a new treaty, continuing the union in all that related to the fineness, weight, denomination, and currency of the gold and silver coins, but providing for the suspension of the coinage of silver 5-franc pieces to be resumed only upon a unanimous agreement of the states. The treaty was to remain in force but eight years. France was thus left to bear the burden of the depreciation of silver; Belgium and Switzerland, which had urged the adoption of the gold standard in conferences, being unwilling to effect the speedy redemption of their own silver issues, and Italy being unable to do so.

Meanwhile the finances of the German empire were far from satisfactory. The Reichsbank, desperately holding to its gold, kept its rate of discount at 5 per cent. during 1878, and by selling silver accumulated a large amount of gold for the government. But every sale occasioned a heavy loss to the imperial treasury. It was reported in February, 1879, that the deficit in the imperial revenues amounted to 70,000,000 marks, and the Prussian deficit was 78,000,000 more. This was in strong contrast to the United States, which were paying off their debt rapidly, selling abroad more than they purchased and accumulating a surplus. A sentiment antagonistic to the monetary reform began to manifest itself all over the empire. In March the *Berlin Borsen-Zeitung* urged the government to coin into small change £5,000,000 of the old silver on hand, which, it said, was one-half of the amount still to be withdrawn from circulation, on the ground that it would prevent a great loss to the government without interfering with the plan of currency reform. Silver was then quoted at 49*d.*

The only European mints remaining open to silver at this time were those of Austria-Hungary. During the latter part of 1878 and the first quarter of 1879 the imports of silver into that empire were very large, and, as the low price of the metal made it profitable to send it to the mints of Vienna and Kremnitz, private persons availed themselves of the opportunity very extensively. As the coins flowed out from the mints, and as the price of silver fell, the premium on the metal gradually decreased and finally disappeared. It would have been easy then for the government to have resumed specie payments on a silver basis, and it was advised to do so. But it refused, and discontinued the coinage of silver instead, considering gold indispensable for specie payments in the existing attitude of Europe. Thus, by March, 1879, silver was debarred from every mint in Europe, where six years before, in 1873, it was coined to the value of about $90,000,000. The price of silver at once fell to 48*d*. Every point it fell added to the difficulties of the other countries — England through Indian exchange, France through depreciation of the currency of its people and the reserves of its bank, Germany by adding to the loss of every ounce it sold, as well as to the depreciation of every thaler it was compelled to keep.

Even before this drop the commercial boards of London had been studying the problem of advancing the price of silver in the interests of India — and of themselves. Late in February, 1879, a memorial was prepared and extensively signed by merchants and bankers trading with the East, proposing a plan for relief. It recognized as among the causes of the decline in the price of silver the extensive drawing of India council bills, and suggested that the causes of the decline might be greatly mitigated by reducing the drawings, say £5,000,000 per annum for each of two years, and by borrowing temporarily in England an equal amount (£10,000,000) to provide for the requirements of the Indian government. It was held that the immediate effect of the measure would be to raise the exchanges, relieve the market from the incubus of the German supply of silver, and consequently of the loss occasioned by the drawings, while later, with a revival of trade, the loan could be repaid from India by a slight increase of the yearly drawings of council bills. The memorialists figured the salable stock of German silver at £10,000,000, and seem to have had the impression that a reduction of the India drawings to that amount would restore the normal conditions. The government considered the project favorably, and on March 28 a bill was introduced into Parliament asking for authority to borrow the amount, instead of drawing council bills, which were at 20 per cent. discount, and, therefore, imposing a heavy burden on the Indian government. The price of silver advancing a little on the strength of this, Germany at once dropped half a million dollars' worth on the market.

On account of the continued distress in India, great pressure was brought upon the government to take other steps to enhance the value of silver. On April 4 a deputation from one of the most influential bodies in England, the Liverpool Chamber of Commerce, waited upon the Chancellor of the Exchequer, and urged the adoption of measures to that end. There was a very uneasy feeling about some of the banks engaged in Eastern transactions. The stock of the Chartered Bank of India and Australia had fallen 25 per cent.; the Hong-Kong and Shanghai stock had depreciated 33 per cent., while stocks of some institutions had fared still worse. The old Oriental, the par value of whose shares was £20, and the market value of which, in its prosperous days, had ruled above £45, was quoted in April at £14½, a reduction of more than 75 per cent. The president of the Chartered Bank of India made a statement to the effect that, a year before, the bank had been informed from America, that a very considerable rise in silver was imminent on account of the passage of the Bland Bill, and it was thought advisable to make a large purchase. The bank lost £45,000 by the operation.

Meanwhile the general depression in trade was becoming more intense, and the effect was felt nowhere so keenly as in England. The United States were prosperous, and France was fairly so, but elsewhere in Europe industries were in a very low state. It caused money to be cheap, and enabled the Bank of England to replenish its reserve, so that its rate fell to 2½, and that of the Reichsbank was dropped for a time to 3 per cent. But in other respects the business conditions weighed heavily. "That the country is in a state of industrial depression seldom equalled is what Her Majesty's government do not deny," said Disraeli, the Prime Minister, one April evening in the House of Lords. The results of the failure of the City of Glasgow Bank and of the West of England Bank were proving serious on the shares of all banks; the shrinkage in the value of bank shares in England and Scotland was estimated to aggregate £34,444,000. The foreign trade of the United Kingdom offered no compensating encouragement. England was suffering severely, and the number of those who considered the decline of silver as the prime cause of the trouble was rapidly increasing. This was an appropriate time for Congress, in the interests of silver, to allow the United States quietly to reap the fruits of their prosperity, and let Europe solve the problems of its unpleasant situation in the light of the possibilities of bimetallism. But by a curious fatality, often exemplified later, it was the time taken by one branch of Congress to pass a bill for the free coinage of silver. The Forty-sixth Congress began its career with an extra session, March 18.[1] A. J. Warner, of Ohio, at once introduced a bill amending the statutes so as to provide for free coinage, and it was referred to the coinage committee, of which he was a member. He reported it on the 30th of April, and after a stubborn resistance it was passed on May 24, by 114 yeas to 97 nays. All those voting for the bill were Democrats and Greenbackers except four; all voting against it were Republicans except eight. It went to the Senate, and was referred to the Finance Committee, of which Senator Bayard was chairman.

This had its natural effect in Europe, in its attitude of expectancy. Germany at once discontinued its sales of silver, though the price was ruling somewhat higher than at the time of some of her sales. She deemed it best to wait for the American mints to open. Up to this time Germany had withdrawn from circulation about 1,000,000,000 marks in old coins of the several states. Of this, 380,000,000 marks had been delivered to the mints for coinage into new imperial silver coins, and the remainder had been melted into bars producing

1 "For the first time since the Congress that was chosen with Mr. Buchanan in 1856, the Democratic party was in control of both branches." — Blaine's *Twenty Years of Congress.*

7,474,644 pounds of fine silver. Of this, 7,104,896 pounds had been sold at prices varying from $59\frac{5}{16}d.$ in 1873, to $50d.$ in 1879, the average being $53\frac{15}{16}d.$ By a comparison of the product of these sales, 567,139,993 marks, with the original cost of the silver, which had been taken at 663,621,109 marks, it is apparent that Germany made her sales at a loss to the empire of 96,481,136 marks, or about $23,000,000. In addition to this, the expenses of carrying out the monetary reform (coinage, interest on the capital employed in running the workshops of the mints etc.) were reckoned at 29,316,438 marks, making the total expense 125,797,574 marks. Against this the government reckoned profits from the mintage of the gold and silver imperial coins, bonuses, etc., of 81,728,134 marks, leaving a balance to be met by the imperial treasury for the six years' operations of 44,069,440, or about two-thirds of the imperial deficit reported in March. But there were still left in circulation old silver thalers and Austrian thalers to the amount of about 450,000,000 marks. The plan of the reform as originally laid out included the retirement and demonetization of these coins, but when the sales stopped only 614,000,000 marks of the total had been called in.[1] The old silver, still in circulation at full legal tender, therefore, still exceeded the new imperial silver coinage, which was legal tender to only 20 marks between individuals. It was evident to the government that the reform could not be completed on a declining silver market without a further net loss of at least 40,000,000 marks. In this situation Germany could not fail to pause and regard with hopeful expectancy the results of the passage of another free silver bill in the House of Representatives at Washington.

France and England watched events in Congress with quite

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1 These figures are taken from the statement made by Baron Von Thielmann, the German delegate to the conference of 1881, and were from official German sources.

as much interest. Writing from London on May 24, the day the bill passed the House, the foreign agent of our Treasury Department in our refunding operations said:

"There is quite a large class of merchants and manufacturers here who are interested in India, who wish us to adopt the extreme measures of the silver inflationists, and France would be only too glad to have us adopt free coinage. It would open up a way for her to escape from the difficulties and embarrassments she now finds herself in through her membership with the Latin Union. Italy has coined vast sums of small silver coins, and has used them in the payment of the interest on her debt; in fact, it is believed they were partly, if not wholly, coined for that purpose. France is flooded with silver which has found its way there from the several states of the Latin Union, and every visitor to Paris during the last two years will testify to the general complaints of the abundance of silver. Its circulation is forced. Traders and small retail dealers make every exertion to force it upon their customers in returning change. People were greatly surprised and astonished a few days ago by the announcement that of the £87,872,000 which the Bank of France reported as cash assets, over £40,000,000 of it was in silver coin. . . . The solution of the silver question is a difficult problem for France. If our people wish to take upon their shoulders the burdens of India, Italy, France, and some of the poorer states, they can do it by establishing free coinage in the United States."

Mr. Evarts, the Secretary of State, was favorable to the calling of another international conference, but the plan was not considered expedient so soon after the conference of the year before. It was, however, much discussed by the administration, and a close watch was kept on events abroad. Little pertaining to the situation was transpiring then, except the debates in Parliament on the continual deficits in the Indian budget, and the increasing industrial depression at home. A Royal Commission was appointed to investigate the matter. The French government was discussing the expediency of recoining silver into trade pieces to be used in Cochin-China, and a similar proposition was under consideration by the German Federal Council as a means of working off some of the old silver.

On June 17, while the Free Silver Bill was still in the hands of the Finance Committee of the Senate, Senator Vest introduced a resolution "that the complete remonetization of silver, its full restoration as a money metal, and its free coinage by the mints of the United States are demanded alike by the dictates of justice and wise statesmanship." It was referred to the Finance Committee by a vote of 23 to 22, and was not again heard of; but just before the adjournment of the session on July 1, the Finance Committee reported adversely on the Free Silver Bill, and it was, therefore, killed for the time, thus destroying the immediate hopes of the distressed European states.

During the summer a gloom settled down on their financial affairs. The harvests were again inadequate, and, in England, were almost a failure. A large importation of wheat from the United States seemed inevitable, and the question of how it should be paid for attracted considerable attention. Most of our bonds remaining abroad were held as permanent investments; payments for grain could not, therefore, be made, as in the two previous years, by the mutual surrender of our securities on the market. Some encouragement was derived from the argument that the prosperity of the United States would soon so raise wages, and thereby so increase the cost of our manufactured productions, as to largely remove competition with the manufactures of Europe, even with our high tariff. This argument contains some food for thought for those who are wont to deny that a protective tariff does not aid us in the maintenance of a gold reserve, and, therefore, assist in preserving the redemptive features of our currency.

The movement of gold from London and Paris to New York began early in August. The Bank of England was in a better position than in 1878, having accumulated a comfortable stock of gold in various ways; but the Bank of France was seriously embarrassed, not so much by a lack of gold, as by a disproportionate amount of silver. The following table shows the change that had gradually been taking place in its bullion since 1874:

	Gold.	Silver.	Total.
1874, ...	£40,484,000	£12,528,000	£53,012,000
1875, ...	46,972,000	20,200,000	67,172,000
1876, ...	61,216,000	25,544,000	86,760,000
1877, ...	47,084,000	34,616,000	81,700,000
1878, ...	39,344,000	42,324,000	81,668,000

The amount of silver in the autumn of 1879 was about the same as that of 1878, but the stock of gold was rapidly falling, and, while larger than that in the Bank of England, the notes of the former were issued against both the gold and silver, and of the latter only against gold. The situation caused the French government much uneasiness, and its attitude was rapidly changing from that of expectancy to one of determination to act. It began to sound the American government on the subject of another conference. A few months had changed its ideas as to the premature character of the propositions made to the last conference. Had the Bland-Allison Act not been in operation then, our business activity would have created a sharp demand for gold in our currency, and made international bimetallism an immediate probability.

An event of much significance occurred in England about this time. Henry H. Gibbs, an ex-governor and one of the directors of the Bank of England, who had maintained the gold monometallic position of his government at the conference of 1878, announced his conversion to bimetallism in an ably written pamphlet published with the sanction of the governor of the bank. He affirmed the superiority of the bimetallic system to the English system, and strongly advocated a general restoration of the free coinage of silver. This was not simply an indication of the impression the course of events was making on the directors of the bank, but upon British opinion generally. The bank was obliged to maintain a high rate of discount, although money was so plenty that it could be borrowed on good securities in the market as low as ½ per cent. per annum.[1] The Reichsbank raised its rate to 4 per cent. early in October, on account of the withdrawals for the United States. Pixley & Abell estimated that the total amount of gold sent from England, France, and Germany from July 1 to October 1 was £10,500,000, and while the stock of gold was diminishing in the banks of the two latter countries the stock of silver was increasing. Alfred E. Lee, consul at Frankfort, in a communication to this government, in November, in speaking of the advance of discount rates of the Bank of France to 3, and the bank of Germany to 4 per cent., said: "Yet the purchases of grain are still far from being ended, and those of cotton are just beginning. What the result of all this will be can only be guessed, but intelligent men are not wanting who believe that the banks of France, England, and Germany may be obliged to advance their rate to 6 per cent., or even higher, and that a financial crisis may be impending that will convulse all Europe."

In the Saxon Landtag an effort was being made to pass a resolution asking the federal council to reintroduce the double standard. One of the arguments for it was the depreciation in the value of the product of the silver mines of the empire, that of the Freiberg mine having fallen off 1,000,000 marks ($238,000). Among the other early indications of the bimetallic campaign in Germany was a petition of the Chamber of Commerce of Schweinitz and Waldenburg to the Landtag, in favor of silver restoration because of the injustice of paying debts in depreciated coinage. Obligations were being discharged daily in legal-tender silver, of which $120,000,000 was still in circulation. Thus, German security holders, as well as mine owners, had reasons for desiring the restoration of silver in the currency system. When the sales of silver were discontinued the government ceased to acquire gold, and

[1] Conant to Secretary Sherman, Sept. 20, 1879.

its accumulated stock began to decline, fully £500,000 being withdrawn for America by December 1. The stock of the Bank of England had been depleted of about £4,000,000, and that of the Bank of France of about £6,000,000, though every possible step was taken, especially by the latter bank, to prevent it. The tide did not turn in favor of Europe, as was usual at this season of the year, for, while the imports of gold into this country fell off for a time, the rate of exchange prevented exports, and early in 1880 the imports began again.

Scientific opinion turned somewhat tardily to the careful consideration of the appreciation of gold, as resulting from its scarcity, and the consequent effect on the price of those commodities measured by it. But in 1879 distinguished authorities in England and on the Continent examined the subject fully, and intensified the bimetallic sentiment by attributing to the appreciation of gold a large share of the industrial woes of the times. Prof. J. Thorold Rogers, of the University of Oxford, in an article in the *Princeton Review* upon the "Causes of Commercial Depression," held that there could no longer be a doubt that prices, wages, and profits were falling in very many industries before prosperous, and he considered "the first cause in importance, the most general and in all probability the most enduring," the rapid rise in the economical value of gold.[1] The matter was more elaborately treated by Robert Giffen and others, the conclusion in each case being that the fall in prices was mainly, if not wholly, due

[1] "The writer has been informed by those who are best competent to give an opinion that no traceable rise in prices has occurred in those countries which use a silver standard only, and that this is particularly the case in India, where the loss which the government incurs arises from the necessity of meeting liabilities due to England in a currency which has increased in costliness by all the difference between the old and the present value of silver as measured by gold." — Prof. J. Thorold Rogers, in the *Princeton Review*, January, 1879.

to the appreciation in the value of the yellow metal, and that the effects on trade both at home and abroad had been disastrous.[1] But the contrary opinion was stubbornly maintained by the advocates of the gold standard, both in England and on the Continent. There was no more conspicuous supporter of gold in France than Parieu, who had taken so prominent a part in the conference of 1867, and who, as a member of the Senate was opposing the steps of the government, which by this time was thoroughly enlisted in behalf of international bimetallism, being convinced that it might be disastrous to delay longer in the expectation that the United States might foolishly adopt the free coinage of silver on their own account.

The Forty-Sixth Congress reassembled on December 1, with the financial affairs of the United States in a highly gratifying state. "The resumption of specie payments," said President Hayes in his message, "has been followed by a very great revival of business. With a currency equivalent in value to the money of the commercial world, we are enabled to enter upon an equal competition with other nations in trade and production. The increasing foreign demand for our manufactures and agricultural products has caused a large balance of trade in our favor, which has been paid in gold from the 1st of July last to November 15, to the amount of about $59,000,000. Since the resumption of specie payments there has also been a marked and gratifying improvement of the public credit." In speaking of the plan for another conference which

[1] "The 'moral' of much that has been said is clearly this, that, if possible, the scarcity of gold which has contributed to the present fall of prices, and have further serious effects in future, should be mitigated, and should at any rate not be aggravated by legislative action. . . . . . Still more we ought to deprecate any change in silver-using countries in the direction of substituting gold for any part of the silver in use. It would be nothing short of calamitous to business if another demand for gold like the recent demands for Germany and the United States were now to spring up. Even a much less demand would prove rather a serious affair before a very long time elapsed."— Robert Giffen, in *Journal of the London Statistical Society* for March, 1879.

had been the subject of some diplomatic correspondence between France and the United States, he said:

"The pendency of the proposition for unity of action between the United States and the principal commercial nations of Europe to effect a permanent system for the equality of gold and silver in the recognized money of the world, leads me to recommend that Congress refrain from new legislation on the general subject. The great revival of trade, internal and foreign, will supply during the coming year its own instructions, which may well be awaited before attempting further experimental measures with the coinage. I would, however, strongly urge upon Congress the importance of authorizing the Secretary of the Treasury to suspend the coinage of silver dollars upon the present legal ratio. The market value of the silver dollar being uniformly and largely less than the market value of the gold dollar, it is obviously impracticable to maintain them at par with each other, if both are coined without limit. If the cheaper coin is forced into circulation it will, if coined without limit, soon become the sole standard of value, and thus defeat the desired object, which is a currency of both gold and silver, which shall be of equivalent value, dollar for dollar, with the universally recognized money of the world."

Secretary Sherman said in his report:

"The total amount of silver dollars coined to Nov. 1, 1879, under the act of Feb. 28, 1878, was $45,206,200, of which $13,002,842 was in circulation, and the remainder, $32,203,358, in the Treasury at that time. No effort has been spared to put this coin in circulation. Owing to its limited coinage, it has been kept at par; but its free coinage would soon reduce its current value to its bullion value, and thus establish a single silver standard. The inevitable result would be to exclude gold coin from circulation. It is impossible to ascertain what amount of silver coin, based upon the ratio of 16 of silver to 1 of gold, can be maintained at par with gold, but it is manifest that this can only be done by the government holding in its vaults the great body of the silver coined. It would seem that nothing would be gained by an unlimited coinage unless it is desirable to measure all values by the silver standard. The Secretary cannot too strongly urge the importance of adjusting the coinage ratio of the two metals by treaties with commercial nations, and, until this can be done, of limiting the coinage of the silver dollar to such a sum as, in the opinion of Congress, would enable the department to readily maintain the standard dollars of gold and silver at par with each other."

Congress wisely refrained from seriously exploiting its silver sentiment at that session, and the Senate declined to take up the Warner Bill upon an adverse report, in view of the probability of another conference in the near future. The administration kept a close watch upon the course of events in other countries. The bimetallic agitation in Germany grew, and the government, abandoning hope of immediate relief by the free coinage of silver in this country, set to work upon measures of its own. It was currently reported that Germany would remonetize silver, and that Bismarck had become a bimetallist. There is little doubt that the question of abandoning the policy of its monetary reform and of proceeding on the double standard was seriously considered in the Berlin cabinet, but the difficulties led only to temporary measures. The resumption of the sales of silver was considered impracticable, involving as it did a heavy increase in the deficit of the imperial treasury at a time when taxes were high, and the imposition of new taxes was dangerous in the face of that growth of socialism which in itself was becoming a serious problem for the Iron Chancellor. In April, 1880, he laid before the Federal Council a bill to increase the coinage of imperial silver from 10 marks per capita, which was the amount provided by the law of 1873, to 12 marks. In his report upon the bill he gave statistics to show that the silver in circulation was inadequate to the needs of the people. He did not fear that this would make the supply too large, and called attention to the safeguards against an oversupply. The increase, he said, would furnish the wished-for opportunity for recoining the silver which had accumulated in the hands of the government, and which he valued at 31,000,000 marks. The report also stated that the 5-mark notes did not seem to be appreciated by the public, and it proposed that their circulation be reduced from 46,122,210 marks to 40,000,000. "It appears," said Andrew D. White, Minister to Germany, writing to Secretary Evarts at the time, "that the German government is gradually reverting to an extensive use of silver, which, in 1873, it was supposed to have permanently discarded."

It is extremely doubtful if this increase per capita in the silver coinage would have suggested itself to the government but for the opportunity it afforded for using the silver on hand without incurring the loss of putting it on the market. An increase of two marks per capita would call for a further coinage of about 115,000,000 marks on the basis of the population of the empire at that time, and this would not only have absorbed the bar silver still in the hands of the government, but some 70,000,000 marks besides, on which the loss might have been saved had the step suggested itself before it was sold. The increase of the circulation was apparently only an excuse, for it could not be increased that amount except by coining bars. Calling in old thalers and recoining them into imperial marks would be changing only the denomination of the coin without affecting the amount in circulation, except to reduce it while the operation was in progress. The intention probably was, to not only consume the unsold bar silver in new coinage, but to relieve the bullion stock of the Reichsbank of its oversupply of silver, at the same time reducing the note circulation as proposed. It was currently reported that silver represented about two-thirds of the bullion of the imperial bank at that time.

The problem was extensively discussed in Germany during the remainder of 1880. Bimetallism mustered the strongest economic authorities, such as Wagner, Schaeffle, Lexis, and Arendt. It was defended in the Reichstag by several members, including one of the leaders, Von Kardorff. The views of Bismarck were supposed to have been reflected by one member, an interpreter of the Chancellor's policy, when he compared the mass of gold in circulation in the world to a too scanty blanket on a bed occupied by more than one person, each trying to pull as much of the blanket as possible over himself. The German agriculturists in their annual congress demanded bimetallism, and it was endorsed at numerous public meetings. It became very evident that the German government would not care to decline to participate in another international conference. To add to its difficulties, the gold which had been accumulated at so great a loss on its silver began to leave it in the fall of that year.

The English government was met by a rising tide of protest against prevailing conditions. The Chambers of Commerce of Liverpool and Birmingham endorsed the plan of international bimetallism, bankers and merchants at Manchester and London petitioned for it, and a large portion of the directory of the Bank of England either favored it openly or were half inclined to. Though the bank had been more successful in acquiring gold during 1880 than the Bank of France and the Reichsbank, the withdrawals for America required it to take unusual precautions, none of them profitable to the bank or helpful to general business.

But no country was being harder hit than France. In 1876 she imported 598,000,000 of francs in gold; in 1880, only 194,000,000 of francs. In 1876, she exported only 94,000,000 of francs; in 1880, she exported 413,000,000. The composition of the stock of the Bank of France altered in the same proportion. It was composed in 1876 of 1,539,000,000 francs in gold and 640,000,000 in silver; in 1880 it comprised 564,000,000 in gold and 1,222,000,000 in silver. It had thus lost in these five years 975,000,000 of gold and unwillingly acquired 582,000,000 of silver. [1] It is a fact worthy of note in this connection that from 1876 to 1880 the French imports of merchandise exceeded exports by over 4,500,000,000 francs.

The imports of gold into the United States during some periods of the year exceeded the capacity of the Philadelphia mint. The Director of the Mint in his annual report (1880) said:

"The past fiscal year has exhibited monetary phenomena unusual and unexpected. The deficient harvests in Europe and our unusual bounteous supply of exportable food produced an importation of gold

[1] De Normandie, Governor of the Bank of France, address, May 14, 1881.

unchecked by advancing prices or the amount of existing circulation already seemingly abundant. The heavy importation of foreign coin and bullion which commenced in August, 1879, continued until the close of the calendar year, and has been again resumed within the last three months. The remarkable increase of metallic circulation has been largely absorbed by the business community."

Concerning the mintage of this fiscal year, ending June 30, 1880, he said:

"The British mint was occupied with the coinage of gold only during a part of the month of December, and coined but $170,571. Less than $5,000,000 was coined at the French, and about $11,000,000 at the German, mints in 1879, which presents a striking contrast to the coinage of $39,080,000 gold at the United States mints, and an accumulation of gold bullion by the 1st of January amounting to $60,734,318 beyond the capacity of the mints for coinage."

In their reports to Congress both the President and the Secretary of the Treasury dwelt upon the difficulties of making the silver dollars circulate; they regularly returned to the Treasury after they had, at some little expense for transportation, been sent out to different points. For these and other reasons they recommended that the further compulsory coinage of such dollars be suspended, or that the ratio be changed so that their intrinsic value would be nearer equal to that of gold. The average value of the silver dollar in 1880 was 88½ cents. The Secretary said:

"It may be better for Congress at the present time to confine its action to the suspension of the coinage of the silver dollar, and to await negotiations with foreign powers for the adoption of an international ratio; but compelled by official duty to report upon this subject, the Secretary feels bound to express his conviction that it is for the interest of the United States now, as the chief producer of silver, to recognize the great change that has occurred in the relative market value of silver and gold in the chief marts of the world, to adopt a ratio for coinage based upon market value, and to conform all existing coinage to that ratio, while maintaining the gold eagle of our coinage at its present weight and fineness. He confidently believes that the effect of this measure will be to make our gold and silver coins the best international standards of value known."

It is evident that the Secretary was not hopeful of any practicable results of the coming conference, or that he misunderstood the feeling of the Latin Union as to the proper ratio. While the coinage of silver at the ratio of 18 to 1, the market ratio at that time, would have given us temporarily a silver dollar worth as much as gold, it would have placed another obstacle in the path of bimetallism, and we can see, now at least, that such a coin would have speedily depreciated. Such dollars would not have circulated, and had their coinage been authorized at the discretion of the Secretary very few of them probably would have been coined.

Congress refrained from any action. In view of the proposed conference it was better to remain inactive, and so afford the European nations no new reasons for maintaining their attitude of expectancy. There was only one course that would really have helped the cause of bimetallism under the circumstances — the prompt and unconditional repeal of the Bland-Allison Act. It would have produced more effect upon England than anything else. Still it was fortunate that Congress did nothing worse than keep quiet upon the subject. Another free silver bill would have made a conference hopeless, serious as was the condition of affairs in Europe.

Arrangements were completed between our government and that of France for the issue of a joint invitation to the other governments, and it was sent out in February, 1881. By its terms "the conference was to examine and adopt, for the purpose of submitting the same to the governments represented, a plan and a system for the establishment by means of an international agreement of the use of gold and silver as bimetallic money, according to a settled relative value between these two metals." Germany accepted with alacrity, in striking contrast to its declination of three years before. The English government made use of its usual formula in its reply — it could not discuss proposals in support of the principle of the double standard, but, upon reflection, it said, and out of courtesy it would send delegates with the understanding that they would in no way be bound by the conclusions of the conference. It did not this time ask for a side-door arrangement in the shape of the consideration of plans for unity of coinage;

there was danger, under the changed circumstances, that those seeking the conference would decline to inject that pretence into the invitations again, and it was plain that England was too seriously interested to allow herself to be unrepresented. She was earnestly desirous of having the other states do something for silver, and of maintaining the exclusive gold standard for herself exclusively.

The delegates accredited to the conference, which by agreement was to assemble at Paris April 19, were as follows:

Austria-Hungary:

Count Von Kuefstein, Councillor of the Embassy at Paris and member of the Chamber of Peers.

Chevalier Anthony Von Niebauer, Councillor to the Ministry of Finance.

Alexander Von Hegedus, Deputy in the Hungarian Diet.

Belgium:

Eudore Pirmez, member of the House of Representatives.

Garnier-Heldewier, Councillor to the Legation at Paris.

Denmark:

Moritz Levy, Councillor of State.

Germany:

Baron Von Thielmann, Councillor to the Embassy at Paris.

Schraut, Government Privy-Councillor.

Greece:

Brailas-Armeni, Minister to France.

The Netherlands:

A. Vrolik, ex-Minister of Finance.

Pierson, Professor of Political Economy at the University of Amsterdam, Director of the Bank of the Netherlands.

Portugal:

Count Do San-Miguel, Secretary of the Legation at Paris.

Sweden:

Dr. Hans Forssell, President of the Chamber of Finance.

Norway:

Dr. Broch, Professor at the University of Christiania.

Spain:

Moret y Prendergast, Deputy in the Cortes.

Switzerland:

Dr. Kern, Minister to France.

Charles E. Lardy, Councillor to the Legation at Paris.

Burckhardt-Bischoff, banker.

Italy:

Seismit-Doda, ex-Minister of Finance, member of the Italian Parliament.

Luzzatti, member of the Italian Parliament.

Simonelli, member of the Italian Parliament.

Count Rusconi, Secretary-General of the Council of State.

Russia:

T. de Thoener, Privy-Councillor and Director of the Treasury Department.

England:
Sir Charles Fremantle, Deputy Master of the Mint at London.

British India:
Sir Louis Mallet, Under-Secretary of State.
Lord Reay.

Canada:
Sir Alexander Galt, High Commissioner of Canada at London.

France:
Barthélemy Saint-Hilaire, Minister for Foreign Affairs.
J. Magnin, Minister of Finance.
J. B. Dumas, President of the Board of Control of Monetary Circulation.
De Normandie, Governor of the Bank of France.
Enrico Cernuschi.

United States:
William M. Evarts, ex-Secretary of State.
Allen G. Thurman, ex-Senator from Ohio.
Timothy O. Howe, ex-Senator from Wisconsin.
S. Dana Horton.

The personnel of the conference, it will be seen, was largely new. France appeared with a delegation of pronounced bimetallists, including Cernuschi, whose polemics had greatly influenced French opinion. England allowed herself to be represented mainly through the governments of her colonies, the government of India appearing for the first time in an international conference. The only delegate who had represented his government in both the conferences of 1867 and 1878 was Broch, of Norway; Vrolik, of the Netherlands, had been appointed a delegate to both, but was unable to attend in 1878. The only other member of the conference of 1867 was Dr. Kern, of Switzerland. Feer-Herzog, the eminent advocate of the gold standard, who had represented his government in every conference up to this time, was dead. Baron Von Kuefstein of Austria, Pirmez of Belgium, Lardy of Switzerland, Count Rusconi of Italy, Thoerner of Russia, and Dana Horton of the United States had been members of the conference of three years before.

The conference was called to order on the afternoon of April 21, 1881, at the Ministry of Foreign Affairs by Minister Hildaire, who welcomed the delegates cordially, and said that, while the conference of 1878 had seemed premature, and so had accomplished nothing, the "significant and even alarming symptoms" that had manifested themselves in the three years that had elapsed indicated that the time was ripe for action. Magnin, the French Minister of Finance, was chosen president, and Vrolik, of the Netherlands, vice-president. The former, in taking the chair, reviewed the history of preceding conferences and expressed the hope that it could at last be proved, by the data of theory as well as by those of experience, that international bimetallism was the only system capable of restoring monetary regularity throughout the world. In considering the advisability of the preparation of a *questionnaire*, it appeared that some of the delegates, especially those of Germany, were anxious to first submit to the conference certain declarations as to the position of their governments, but the majority favored the preparation of a *questionnaire* first, and the selection of a committee for the purpose was left to the delegations of France and the United States. They decided that the committee should be composed of one delegate from each country represented, and should be chosen by the delegations themselves. The suggestion was adopted, and the conference adjourned to await the action of the committee so chosen.

The committee met two days later and was composed of Baron von Thielmann for Germany, Niebauer for Austria, Hegedus for Hungary, Pirmez for Belgium, Prendergast for Spain, Horton for the United States, Cernuschi for France, Brailas for Greece, Vrolik for the Netherlands, Count De San-Miguel for Portugal, Dr. Forssell for Sweden, Dr. Broch for Norway, Luzzatti for Italy, Thoerner for Russia, and Dr. Kern for Switzerland. England and her colonies were not represented, their delegations not having arrived. The difficulty of securing a definite decision in so large a committee in a short space of time was soon manifest, and it was determined to delegate to Cernuschi and Horton, as the representatives of the states from which the invitations had emanated, the work of preparing a draft of questions for submission at a later meeting. The Dutch delegates had prepared a plan of discussion which was placed at the disposal of Cernuschi and Horton, who went to work earnestly, but as theorists. They each prepared an elaborate *questionnaire*, dealing extensively with the theory and history of money. A discussion of them would have consumed many days in such a conference. It was not till the third of May that they were ready for presentation to the committee. At the meeting that day, England was represented by Sir Charles Fremantle. Neither of the proposals submitted by Cernuschi and Horton were acceptable, except to those who desired to give great prominence to the scientific side of the discussion, and they were very few. Practicable and diplomatic questions were preferred, and the result was that the plans, on which Cernuschi and Horton had worked nine days, were thrown aside by the committee, and the plan originally submitted by the Dutch delegates was adopted, with abundant assurances to Cernuschi and Horton that the scientific value of the questions they proposed was fully appreciated. The desire of the German delegates and of others to submit declarations before debate was begun manifested itself again, and, it being generally understood that Baron von Thielmann had important considerations to offer, the committee decided to report in favor of hearing the declarations immediately after the reading of the *questionnaire*, which was as follows:

"I. Have the diminution and the great oscillations which have taken place in the value of silver, chiefly within the last few years, been hurtful or not to commerce, and, consequently, to general prosperity?

"Is it desirable that the relation of value between the two metals should possess a high degree of stability?

"II. Should the phenomena referred to in the first part of the preceding question be attributed to increase in the production of silver or to acts of legislation?

"III. Is it, or is it not, probable that, if a large group of states should agree to the free and unlimited mintage of lawful coins of the two metals, with full legal tender faculty, at a uniform ratio between the gold and silver contained in the monetary unit of each metal, a stability in the relative value of these metals would be obtained which, if not absolute, would, at least, be very substantial?

"IV. If so, what measures should be taken to reduce to a minimum the oscillations in the relative value of the two metals?

"For instance:

"1. Would it be desirable to impose upon privileged banks of issue the obligation to receive at a fixed price any gold and silver bullion which the public might offer?

"2. How could the same advantage be secured to the public in countries where privileged banks of issue do not exist?

"3. Should coinage be gratuitous, or, at least, uniform, for the two metals in all countries?

"4. Should there be an understanding that international trade in the precious metals should be left free of all restraint?

"V. In adopting bimetallism, what should be the ratio between the weight of pure gold and of pure silver contained in the monetary units?"

This was laid before the conference, which reassembled on May 5, with the recommendation that the delegates having declarations to make should have the opportunity to do so before the opening of the debates; that general discussion should precede the deliberations upon the different paragraphs of the *questionnaire*, and that each delegate should retain the right to propose new questions at any time. These recommendations were adopted, and it was fully two months before any attention was paid to the specific features of the *questionnaire*, except incidentally in a lengthy general discussion.

The proceedings were begun by Baron von Thielmann, who read the declaration which he was desirous of bringing before the conference. In view of the peculiar position in which Germany had been placed by her monetary reform, and as this declaration was in its nature, if not in its effect, one of the most important features of the conference, it deserves to be given in full. It was as follows:

"The imperial government of Germany, in taking part in this conference called for the object of establishing an international monetary system based upon bimetallism, does not intend by so doing the prejudice its further determinations in the premises; the declarations of its delegates should not, therefore, be regarded as definitely binding upon the imperial government, but, rather, as a basis for later negotiations.

"At the time, between 1865 and 1870, when monometallism with the single gold standard gained ground throughout a larger portion of the civilized countries, and when, towards the close of that period, a considerable quantity of gold found its way into the treasury of the German Empire, the government took advantage of the occasion to firmly establish its monetary system, and to regulate in a uniform manner, upon the basis of the gold standard, the systems which, up to that time, had prevailed in the different states of the empire. If, at that period, Germany had retained the single standard of silver, or if she had adopted bimetallism, other countries could the more easily have passed to the single gold standard, for the reason that the establishment of bimetallism in Germany would have facilitated the sale of their silver.

"The monetary reform in Germany, determined upon and decreed after mature consideration, is at this moment in a very advanced state; 1747 millions of marks have been struck in gold coins, while 1080 millions of marks in silver coins, of earlier mintage, have been demonetized; the cost of these operations amounting to 44 millions of marks.

"According to the highest estimate, there still remain in Germany about 500 millions of marks in old thalers, including Austrian thalers. This monetary reform has sensibly bettered the condition of monetary circulation in Germany; not only has the general circulation augmented, as calculated per capita of the inhabitants, but it has also gained in this respect, that the circulation of gold has increased, while that of silver money and of subsidiary coins, as well as of notes not covered by a metallic reserve, has diminished. While, therefore, considering the monetary system of Germany, as established upon solid foundations, we in no wise fail to recognize the import of the fall in the metal silver, which has since occurred.

"It is generally agreed to attribute this fall less to the sales of silver made by Germany than to the measure adopted by our government of taking from silver its quality of legal tender, an action which led the states of the Latin Union to put a stop to their coinage of silver.

"It cannot be denied that this latter measure, by doing away with the compensating effect which, until then, had maintained within narrow limits the oscillations in the price of silver, removed all obstacles to a progressive and limitless fall; it is, on the other hand, but just to admit that the fear of finding themselves compelled to receive a half-milliard of marks of German silver, which could not fail to depreciate in a very considerable degree their own circulation, had no little influence in the decision taken by the Latin Union.

"The fall of silver would, nevertheless, not have reached the point it did if at the same time the production of that metal had not considerably augmented in America while the demand in Asia was diminishing. In view of these combined circumstances, the imperial government, in the month of May, 1879, resolved to suspend its sales of silver, and they have not since been resumed. This action, by giving firmness to the metal market, tended to facilitate the initiative of those powers which were interested in the rehabilitation of silver. It also had the effect of diminishing the demand for gold, a fact the more important in that the decreasing production of the latter metal, in the face of a constantly growing demand, had within the last few years caused a certain degree of tension in the market.

"We recognize without reserve that a rehabilitation of silver is to be desired, and that it might be attained by the re-establishment of the free coinage of silver in a certain number of the most populous states represented at this conference, if these states, to this end, should adopt as a basis a fixed relation between the value of gold and that of silver. Nevertheless, Germany, whose monetary reform is already so far advanced and whose general monetary situation does not seem to call for a change of system so vast in scope, does not find herself in a position, so far as she is concerned, to concede the free coinage of silver. Her delegates are, therefore, not able to subscribe to a proposition looking to such action.

"The imperial government is, on the other hand, entirely disposed to do its best to second the efforts of other powers which might wish to unite with a view to the rehabilitation of silver by means of the free coinage of this metal. In order to reach this end, and to guarantee these powers against the afflux of the German silver, which they seem to fear, the imperial government would voluntarily impose upon itself the following restrictions:

"During a period of some years it would abstain from all sales of silver, and, during another period of a certain duration, it would pledge itself to sell annually only a limited quantity, so small in amount that the general market would not be glutted thereby. The duration of these periods, and the quantity of silver to be sold yearly during the second period, would form the subject of ulterior negotiations. Such an arrangement would efficiently protect the mints of the bimetallic states against the unlimited outflow of German thalers drawn from the national funds. Private individuals, or the imperial bank (which is a private bank under special control of the government), would not be able, on the other hand, to cause thalers to flow to the mints of the bimetallic union, except in the case of the balance of trade being against Germany, or unless the relation of 1 to 15.50, established by the bimetallic union, should undergo a considerable modification in favor of silver. This last contingency appears, however, but slightly probable. In all other cases the exportation of thalers would of necessity entail a loss to those who might undertake it; and hence the countries of the bimetallic union have no occasion to apprehend that the silver of Germany will inundate their mints. Furthermore, these operations could be rendered still more difficult by excluding specie in thalers from the coinage in the bimetallic union; a measure of this kind would add to the other expenses to be borne by the exporters of silver, that of the cost of melting down and refining the thalers.

"If an international arrangement based upon these indications could be arrived at, Germany would still remain free to sell silver within these self-imposed limits, or to sell none at all. But Germany, in order still further to contract even these limits, might make other concessions.

"She could provide in her own circulation a wider area for the metal silver, thus enlarging the use of it. To attain this end the imperial government would engage, eventually, to retire the gold pieces of 5 marks (27,750,000 marks), as well as the imperial treasury notes of the same value (40,000,000 marks).

"It might further melt down and recoin the silver pieces of 5 and 2 marks (71 and 101 millions of marks), taking as a basis a relation between the two metals approaching that of 1 to 15.50, whereas, under existing legislation 100 marks are made from the pound of fine silver, which is equivalent nearly to the ratio of 1 to 14.

"You have here, gentlemen, the concessions which the imperial government would offer, and of which its delegates are now ready to discuss the scope and the details of execution."

The three so-called concessions that Germany was ready to make, therefore, were, first, the suspension of the sales of silver, something which had already occurred; second, the substitution of silver money for small gold coins and notes, which Bismarck had already recommended to the Federal Council as a way to dispose of the bar silver in the hands of the government and to avoid the losses by sales; and, third, to replace the larger silver pieces, coined at 14 to 1, by silver coins minted at 15.50 to 1, the significance of which will appear later. In other words, Germany offered as concessions either what she had been compelled by the force of circumstances and in her own defence to adopt as a policy, or what appeared to the government as possible aids in ultimately carrying out the programme of the gold standard.

This declaration was followed by others from several states. Sir Charles Fremantle, of England, restated the familiar position of his government, which did not permit him to vote for the propositions that might be submitted, but did not prevent him from following the discussions with the liveliest interest. Lord Reay said that the presence of Indian delegates must not be regarded as an admission that bimetallism could be adopted in India, but the government was greatly interested in the restoration of the value of silver. The Canadian delegate said he could vote upon any propositions submitted, but his government reserved full liberty of action. The Danish delegate had instructions to abstain from all discussions of the manner by which the bimetallic system could be regulated, as his government had no intention of abandoning the gold standard so recently introduced. The Portuguese government, announcing that it could not enter into a bimetallic union while its existing system prevailed, would, nevertheless, consider the results of the conference and take what action it saw fit. The delegates of Russia, Greece, Sweden, and Norway made similar reservations. Count von Kuefstien said that his government would follow the labors of the conference with the same sympathy as in 1878, and make the same reservations. His attitude would be one of friendly reserve, cherishing the hope that the conference would not finally separate before adopting some remedy for the evils of the monetary situation, which Austria considered serious from more than one point of view. So long as its currency was essentially one of paper, the government was not in a position to enter into any definite agreement regarding bimetallism. The Swiss delegates announced that by their instructions they were to listen to the reasons for the proposed action and report to their government for subsequent instructions before taking their ground.

Following these formal declarations the general discussion upon the *questionnaire* as a whole was begun. As it was very extended, the minutes of the proceedings making a volume in themselves, an effort will be made to outline as concisely as possible, without the loss of any essential points, its general character, special attention being given to the more practical features which prevailed to a greater extent than in preceding conferences, doubtless because of the German declaration and other considerations developed from time to time. The theoretical arguments for and against the double standard were mainly of the familiar character. It will be better, also, as the nature of the debate was to a considerable extent shaped by points developed in its course, to follow it in regular order, rather than, by departing from it, to indicate the conclusions upon particular phases.

It was opened by Cernuschi, who called attention to the importance of the German declaration and made some rather sharp remarks about the persistent obstinacy of England. The success of the conference, he said, depended upon the concord of the four great metallic powers of the world, France, the United States, Germany, and Great Britain. The understanding between the two former was an accomplished fact, so that the fate of bimetallism depended upon the two latter. Their refusal to co-operate would condemn it to remain impracticable. The conversion of Germany to the principle of bimetallism he regarded as an accomplished fact. Its delegate had admitted the desirability of the rehabilitation of silver, and announced its disposition to aid in the undertaking. But the concurrence of Great Britain was for the time being refused. He added:

"We cannot be astonished at this. In acting thus the British government is in a certain sense only carrying out its time-honored methods. England never abandons her traditions except with extreme circumspection; she needs ten years to accomplish an economic revolution. It took ten years for Sir Robert Peel to pass from the camp of protection to that of free trade; ten years to cease from being a partisan of paper and an adversary of coin. The cabinet of London may still require some time before it adheres to the principle of bimetallism; but its conversion may almost be regarded as certain."

While he was not disposed to find fault with the attitude of Germany, her propositions seemed to him insufficient, for under them German bankers could still send silver abroad in payment but decline to receive it. He recalled the fact that ten years before nearly all the nations, including France, were moving towards gold monometallism as a result of the conclusions of the conference of 1867. It was natural enough, he said, that Germany took the course apparently open to her. She did not wish by becoming a bimetallic power to run the risk of being used as a stepping-stone by the other states; she did not wish to aid her neighbors to adopt gold monometallism so that they might be able to thereafter use it against herself. Had it not been for this natural fear, Cernuschi believed that she would have preferred and adopted bimetallism and saved the 96,000,000 marks which her reform had cost her, and which, in his view, the other states had gained at her expense. This led him to make a remarkable proposition, though upon his own personal responsibility. In purchasing from the German treasury, as merchandise, a metal degraded by its demonetization, and thereafter putting in circulation this same metal transformed into money at the legal ratio, all the states, he maintained, had made a profit at Germany's expense. "Let each one find out the sum of its gain," he said, "and reimburse Germany in the amount, and Germany, thus indemnified, for the 96,000,000 marks she has lost, could return without restrictions to bimetallism." He believed that India could well afford to contribute largely to the amount, for no country would profit so much by such a change; a restoration of bimetallism would mean for the Indian treasury an annual saving of at least 25 millions of rupees, which it was then losing in the exchange on the 17 millions of pounds sterling paid to England. As, therefore, most of the nations were favorable to the undertaking, much really depended upon Germany, and, an accord having been reached upon the principles, the time seemed to him to have arrived to negotiate with the German government the practical conditions of an understanding. England, he said, might take her usual slow course in economic reform; the Scandinavian states and Portugal were in a peculiar position, but they could retain it without making much difference; a sufficiently strong union could be formed for the time if those states were left to their own policy.

Dr. Broch, of Norway, followed with a defence of the gold standard, pointing out the growth of gold monometallism since the time, thirty-five years before, when England alone maintained it. The situation had been reversed; in 1881 no mints were open to silver, and he believed that in all the civilized countries of the West the future belonged to gold, and to gold only. The reasons for this great change, he held to be the large increase in the production of gold, beginning in 1850, and the simultaneous scientific awakening, when the people began to have a consciousness of their solidarity, commerce to attain a wider scope, and international investments and securities to become an element of constantly growing importance, entering more and more largely into transactions and the settlement of international accounts. By this means, he said, Europe had just been able to pay in American securities for the enormous supplies of cereals which three successive bad harvests had compelled her to obtain from the United States. He believed that bimetallism, even if it could be brought about, would be injurious, for the dissolution of such a union would require a liquidation which would mean an incalculable loss, and one which even the great states might not be able to withstand and to which the smaller ones ought not to expose themselves. He considered it of great importance not to rehabilitate silver, which seemed impossible, but to put a stop to its fall. The true way to do this, in his opinion, was not by arbitrarily raising its value in Europe and America, but by encouraging its use in the countries of the Orient which still had a preference for it.

Meanwhile some of the delegates had been privately consulting concerning the proposals of Germany and of Cernuschi, and at the conclusion of Dr. Broch's address Baron von Thielmann moved that the session be suspended for a half-hour. It was agreed to, and at the expiration of the recess Moret y Prendergast, of Spain, proposed that the conference should make an alteration in the order of its labors on account of the great importance of the propositions that had been made. The communication of the German delegate, he said, seemed to raise questions of exceptional gravity from a practical point of view, which most of the governments represented at the conference were probably unprepared to answer, and the declarations of the governments of Great Britain, India, and Canada appeared to indicate a disposition to lend aid under conditions, and to an extent which had not been definitely determined. He therefore proposed:

1. To devote one session, which might be at an early date, to a general discussion of the German, English, Indian, and Canadian declarations, for the purpose of discovering their scope and value.

2. To adjourn, thereupon, to a date which might be fixed by the conference, or which the president of the assembly might be left to determine, but which should in any case be sufficiently distant to permit of the opening and carrying on of negotiations.

The truth of the matter was that the governments of Great Britain and Germany were extremely anxious to bring about an agreement which would open the mints of the Latin Union and of the United States to the free coinage of silver. England intimated that she might be able to offer something in the way of concessions in addition to those offered by Germany, and it seemed to some of the bimetallists that the matter was too important to admit of delay. Cernuschi clung to the idea that by his plan for reimbursing Germany she could be brought into a bimetallic union. But upon consideration it was thought that the adjournment of the conference to an uncertain and distant date might be interpreted in an unfavorable sense, if taking place almost at the beginning of the labors and just after it had adopted a programme for the deliberations. This was especially urged by the Dutch delegates. It was finally decided to continue the general discussion, but to take no action, and a little later the motion for an adjournment admitting of negotiations might be made if deemed advisable. So the lengthy addresses in which the English and German delegates took but little interest were continued.

Cernuschi devoted himself to arranging the details of his plan, and with that end in view proposed at the next session, on

May 7, that the different governments be requested to furnish the conference with detailed information as to their silver coinage since January 1, 1874, the cost to each state of the silver manufactured into coin, the total amount of profit realized by buying silver at prices below $60\frac{13}{16}$ pence, or the price of parity with gold at 15.50 to 1, and to indicate, if possible, the source of the silver ingots. The German government was also requested to furnish a complete statement of its silver coinage. Dana Horton, referring to that statement in the German declaration which admitted the possibility of the rehabilitation of silver through the re-establishment of free silver coinage "in a certain number of the most populous states," asked the German delegate in what degree the attitude of England, which, with its Indian possessions, was the most populous, had been the cause of the reserve shown by Germany in her proposals, and whether it might be hoped that, if England made some concessions, Germany would be disposed to enlarge her own. Baron von Thielmann replied that England's attitude had certainly been of some importance in deciding the plans of his government, for German commerce was largely settled by bills on London, and it was important to have a monetary system similar to that of England.

The general discussion was then resumed by Pierson, of the Netherlands, in reply to the remarks of Dr. Broch. The bimetallic system might have its inconveniences as claimed by the delegate from Norway, but so, said Pierson, had the gold monometallic system. The question was not which system was perfect, but which offered less inconveniences. He maintained that the general adoption of the gold standard would be an impossibility, and, further, that it could not have been made to work in England had it not been for the simultaneous existence of bimetallic states. He asked the English delegates what, in their opinion, would have been the influence of the gold discoveries in Australia and America on the value of the sovereign had not the double standard existed in the Latin Union and in other states, ready to absorb the mass of gold then poured upon the world. After pointing out some of the difficulties which he believed gold monometallic states had recently encountered, he expressed the opinion that bimetallism was the only remedy. Giving that as the conclusion to which his government had arrived, he said: "We are only a small country, and our political influence is assuredly not what it was in the seventeenth century. But one thing, perhaps, has remained to us, namely, the reputation of not judging rashly and of having, moreover, a little experience in commerce. Well, I can assure you that among our leading economists, among our men most conversant with business, there is not one — I repeat, not one — who does not acknowledge the immense advantages which would accrue from the adoption of the bimetallic system by all the great states." He maintained by an historical review of monetary conditions that the double standard was possible in practice as well as sound in theory, and called upon those who would not act in concert in the application of this remedy to tell the conference in what way they expected to remedy the evils from which the world was suffering. "For a remedy there must be," he said; "the present situation is simply unbearable."

Belgium, which was a strong advocate of the gold standard in the conference of 1878, was even stronger in that of 1881; indeed, Pirmez was the real leader of the gold doctrinaires. He held that the existing situation contained neither the evils nor the dangers which had been portrayed, and that the gold-standard countries were more satisfied with their position than any others. They were resolved not to alter it; not even Germany proposed to do so, and, he said, it was a singular rôle that bimetallism was playing when it endeavored to persuade those states that they were visited without their knowledge by a serious economic disquietude and monetary disease. On the other hand, the states that had in their systems a remnant of bimetallism were the disturbed ones. "If," he said, "the Latin Union, in 1865, listening to the counsels of Belgium, had purely and simply adopted the gold standard, as it could then have done, without shock, without difficulty, without loss, it would now be in as good a position as that of the Scandinavian states, England, Portugal, and Germany; if it now experiences discomfort, it owes this to bimetallism." But he considered that the states with this legacy of abandoned bimetallism exaggerated their own difficulties. Their condition, as he saw it, was anything but alarming, and the measures proposed by bimetallists would have the effect, not of mitigating, but of aggravating the vices and dangers they imputed to it. They asked countries embarrassed with an excess of silver to coin still more, to correct an excess by a still greater excess. The result, said Pirmez, would be disastrous. He did not regard the recent gold famine, so called, as serious, but, if it were, bimetallism would not help it, for he believed that the great states would find their gold being replaced by silver under such a system. In speaking of countries under the paper-money system, he said that it was very natural for such to be supporters of bimetallism, for they could more easily pay off their debts with depreciated silver than with gold. Seismit-Doda, of Italy, thereupon arose and denied emphatically that Italy had any such motive in accepting an invitation to the conference.

His colleague, Luzzatti, continued the debate at the next session, on the 10th, holding that the economic optimism of the Belgian delegate did not rest upon an accurate judgment of the situation. He called attention to the economic agitation in England, the conversion of practical men like Director Gibbs, of the Bank of England, and the memorials of commercial bodies, to show that the conditions under the gold-standard country left something to be desired. It was sufficiently evident, he thought, that the German government had halted in perplexity. Reviewing the situation in other states, the conclusion seemed to him inevitable that Europe required gold, and would require it more and more, and yet the gold it already had was constantly going to America. How, he said, could the Belgian delegate doubt this, when the consignments of the metal told the story. While in 1879 and 1880 the consignments of coin from Europe to the United States were made only at the end of the year for the settlement of accounts, in 1881, in the first three months alone, £2,500,000 of gold were despatched from England to America, while other millions were exported during the same period from France and Germany; and it would be difficult to get it back. It would, he held, be folly for the European nations to continue to debase silver under such circumstances, and wisdom for them to embrace the opportunity to establish bimetallism.

In reply to what the Italian delegate said concerning sentiment in England, Sir Charles Fremantle said that Gibbs would be the first to acknowledge that, in his pamphlet advocating bimetallism, he had not claimed to express the opinion of the Bank of England, still less public opinion in Great Britain.

The Russian delegate endeavored to bring the conference back to the practical consideration of the German propositions. He thought it was time to quit the purely theoretical ground and seek a practical solution. Setting aside other phases of the question, he conceived it as certain that one measure was better than two, and one standard better than two, and that gold was the best metal for a standard. But money was also a means of exchange, and, as such, it should be sufficient to meet the requirements of trade. It seemed clear to him that there was not enough gold. "To deny the dearth of gold," he said, "is almost denying daylight; and this dearth will probably increase, for from the monetary standpoint the resumption of specie payments by Italy, Austria-Hungary, and Russia threatens Europe with a serious danger." It could, in his judgment, be warded off by reverting in a degree to the use of silver; but it was not a question of abandoning the gold standard, or of adopting bimetallism at a fixed ratio. The true practical means of rehabilitating silver seemed to him to lie in the path opened up by the proposals of Germany; the object should be to effect a better distribution of the two metals, and to enable states to dispense with gold where it was not indispensable, and place it where it seemed to be necessary, in the reserves of the banks. He believed that if a majority of the nations would adopt the policy of substituting silver coins for the smaller gold coins, it would neutralize half of the perils with which the dearth of gold was threatening Europe in the future. Half of what Russia, Austria-Hungary, and Italy would require for the resumption of specie payments would be found if the gold pieces equivalent to 10 francs and below were transformed into silver pieces. He thought it might be possible to go even further and extend to international exchanges the use of silver with the gold standard. An international piece might be coined, or the metal might be considered from the international standpoint, as a stock exchange security (*valeur de bourse*), whose rating in relation to gold would be periodically fixed, either according to the average market rates, or by virtue of an understanding between governments. He called attention to the fact that formerly the gold-monometallist theory rested on two axioms which the German proposals, impelled by the force of events, discarded — namely, that gold must be coined in the smallest possible subdivisions, and that silver must be admitted only as subsidiary tokens — and he could not see how the conference could do better than to seek a practical application of the principle that silver had a settled place in the internal circulation by the side of gold.

Count Rusconi, on the other hand, considered that the conference would find difficulty in agreeing upon anything while it could not agree upon a definition of money. Was it merchandise? If so, the bimetallists were wrong. If not merchandise, if only a creation of the law which makes and unmakes it at pleasure, the monometallists were wrong, and the law could fix the ratio of value. He took the bimetallic view, and ably supported it, suggesting to the conference in conclusion that it would be more profitable to begin with a theoretical discussion, and to obtain an accurate idea of the true nature of money before undertaking actual programmes.

Burckhardt-Bischoff, of Switzerland, had for many years been a banker and a believer in the monetary theories of the late Charles Feer-Herzog. He followed Count Rusconi with a strong argument against the allegation that the law made money, and in support of the gold standard. He very ingeniously combated the theory that the German monetary reform had caused a loss to that state, and that other nations had profited in buying her silver. In the first place, he said, according to the official documents communicated by the government of Germany, the difference resulting from the sale of seven millions of pounds of fine silver compared with the purchasing price amounted to only 71,000,000 marks instead of 96,000,000, as Cernuschi had maintained, the difference arising from the wear of the old coin withdrawn from circulation, a loss inherent in every coin currency, and one for which the introduction of the gold standard could not be held responsible.

If Germany were to be reimbursed, therefore, according to Cernuschi's plan, it would require only 71,000,000 marks; but, he went further and denied that any loss had resulted to Germany from her reform. His reason for this was that the new mark, which constituted the gold unit, had a very different and very superior value to one-third of the old thaler based on silver, the alleged loss resulting from the exchange of the old silver coins for gold on the footing of 15.50 to 1, while the ratio had, in fact, become through silver depreciation 18 to 1.

He explained it in this way: "To buy 1000 kilogrammes of gold, Germany has paid 15,500 kilogrammes of silver, plus 1700 kilogrammes, so-called loss on silver ; total 17,200 kilogrammes of silver. These 1000 kilogrammes of gold are now worth 18,000 kilogrammes of silver. There is no loss, therefore, but a profit; and if Germany now wished to repurchase all the silver she has sold for eight years she might do it at a considerable profit."

He maintained, further, that the gain in value was not confined to the silver sold and replaced by gold, but that the whole circulation had gained in value. Germany's exchange at Paris had become 124 francs per 100 marks, but if Germany still had her old silver standard the exchange would be 110 francs per 100 marks. On a monetary stock of 2,500,000,000 this would make a difference of at least 350,000,000 marks. In his opinion, therefore, it was folly to talk about reimbursing Germany. The difficulties created for the Latin Union by the stock of 5-franc pieces seemed to him a much more serious matter, and he suggested, as a remedy, that a portion of the silver rejected by circulation should be converted into ingots, of a fixed weight and fineness, to be deposited in the vaults of the great banks of issue, and against which certificates could be issued. They might, he thought, be used as bills of exchange, and commerce could withdraw the silver whenever it was demanded, either for the arts or to send to the East.

The American delegates first participated in the debate at the fifth session, on May 12, when Dana Horton read a long address in defence of bimetallism. He drew a picture of the gold famine before 1850, when the world's stock of gold was but 40 per cent. of the whole stock of the precious metals used as money, and, as it was admitted that gold was again becoming scarce and was likely to be more scarce, the situation might be repeated. If gold commanded a premium when silver was in use as money, and helped to augment the stock, a worse calamity would seem to him the logical results of a gold famine when silver was an ostracized metal. Cernuschi followed with an argument to show that bimetallism was not only legitimate and possible, but necessary, because the only system that could protect humanity from the disturbances resulting from the variations in the yield of the mines. Nothing was to be feared, in his opinion, from a liquidation in case of a possible dissolution of bimetallic union, for no state would then have an interest in demonetizing a metal. It would be ruinous, as the example of Germany had proved, although during the early years of her sale she had at her side the outlet of the Latin Union, while the United States were substituting silver for small notes ; the operation took place in coincidence with a mintage of 500,000,000 francs of silver in the Latin Union and of $70,000,000 in fractional money in the United States. It would, he said, be ruinous for the Latin Union to undertake to demonetize silver when no outlet existed and monometallism was so conscious of the difficulties in the fall of silver that it had come to confine its pretensions to the maintenance of the *statu quo*. "It is not entitled to do this," he said; "if its doctrine is sound, it should persist in furthering the application of that doctrine; but if it pauses, if it is the first to ask that silver which has already been coined shall continue to be legal currency with full paying power, it is only a disguised and limping bimetallism."

Baron von Kuefstein, speaking in behalf of the nations on a paper basis, said that they could not be expected to take a metal that the rest of the world rejected, and it would be exceedingly difficult for them to secure gold in the existing situation. He looked with favor upon the suggestion of the delegate of Russia as to the calling in of the 5 and 10 franc gold pieces.

At this point the Spanish delegate again tried to bring the conference to the speedy consideration of the German and other proposals. He asked it to at once provide for an adjournment, after having heard the speakers whose names were still on the list as desiring to take part in the general discussion. The German delegate supported the motion, but the matter was left still undecided. The general discussion was continued at the sixth session, May 14, by De Normandie, Governor of the Bank of France, who delivered a learned address on the theoretical and historical side of the question. On the historical side he maintained that institutions of credit had had a much less severe ordeal in bimetallic than in monometallic countries. He enumerated the number of times in fifty years that the Bank of England had been compelled to appeal to the Bank of France for help, while the latter had always been able to maintain a steadier and a lower rate of discount. In the forty-five years from 1837 to 1881 the Bank of France had altered its discount rate only 100 times, while that of the Bank of England had changed 292 times. He furnished a very clear statement of the changes that had taken place in the reserves of the Bank of France, the loss of gold and the increase of silver, and, he said, many were consequently asking in anxiety what might be the result of the conference. "With the development of business, with that feverish movement which, with a full head of steam, carries along the commercial and financial world, who," he asked, "would maintain that a single precious metal is sufficient to meet the ever-increasing requirements of the public?" Who could foresee, with a limited metallic circulation, the consequences of a financial catastrophe, of a dearth, of a deficit in the production of gold? The banks would be forced to raise their discount to defend their reserves, and that rise in the rate of discount, in the existing state of European markets and with a single metal, might rapidly assume the proportions of a disaster. It was, he urged, good policy not to await that crisis, but to foresee and take action in advance of it.

Pierson, of the Netherlands, followed with a further appeal for a bimetallic agreement, and Broch, of Norway, again came to the defence of the gold standard. In the latter's opinion, a fall of prices from the exaggerated rise of the seventies was salutary, and ought not in the least to be disquieting, but he seemed to admit that a scarcity of gold might occasion difficulties when he said:

"Hitherto, since Europe formed her existing civilization — since the fall of the old world, as it was called — it was France who, from the first, from the earliest centuries of the middle ages, always marched at the head of the social movement. This time she has allowed herself to be outstripped by other states. Let her resume her place; let that defective condition called the limping standard cease. I am certain, I repeat, that that is the only definite solution of the problem we are here studying. How fortunate those who, in these great movements, march in the van! — theirs are the facilities, theirs are the advantages. Woe to the laggards, to the last comers! — theirs will be all the accumulated difficulties; theirs will be all the losses."

The position of the United States from a practical point of view was first given by ex-Senator Howe at the beginning of the seventh session. The opinion still prevailed extensively in Europe that this country urged bimetallism upon other nations in order to provide a market for its silver, and it was to remove this that Howe quite fully explained the nature of the productive wealth of his country. He said that his government had no occasion to bull the market for silver nor to be envious of the popularity of gold, for in the same nine years the mines of the United States yielded $55,000,000 more of gold than of silver. Greater interests concerned his government, whose people were farmers, not miners. In 1879 the value of the cotton crop was more than seven times that of the annual yield of silver; the wheat crop more than twelve times; the maize crop more than eighteen times. Statesmen, he said, should be slow to believe that his government had turned its back upon these enormous interests in order to storm European sentiment on behalf of that comparatively petty interest embarked in silver mines. "We do not seek a pinched market pining for our so-called precious metals. We rather wish to find a busy and lusty world to help consume the really precious fruits of our agriculture. We seek a thrifty world to pay for them." Speaking of the immense increase in commercial facilities within two decades and of the general agreement as to the soundness of the principle laid down by the European delegates to the conference of 1878 as to the necessity of employing both metals as money, silver in some and gold in others, he asked the conference how it would proceed in the division.

"To whom, then, shall we assign silver? To whom gold? The professors of monetary science tell us there is a scientific principle upon which the partition may be made. Unhappily, they do not agree as to that principle. In one school we are taught that gold should be maintained by the rich nations and silver by the poor. In another we are taught that gold should be assigned to the Western nations and silver to the Eastern. Either principle, in application, would lead to awkward results. This conference would probably have too much regard for economic truth to assign Germany, Holland, Italy, France, and the United States to the category of poor nations, and surely too much regard to geographical truth to assign either to the category of Eastern nations. Either principle, therefore, would require those five states to throw down the silver standard and take up the gold standard. Any gentleman can calculate for himself what a supply of silver would thereby be thrown upon the market and what a demand for gold would be made upon it. Under such a movement the question of Mr. Goschen recurs with portentous significance — Can the gold be had without a *tremendous crisis?* The conference of 1878 wisely, as I must think, declined the work of actual partition. It affirmed the necessity for maintaining the monetary functions of silver, as well as those of gold, but left the duty of maintaining either to volunteers. Their language was: 'The selection for use of one or the other of these two metals, or of both simultaneously, should be governed by the special situation of each state or group of states.' That system has been tried and has signally failed. The volunteers do use silver, but do not maintain its monetary functions. It is the function of money to measure and to determine values. Silver, as employed by the volunteers, does not determine values; on the contrary, it confuses values; it confounds them. It is self-contradictory; it reports one thing on one day and another thing on the day following. Such is the situation, as I understand it, with which we are confronted. Silver must be maintained in the standard of values. Left to the voluntary choice of nations, it is not so maintained. We have no common parliament empowered to say who must and who need not maintain it. What shall be done?

"The government of the United States steps forward to say frankly and in good faith: We recognize the common necessity affirmed by the conference of 1878; we are ready to do our full share to meet it; we will stand side by side with other states represented here, in maintaining the monetary functions of both metals; we will concert with you the proper relations between the two; we will open our mints to the coinage of both upon such rates as we shall, together, deem just, and upon that ratio we will hold each to be the peer of the other in all our trade, domestic and foreign. If any fairer way of meeting this acknowledged necessity exists, I have not heard of it, and I cannot conceive it."

Howe treated with a pleasantry somewhat tinctured with sarcasm the efforts of the Belgian delegate to show that the alleged monetary malady had been exaggerated and its locality mistaken. In his opinion it was a disease that had fastened itself upon an interest common to all states and felt chiefly by the most enterprising in commerce. It consisted not so much in the depreciation of silver as in its fluctuations; commerce could adjust itself to a depreciation, but not to such remarkable variations as had ruled in the silver market. After a reply to the different arguments against the adoption of bimetallism, he said:

"I venture to predict we shall have that or nothing. I have listened with interest, but wholly without sympathy, to the various suggestions which have been offered for the relief of the silver market. I heard the candid statement made by the honorable delegate from Germany in the opening of these deliberations to the effect that the empire will proceed with caution in making future sales of her silver, and may possibly be willing to coin a few more discredited millions. I heard the encouraging suggestion of M. Pirmez that, when Italy shall resume specie payments, we who are limping with an excess of silver may shove some 5-franc pieces on her. I listened to the flattering idea of Dr. Broch, that we may be able to stack up more millions in India and the East. I have even heard it whispered that, rather than see us poor cripples actually sink, some of the gold-standard states might, in some generous, Christian mood, consent to carry a little more of this leprous silver. It is all very kindly meant, but I respectfully submit it is a mistaken kindness. Let me repeat once more: The United States government does not seek a better market for a depreciated coin. Its purpose is to reform your standard of value by extirpating from it all depreciated coins. We do not wish to load any of our sister states; we wish, rather, to unload them all. We invite you to a union which will eradicate depreciated coin from our monetary system. If you cannot accept our invitation, do not seduce us into a union to perpetuate the reign of such coin. . . .

"If, as is so confidently predicted, we are to leave this conference crowned with defeat, it is not for me to say what course our people will take, for I do not know. . . . If you persuade them at last that they must surrender one metal, and that the only blanket which can give warmth is the golden one, they may conclude to throw away all bimetallic rags and seek for a part of that blanket.

I know quite well that the only condition upon which we can hope to share that blanket is that we sell to the world more than we buy from it; and I know, as M. Pirmez has reminded us, how delusive these reported balances of trade may be. But our people produce food, and food is a prime necessity to all industry. We shall, therefore, hope to continue to trade with the world upon *some* terms; and, besides, when I learn that during the last fiscal year the deposits of gold at the mints and assay offices of the United States included not only $35,000,000 of domestic production, but $62,550,837 of foreign coin and bullion, I am persuaded that what *we* call the balance of trade is something better than a delusion."

The venerable delegate of the Netherlands, who had been a student of monetary problems for more than forty years, and who had been a member of the conference of 1867, reviewed the history of coinage in Europe, and especially in his own country since the beginning of the century, and said that after having been for more than a quarter of a century an avowed partisan of unimetallism he had come, by the force of circumstances, to declare himself a bimetallist, but on the express condition of this system being adopted and put in operation by a considerable group of states. According to Vrolik's profound conviction that was the only remedy.

One of the most interesting addresses of this session was that of Sir Louis Mallet, the first delegate of British India, because it indicated the character of the preliminary inducements that Great Britain was inclined to make to promote a bimetallic arrangement in other states. Though India was not, as he understood, invited to join a bimetallic union, her delegates were authorized to respond to the desire to sustain the price of silver by engaging to maintain its existing system of the free coinage of silver having full legal-tender quality through British India during a certain definite period to be settled by future negotiation. But his government could only bind itself in so absolute a manner on condition that a certain number of the principal states of the world would engage on their part to maintain within their territories during the same period the free coinage of silver, with full legal-tender quality, in the proportion of 15.50 to 1. His government had done much to maintain the value of silver, and he denied that it was in any way responsible for its fall. It had been the victim of the policy of others, and he considered that India had a certain right to claim an endeavor on their part to keep up the value of the white metal. His government believed that a serious evil existed, and it was very plain from the Indian point of view. British India not only faced a loss in the remittance of its home charges, but the loss sustained in trade. For each commercial operation two calculations had become necessary. The price of goods must first be calculated in gold, and then the price of gold in silver, and for the latter no exact basis for calculation existed. Pointing out other losses because of the instability in the price of silver, he said that, in his opinion, a bimetallic standard would, under all circumstances, be more stable than a single standard; and he considered a depreciating standard superior to an appreciating one. He believed gold to be insufficient for the needs of the world, even were it not needed by certain states for displacing paper money, and, contrary to the Belgian delegate, he considered bimetallism as possessing a scientific basis, a theory in entire conformity "with those great economic laws which must always control the acts of the legislator and the fate of nations, and will continue to do so more and more." He concluded by expressing the belief that with persistency and patience the reform could be carried out in spite of the difficulties that seemed to be presented by states announcing their inability to become parties to a bimetallic treaty.

The Spanish delegate, using the remarks of Sir Louis Mallet as a pretext, again reminded the conference of the practical problems that were before it. In the Anglo-Indian empire there existed a double monometallism, gold monometallism in Great Britain, silver monometallism in India. The embarrassments and losses resulting from this system were admitted. It was natural, therefore, said Prendergast, to inquire whether there might not be some means for the welfare of England and India as well as of the whole civilized world, of converting into bimetallism this divergent and injurious double monometallism. He thought the solution of the problem might be facilitated by the discovery of a ratio between the two metals, to act so that, with Indian silver, gold might be procured in England, and with British gold a fixed quantity of Indian silver. The Bank of England under the Peel Act had the power of forming its metallic stock of both metals, admitting silver as one-fourth of the gold. If this action were given an obligatory character, said Prendergast, it would enable any holder of silver to obtain Bank of England notes within the limits of one-fourth of that stock, and this, he considered, might raise the value of silver and suffice to change the monetary situation in India.

The English delegate replied that his government would not fail to take into very serious consideration these observations. He knew it would be glad to be able, without modifying the situation in which it was placed, and without renouncing the gold-standard system, to find a means of giving its co-operation in the work undertaken by the conference, the restoration of the value of silver.

Forssell, the Swedish delegate, continued the discussion for the monometallic side, and asked if it were not plain, after making allowances for all the new professions of bimetallism, that that system always lacked the support it needed in order to pass from resolutions into facts. Replying for himself, he said:

"As sentiment and international courtesy stand for nothing in this matter, it is vain to say and to repeat that the Bank of France has in a few years lost 900,000,000 francs in gold, and increased by 700,000,000 francs its stock of silver; that it will lose still more of what it wants to keep and receive still more of what embarrasses it. It is vain to prove that the Bank of Holland is suffering from an unbearable glut of silver. It is vain to declare that the supreme urgency of an economic and financial reform in Italy will force the whole world to reverse its monetary blunders. Neither one nor the other will 'convert' Germany and England to the bimetallic system, unless there is in the economic and monetary situation of those two states themselves a motive power, so to speak, strong enough to triumph over the natural force of their monometallist inertia."

He then proceeded to argue that bimetallism would be a bad system if tried under any circumstances, for a treaty would demand engagements which at any moment might lead to the detriment or ruin of the contractors. It would be selling the monetary independence of a country for a system of mutual dependence, of constant cavilling and of inevitable risks. Seeing no danger of the adoption of the bimetallic system, he considered the essential point in the monetary evolution, the subject of real and universal interest, not the depreciation of silver, the results of which on the holders of silver would be of secondary importance, but that fresh demand for gold which would result neither from the arbitrary acts of government nor from the theories of a savant, but from the requirements of commerce. With a view to reaching a decision as to the possibilities of economizing the use of gold, he proposed this question to the conference: "Is there ground for facilitating and for supporting by acts of legislation affecting coinage and fiduciary circulation such economy in the use of gold as the progressive adoption of the single gold standard will cause the states represented in the conference to feel the need of?"

At this point Baron von Thielmann, referring to the declaration he had made in the name of his government at the second session, thought it right to remark that the declaration did not contain offers made by the imperial government to the powers represented at the conference. He had confined himself to uttering the opinion that perhaps the German government would take into consideration concessions with a view to an eventual arrangement calculated to raise the price of silver. The ulterior decision of the imperial government was not prejudged either by its participation in the conference or by the observations of its delegates. He said the object of this statement was not to correct any of the opinions formulated within the conference, but to reduce to their true value the exaggerated comments of a certain portion of the press.

The Portuguese delegate reviewed the history of the coinage laws in his country to disprove an assertion, he said, of Cernuschi, that actual bimetallism could exist. He said that the gold standard was adopted by Portugal because it found that it could not at any ratio it fixed keep both metals in circulation. Cernuschi, without replying to this argument, closed the session with the remark that it had been characterized by warnings of the perils of monometallism from Asia on the one side of the world and America on the other side, both urging the adoption of bimetallism, while that system had been deprecated by Sweden and Portugal. He said it in a manner to remind the conference how small the interests of the two latter countries were compared with those of two continents.

Pirmez opened the discussion of the eighth session, the 19th of May, or just a month after the beginning of the conference, with a reply to some of the criticisms the bimetallists had made of his previous remarks. He said that the only point governing the debate, and the only one he had treated, was the possibility of establishing a fixed ratio between the two metals. He denied any intention of making any propaganda against silver and in favor of gold; or any wish to see new countries adopt the gold standard or any design of narrowing the functions of silver. He simply rejected, as contrary to the nature of things, the theory of bimetallism at a fixed ratio. He then pointed out the differences between the bimetallists of the dogmatic and of the rational schools, and said the conference might well leave it to them to refute each other, and to show that a fixed ratio was unattainable. The dogmatic bimetallism of Cernuschi, Rusconi, and Horton assumed the omnipotence of law. While starting from an inadmissible principle, they were irreproachably logical in their deductions. The rational bimetallism of Vrolik and others, on the other hand, started from true principles, but failed in logic. He took up the arguments of the bimetallists, one by one, in an effort to show that in practice they all led to the inevitable conclusion — a gold standard for all the great commercial nations in the future. Belgium's hopes, he said, lay in that direction.

"Will M. Pirmez kindly answer one question?" asked Count Rusconi. "What is money?"

"It is merchandise; but merchandise weighed and verified by the state," replied Pirmez.

"If the conference makes that declaration," said the Count, "all debate is certainly at an end, and the law of bimetallism and of the ratio becomes absurd and impossible."

Scismit-Doda, of Italy, and Horton, of the United States, each contributed arguments to the opposite view of money, enlarging upon the influence of law in the determination of the value and use of the metals. Cernuschi made another plea for bimetallism, calling attention to the fact, which was not denied, that the heads of all the great European banks were favorable to bimetallism. France, he said, was not the country most menaced; silver 5-franc pieces were at par with gold, the budget showed no loss from the monetary disorder as did the Indian budget, and, in asking for bimetallism, she was only asking for the universal good.

The most striking appeal for international bimetallism of this session and the closing one in the general debate, was that of ex-Secretary Evarts. It was an able review of the whole question from an international point of view. He reasoned that there were only two logical methods by which the disorder between gold and silver could be stopped; one was to admit as the intrinsic money of the world only one metallic basis, and "to drive out, extirpate, as a barbarism, as an anachronism, as a robber and a fraud, the other metal, that, grown old in service and feeble in its strength, is no more a help, but a hinderance and a marplot"; the other was to make one money out of two metals, adapted in its multiples and divisions to the united functions of the two precious metals. He defined the plan to divide the world into two camps, one using gold and the other silver, as one of harmonious discord and organized disorder. "The motion," he said, "seems to be that the nations that sit above the salt are to be served with gold, and those that sit below the salt are to be served with silver. But who is to keep us in our seats? Who is to guard against an interruption of the feast by a struggle on the part of those who sit below the salt to be served with gold, and of those above the salt to be served with silver? This project purports to have neither wisdom nor courage, neither reason nor force behind it. It is a mere fashion of speech for saying that we cannot, by human will, by the power of polity of nations, redress the mischief, but that we must leave the question to work itself out in discord, in dishonor, in disorder, in disaster." After reviewing in an instructive manner the main arguments against international bimetallism, he closed by saying:

"In my judgment, the progress which has been made here, the comparison of opinions, the indication of the interests of governments behind, all point to a general desire for a good result from our deliberations, which is an augury of success, for 'where there's a will there's a way.' I cannot believe that England can long occupy the position of estrangement from either of the systems about which we debate. The British Empire is neither monometallist nor bimetallist, but bimonometallist. The British Empire cannot be monometallist gold nor monometallist silver through its length and breadth. Its present position of bimonometallism is entirely inconsistent with reason and with government. It must be bimetallic sooner or later, for it cannot maintain the permanent position of a house divided against itself, which cannot stand. At this stage, then, of the deliberation, without entering into a discussion of details, it seems to me that the moment is most opportune and the spirit most excellent for a recess for some weeks. In this interval we may expect a definite and practical consideration by the various governments of what the duty and interest of each require from it towards the common end they desire."

The Spanish delegate then asked leave to renew his motion for adjournment. In addition to the declarations he had already mentioned, he called attention to the assurance the British delegates gave of a friendly reception reserved by their government for any suggestion tending to improve the situation in the money market, and to the confirmation Gladstone had just given this sentiment in the House of Commons. He believed, under the circumstances, that some kind of an agreement was possible. It had at least been shown that it was very desirable, for, he said, if Europe had another year's bad harvest and France was obliged to import much of her food from abroad, the Bank of France, not having a sufficient supply of gold remaining, would have to apply to the Bank of England, which, seeing its stock diminish, would have to raise its rate to those panic figures which lead to incalculable disaster. Then would come one of those panics from which, to use the expression of an illustrious man, they could only emerge by marching over corpses, and the pernicious influence of which would be felt by the whole world. The question of a remedy was no longer under the jurisdiction of the conference, in his judgment, but of the governments it represented. He, therefore, submitted this resolution:

"The conference, having listened to a general discussion, having considered the monetary situation from an international point of view — in view of the declarations which have been made on behalf of a certain number of governments, considering that several delegates have evinced a desire for a temporary suspension of the sessions, so as to refer to their governments, in order that the latter may be in a position to pronounce on the propositions which have been formulated within the conference and on the resolutions to be taken for co-operating in the rehabilitation of silver — *Resolves*, the sessions of the conference are suspended from the 19th of May to the 30th of June next."

In the debate on this resolution the Indian delegate, Lord Reay, made some extended remarks, which were evidently inspired to a great extent by the British government. The English delegate seemed to be in attendance for the especial purpose of manifesting English reserve, whenever it appeared to be called for by the circumstances, while the Indian delegate was used as the instrument of encouraging the other states to make a more extended use of silver, or to do anything that would promise a relief for the possible gold famine in England. Only by appreciating this arrangement does the concern with which England was watching the developments of the conference, and her desire to surreptitiously promote a bimetallic agreement in other states, and especially to include the United States, become fully apparent. With this understanding of Lord Reay's position his remarks following the introduction of the resolution become as significant and as interesting as the declaration of the German delegate a month before. The real attitudes of England and of Germany were quite similar in one respect. Neither proposed to enter into any agreement involving their adoption of the double standard, but both were anxious to make apparent concessions so as to induce some other countries to open their mints to silver. The German delegate had, from the beginning, been laboring to induce the conference to dispense with the theoretical discussion and descend to the consideration of the inducements he had offered, and to which it was likely England would add something when the opportune moment arrived. Lord Reay began by expressing the opinion that, before separating, it would be well to define precisely the situation in which the conference found itself. He said:

"If, on the one hand, it is clear that neither monometallist nor bimetallist has been shaken in his convictions, it is clear, on the other, that both monometallists and bimetallists have learned to respect each other. . . . With one or two slight exceptions, the general inconvenience of the existing state of things has been recognized. Its victims are to be found both in bimetallic and monometallic countries. So far, neither of the systems has succeeded. In this state of things it is clear that the concert which it is wished to establish must either be made between the powers which desire to remain monometallist and those which are or tend to become bimetallist, or not be made at all. Coming to practical steps, it appears to me that, in the first place, it would be important to approach the government of His Imperial and Royal Apostolic Majesty with a view to obtain its adhesion to the union which the United States and the Latin Union desire to establish. The concurrence of Austria-Hungary would be of the very highest importance in giving to the states above mentioned a powerful support for the realization of their wishes, even though Austria-Hungary should not substitute specie payments for its paper money at once.

"I should like also to submit for your consideration a proposal for asking the opinion of the principal banks of issue in the different states. It is obvious that, even in the states which have a single gold standard, these institutions could render valuable assistance in the operations resulting from a resumption of the free coinage of silver in other states. The eminent men who direct them, and we must not forget that the Imperial Bank of Germany is directly subject to the Chancellor of the Empire, could remove many of the difficulties which would attend the governments who undertook to rehabilitate silver."

After an allusion to the theories of the bimetallists and the devotion to their cause of such advocates as Cernuschi, he continued:

"But, gentlemen, to avoid the danger which threatens us, we want something besides philosophers and philosophic theories; we must have diplomacy; on our reassembling we must lend an ear to the monometallic and bimetallic statesmen in order to effect a *modus vivendi* between the powers adhering to the different systems. The habits of English statesmen tend to make them consider facts, to seek rather what is relatively possible than what is absolutely impossible. If it is desired to embark on the enterprise of introducing the bimetallic system into the United Kingdom, you cannot do better than practise what you preach, and begin the task by introducing bimetallism at home. India has suffered for the monometallic cause ; it would be another glory for the bimetallists to accept, in order to inaugurate the universal reign to which they look forward, the slight burden of some inconveniences, which, on their own showing, will be only temporary. The surplus in the French budgets and the brilliant conversion of a portion of their debt just effected by the United States establish in a most remarkable manner that their marvellous financial position is strong enough to permit of their making the experiment of bimetallism.

"On the part of Great Britain and India, I must decline both the extreme honor and the extreme disgrace which the partisans and adversaries of bimetallism confer upon them when they pretend that with these two empires all is possible, and without them nothing. Her Majesty's government has testified on many occasions its desire to create and maintain intimate relations between the different powers. It is convinced that these relations are a guarantee for the peace and prosperity of the nations. Its resolution not to join a bimetallic convention is inspired neither by selfishness nor by a disregard for the interest of other countries. I flatter myself, gentlemen, that you will render justice to the government of my august sovereign, and that you will not forget that the commerce of the world enjoys in her country a freedom from duty and obstruction which is certainly far from being either selfish or universally adopted. In matters of free trade it did not wait for the co-operation of other countries to apply principles which it believed to be true. Be assured, also, that if you succeed in giving practical effect to the principles of bimetallism without our co-operation, we shall be the first to render to you the homage which has always been paid in my country to any work which has for its object to draw closer the bonds which unite nations.

"The great problem, gentlemen, which we have to solve cannot be determined in a moment, and there is no reason for discouragement in the conviction at which we have arrived, that all the powers are not of the same opinion. It is not in ignoring the difficulty, but in recognizing it, that we can overcome it. The delegates of the United Kingdom, of India, and of Canada will have the honor of sharing in your further labors, animated by the generous instincts with which we have been hitherto guided, and which are the best guarantee for the ultimate success of an agreement, which will not, perhaps, realize all the dreams of theory, but which will be worthy of the statesmen from whom we ask it and on whose co-operation alone it depends."

The adroit hand of England, fearful that nothing would be done for silver by somebody else, is apparent in every line of this remarkable statement. Nothing but a fear that Austria might produce a crisis by resolving to resume specie payments in gold could have suggested the special desirability of her becoming attached at that time to a union for the free coinage of silver. The suggestion of securing the opinion of the heads of the banks of issue will be explained in the proceedings of the conference after its reassembling. The Bank of England would offer to hold a fifth of its reserves in silver. The remainder of the speech is an argument to show that France and the United States were strong enough to assure the success of a bimetallic convention, or at least to make the experiment. Nothing would have suited England better than such an experiment — the opening of our mints and those of the Latin Union to silver, and the assurance that Austria would not undertake to introduce a gold standard. Germany's hopes were of the same character. The concessions the latter offered would have made the complete accomplishment of her monetary reform slow work, but unless something was done it seemed absolutely impossible, even in the remote future.

After some unimportant debate as to the proper length of the suspension of the conference, the resolution of the Spanish delegate was adopted. It was voted, also, to ask the different governments to secure the opinion of the large banks of issue. The United States delegates were asked to learn what steps could be taken in their country to have gold and silver placed on the same footing in the banks, which were then discriminating against the new silver dollars, and the conference adjourned.

The intermission of six weeks resulted in some interesting developments, but in nothing practicable. The attitudes of the powers, whose co-operation was necessary, did not furnish ground for great expectations. Desirous as the United States and France were for an agreement favorable to silver, they were not disposed to take up with professed concessions which really conceded nothing, but in themselves constituted a refusal to co-operate. Anxious as England and Germany were that the United States, the Latin Union, and Austria should agree to open their mints to silver, they did not propose to yield any of the essentials of their monetary systems so long as there was reason for hoping that a bimetallic arrangement would result without further inducements from them. Cernuschi had, unfortunately, in one of his speeches afforded ground for such a hope, though without intending it. In the fifth session, while expressing the wish for real bimetallism, he had said: "It is practicable with four states, with three, or even with two. Yes, the bimetallic union would be supreme in the world even if composed only of the United States and France." This was a remarkable statement to follow his announcement at the outset of the conference that, failing the co-operation of Germany and England, or, at least, one of them, bimetallism would be impracticable. Cernuschi was strong in bimetallic polemics, but he was not a diplomat, and the German and English delegates might reasonably have inferred, even if they did not, that a *bimétallisme à deux* would be adopted whether they made concessions or not. Ex-Senator Howe had afforded them no such consoling hope in his remarks when he said that he had listened to the so-called concessions with interest, but without sympathy, and that it was a mistaken kindness to make such offers, inasmuch as the United States were not seeking a market for a depreciated metal; but this need not have changed the opinion of the English and German delegates, who knew that Howe was diplomatic and that Cernuschi was not. The suspension of the proceedings gave the American and French delegates time to consider and to conclude that the offers of the English and German governments were insufficient. The latter occupied the time in the expectations that their offers would suffice, though England had something in the shape of an inducement in reserve. When, therefore, the conference reassembled on June 30, each side was uncertain what course the other would adopt.

The president, in calling the conference to order, asked it to fix the order of its proceedings, the general discussion having been completed. At the beginning it had been determined to follow the general discussion with a consideration of each question separately; but, while this might be done, he thought that after a separation of six weeks, and particularly after the governments had been informed concerning the situation in the conference, it would be well to adjourn for a day or two, that the delegates, in private conversation, might exchange views and settle their course. The suggestion was supported by the Governor of the Bank of France, and was adopted. All parties were desirous of learning the exact situation before saying much.

Several replies to questions propounded by Cernuschi and others in the earlier proceedings were submitted at this session, but the most important document laid on the table was a communication from Moritz Levy, the Danish delegate, to the president of the conference. It attracted little attention at this time, but became one of the subjects of special consideration eleven years later, at another conference. Levy had said very little in the debate, but evidently had given the practical phases of the question much thought. As private business prevented his return to Paris to participate in the later deliberations, he wrote a letter embodying his views.

He had not been able, he said, to persuade himself of the advantages of bimetallism, but he was not prepared to deny that the existing situation might lead to difficulties, if prolonged for any considerable time. The fall in the price of silver, he admitted, constituted an obstacle to the development of commercial relations between many countries of Europe and the countries of Eastern Asia, and an increasing difficulty to those countries having a large amount of silver in their circulation. The scarcity of gold he could not deny, and he feared that the existing stock, together with the annual yield, would not be enough to allow of Europe submitting longer to so heavy an exportation of this metal as had been witnessed for the previous three years without compelling a resort to measures necessary in periods of monetary crisis. This being the situation, the only remedy he could suggest would be a more restricted use of gold and a more extended use of silver. In his opinion, silver must become in a much greater degree a necessary part of the circulation needed for the smaller domestic business of each country, while gold must serve only as the metallic reserve, guaranteeing the notes of banks issued in larger sums, and as the means of settlement in international transactions. Both of these objects, he thought, would be attained if all the states represented at the conference, or, at least, the seven great powers, France, England, Germany, Russia, Austria-Hungary, Italy, and the United States, would unite in the adoption of the following measures:

I. Retire from circulation all notes of a nominal value of less than 20 francs, or an amount corresponding thereto in other denominations.

II. Retire from circulation all gold pieces of less than 20 francs.

While the principle of Levy's plan was not new, he carried it further, proposing to give it a wider application. Germany had expressed a willingness to withdraw her 5-mark gold pieces, and the Russian delegate had suggested that the measure be extended to gold coins corresponding to the 10-franc and 10-mark pieces, but Levy considered that such an operation, undertaken by itself, would prove insufficient unless accompanied by the withdrawal of all small notes, for he had found that silver was driven away much more by small bank notes than by little gold pieces. Unless the notes were withdrawn, the gold turned into the reserves would be likely to be replaced by more notes, instead of silver; but if withdrawn and their place taken by silver, the burden on the reserves would be lightened and more gold made available for international settlements. He estimated the notes having a face value less than 20 francs in circulation in the seven great countries as follows:

Germany, notes of 5 marks, ...	50,000,000	francs.
Austria-Hungary, notes of 1 and 5 florins, .	430,000,000	"
Russia, notes of 1, 2, and 3 roubles, about .	1,000,000,000	"
Italy, notes of ½, 1, 2, 5, and 10 francs, .	559,000,000	"
United States, notes of 1 and 2 dollars, . .	230,000,000	"
Total, ...	2,269,000,000	"

Making allowance for the gold pieces that had been melted down or exported, he estimated the amount in circulation to be:

Germany, pieces of 5 and 10 marks, . . .	250,000,000	francs.
France (with Belgium and Switzerland), 5 and 10 francs, ...	600,000,000	"
England, half-sovereigns, ...	450,000,000	"
United States, pieces of 1 and 2½ dollars, .	250,000,000	"
Total, ...	1,550,000,000	"

Allowing for the fact that a portion of the small gold pieces retired would be replaced by gold coins of larger denomination, and that notes representing larger amounts might take the place of the small notes withdrawn, Levy calculated that the plan would necessitate a new currency of silver coins to the extent of two milliards of francs, at least, and he thought that this might not only stop the fall of the price of silver, but cause a progressive rise to the former ratio. To meet the objection that it would require people to carry about with them a great weight of silver to make daily transactions, he suggested that silver notes should be issued, secured by a corresponding amount of the metal. The result would be, therefore, that notes redeemable in silver would, in some countries, be substituted for notes redeemable in gold.

One feature of the plan, possibly suggesting the reason for the lack of consideration given it by the conference, will be readily noticed. Nearly 90 per cent. of the notes to be withdrawn were in countries then on a paper basis, and the effect would have been to have put these countries on a silver basis, a step which they had deliberately avoided by suspending the coinage of silver when it fell below the value of their depreciated notes. Moreover, France would have been compelled to substitute silver or silver notes for nearly 600,000,000 francs of small gold coins when her currency was already glutted with silver.

Among the letters received, in response to the resolution of the eighth session calling for expressions of opinion from the banks of issue, was one from the officers of the Bank of the Netherlands, headed by Mees, who had been a member of the conference of 1867, pointing out the serious difficulties of the situation, and declaring their opinion that the establishment of the double standard over a greater extent of territory would be the only efficacious remedy. The Governor of the Bank of Belgium, on the other hand, said that the opinion of the council of that institution was exactly what it had been in 1873 — in favor of the single standard of gold.

The adjournment of the conference to enable the delegates to discover what new features there were in the situation did not entirely remove the uncertainty as to the plans of the British and German governments. The latter was waiting to see what the former might propose, and both were coyly waiting to discover how far the advocates of bimetallism might go. At the tenth session, on July 2, it became sufficiently clear that each side had waited for the other. Seismit-Doda, of Italy, advocated the abandonment of the discussion of the *questionnaire*, so that a systematic effort might be made to find out in what way, if any, the declarations of the various governments made at the earlier sessions had been supplemented. It was finally agreed that whatever discussion took place on the *questionnaire* should be confined to the last two questions — the measures to be taken to reduce the oscillations of the two metals and to establish a fixed ratio between them. Ex-Senator Thurman took the floor, and quickly turned his attention to the German and Indian proposals. He said that, while the American people believed that the existing monetary systems of the world greatly needed reformation, and that one of the most effective, if not the most effective, reform that could be made would be the adoption of bimetallism, yet they were too well informed not to know how slow was the progress that truth often made, and that it was seldom the part of wisdom to reject what was attainable and reasonable at the time because it fell short of something better and more desirable. He thought, therefore, that, in view of the conflicting opinions of states and statesmen, his government would not probably feel it to be its duty to reject any and every proposition that came short of perfect bimetallism. It could afford to march step by step instead of insisting on reaching the goal at a single bound.

"But, if we be invited to halt at a half-way house and tarry in it for a season, we must, before we accept the invitation, be well assured that the tenement is not a dangerous one for us to occupy. Now here, as it seems to me, lies the chief obstacle to the acceptance of the propositions in question. Each of the propositions, as I understand it, requires that the United States and France, and, perhaps, the chief states of the Latin Union, shall open their mints and keep them open for the free and unlimited coinage of silver into money having full legal-tender quality. It is not for me to say what France, or the states of the Latin Union, or other states of Europe here represented may think of such propositions. Their delegates will answer for themselves, if they see fit to do so — I can speak in reference to my own government alone. Would such an agreement as that proposed be acceptable to the United States? I am bound, speaking frankly, to say that I think it would not. There is a great and vital difference between a grand bimetallic union that, by fixing and maintaining a stable relation between gold and silver, would stop, or at least powerfully tend to stop, the efforts so often made to drain a state at one time of one of the metals and at another time of the other, and a little and half-way union that might leave each state liable to a recurrence of such drains. Now, if I understand the views of my government and of the American people, they do not desire an alternative standard, gold to-day and silver to-morrow, nor a single standard, whether of gold or silver, and certainly not the single silver standard. Their stock of silver money is less in proportion to the wealth and population of the country than that of most commercial nations, while, on the other hand, their stock of gold is very large, is steadily increasing day by day, and is likely, unless prevented by some blunder, to continue to increase. Under such circumstances, it is but natural that the government should hesitate to enter into an agreement the effect of which might possibly be to lessen the amount of our gold. It would cheerfully become a party to a great bimetallic union which, if formed, would, of course, open to its mints to the free coinage of silver: but I must be permitted to doubt whether, without such a union in existence, it will, by convention, surrender its power over its own coinage.

"In saying this I would not be understood as underrating the importance of the German and English propositions. I consider them as steps in the right direction, and entitled to the most respectful consideration; but, in my judgment, they fall far short of what the exigency requires, and I see no probability of their acceptance."

This statement, which had been carefully prepared, evidently represented the position of the entire delegation from this country. Its character may have been somewhat modified by a desire to draw further concessions from the German and English delegates, for there was a strong suspicion that they were holding something back. Nevertheless, it was in the main a true statement of the position of the United States government, which looked upon bimetallism without the co-operation of all the commercial nations as impracticable. It was the persistency of the silver advocates in Congress that gave the Europeans a different idea and sustained them in their attitude of reserve.

Thurman was followed by Schraut, of Germany, who rehearsed the serious features of the scarcity of gold, and then, apparently for the purpose of relieving Germany of any moral responsibility for the fall of silver, and of intimating that other powers should bear the brunt of its rehabilitation, argued that the suspension of the coinage by the Latin Union had been the chief cause. To be sure, he said, that suspension was brought about by the sales of silver attempted by Germany but a sensible and persistent depreciation of the white metal, he held, would have remained impossible as long as the Latin Union really accepted it at a fixed price for coinage. The union acted as a regulator, and, when that was destroyed, there was nothing to prevent its fluctuations and decline. This aroused the warm nature of Cernuschi, who had apparently made up his mind that Germany had, from the beginning, been endeavoring to entrap the conference with its propositions. He said that nobody could be mistaken as to the feelings animating him, when, after acknowledging the loss sustained by the German empire from the demonetization of its silver coin, and after having proposed to reimburse her for that loss, he protested against the accusation thrown out against the Latin Union by the German delegate. If Germany had not endeavored to appropriate the legal monometallism of England, France would have continued to coin the two metals freely. Soetbeer, he said, had always desired to cast upon France the responsibility for the monetary disorder, but it was Germany who made the beginning. Germany had supposed that she could become monometallic by pouring all her silver into France and draining her of gold at 15.50 to 1; and, in doing this, prevent a loss to the imperial treasury.

"There is a desire," he added, with considerable animation, "to resume this plan, and this is the object of these pretended concessions, which consist in reducing the exportation of German silver, but in exporting it gradually into the countries of the Latin Union and in taking gold for it at 15.50 to 1. Even the proposed recoinage of her silver pieces into smaller pieces at the 15.50 rate would lead to this final result." Cernuschi intimated that such a purpose lay underneath the proposition, and that France would not regard it as a concession.

The point was not debated further, but Baron von Thielmann, who evidently interpreted the unfavorable expressions from the French and American delegates as a diplomatic sally, arose and said that he had received the impression that a fresh declaration was expected from him, but he had nothing to add to what he had stated at the first meeting. Sir Charles Fremantle, however, then presented a letter written two weeks before by Sir Alexander Galt, the Canadian delegate who had not returned to the conference, to the effect that, if the United States adopted bimetallic legislation in accord with Europe, it would be the interest and policy of Canada to follow the same course. He also announced that he had just received instructions which would enable him to make a communication to the conference at the next session. The English delegates were obviously disturbed over the declining prospects of an agreement, to which it would not become a party.

Dumas opened the eleventh session, on July 4, with an able address upon the historical relations of gold and silver, and their natural places in the currency, but without any reference to any propositions short of bimetallism except in advising that, if steps in that direction were taken, the smaller gold coins should be withdrawn from circulation; "silver should be the coin of the population which labors and produces, a population," he said, "for which gold is so often a chimera, and silver the daily bread and the safeguard of the morrow."

Schraut, the German delegate, again spoke for the apparent purpose, this time, of encouraging the idea advanced by Dumas of giving silver a greater place in the small coinage. Coming from a German delegate, the statement was rather significant. He said:

> "I do not dispute that the re-establishment of the free coinage of gold and silver at a fixed ratio, in a certain group of states, would raise the price of silver to the rate corresponding to that ratio, and that its future oscillations would be but insignificant. Accidental perturbations would be the less to be feared if we succeeded in guaranteeing the mints against an unforeseen and extraordinary influx of the white metal. The best means, in my opinion, of arriving at this object would be to make the use of silver general in all countries, as remarked by several of our honorable colleagues in the course of our first sessions.
>
> "The first step would be taken in this path, if all the states which have issued paper money notes below 20 francs would call them in and replace them by silver money. I reckon among these states not only the states with forced currency paper money, but also the United States of America, which have issued a considerable quantity of one and two dollar notes. It would also be expedient, as our illustrious colleague, M. Dumas, has shown, to do away with the small gold coins, and to replace them by silver, the consumption of which would be augmented in direct proportion to the withdrawal of small notes and of small gold coins."

Following this evident effort to draw France and the United States into an agreement, Sir Charles Fremantle announced that he would defer till the next session the communication he had expected to be able to make at this meeting.

In submitting some statistics of France as to the quantity of the precious metals used in the arts, in response to questions propounded by Lardy, of Switzerland, earlier in the conference, Cernuschi said he would not omit calling attention to the strange position of the partisans of gold, who, perplexed and uneasy, were forced to institute inquiries to ascertain whether there was not too great a consumption for industrial purposes of the metal on which they made their whole economic life depend. Bimetallism, he said, had none of these perplexities and troubles. He also took occasion to say that all the measures which had been commended as half-measures could serve for nothing. The session closed with a declaration from the

Netherlands delegate, submitted, Pierson said, in obedience to instructions from his government, which considered it advantageous that the different governments should be enlightened as to their intentions. It was as follows:

"The government of the Netherlands is of opinion, like several members of this conference, that the fall of silver and its great oscillations of value are a great evil.

"It also thinks that the simultaneous and unreserved adoption of the double standard by all the great states of Europe and America would be the true means of remedying that evil.

"It would scarcely hesitate, therefore, to propose to the States-General the re-establishment of the unlimited coinage of silver, at present prohibited, both for our country and for all its colonies, as soon as the double-standard system should have been adopted over an area as vast as that which we have just indicated.

"But our government would not engage to act thus if that system be established only over a more restricted area. As long as it is ignorant what guarantees would be given for fixing, as far as possible, the ratio of value between the two metals, what states would adopt the bimetallic system, and what concessions would be made by the other states for facilitating its success, it is impossible to judge of the advantages and inconveniences there would be for the Netherlands and its colonies in re-establishing the unlimited coinage of silver, even maintaining the legal ratio between that metal and gold, which is now not 15½, but 15⅝.

"While, however, reserving its entire liberty, the government of the Netherlands does not peremptorily reject any project of establishing the double-standard system in an area comprising only several great states of Europe and America. Such a project, if proposed at the conference, would doubtless be taken into very serious consideration by the Netherlands."

At the opening of the twelfth session, Seismit-Doda said, on behalf of Italy, that it had hoped for decisive resolutions from the suspension of the conference, and it was prepared to enter upon the path of free and unlimited coinage of silver, provided Germany and England would also enter upon it unreservedly. But that now seemed to be doubtful, and he could only make known what his government would do. He wished to do so before the English delegate read his promised communication, so as to show, he said, that his government's offer was entirely independent of what the English delegate might declare. He then stated that the Italian government would be disposed to enter into a league of various states, to agree upon the limited coinage of silver, on the condition that the German government would engage to suspend the sale of its silver for at least five years, and to replace the gold 5-mark pieces and its imperial treasury notes by silver money, and also admit for silver coins the ratio of 15.50 to 1, conferring on all the silver thus coined the full paying power possessed by the old thalers; and on the further condition that England would enter into an engagement with the other states to increase the paying power of its silver crowns. If these conditions were accepted by Germany and England, Italy might agree with the other states of the Latin Union and with the United States in resuming the limited coinage of silver for a term not to exceed that fixed for the suspension of sales by Germany. The quota of silver coinage for each state, according to Italy's plan, should be based on the population.

The British delegate then read the following declaration:

"In pursuance of the announcement made to the conference at last Saturday's session, I have the honor of making the following communication on behalf of my government:

"The United States Minister at London, after a conversation with Her Majesty's Secretary of State for Foreign Affairs, having expressed an opinion that it would be possible to arrive at an agreement between the other powers on the monetary question, if (*inter alia*) the Bank of England should agree to exercise the option allowed it by the Bank Charter Act of 1844 (7 and 8 Vict., c. 32, ss. 2 and 3), and if the Treasury would put a question to that effect to the bank directors, Lord Granville applied to that department, and through that medium obtained a reply from the bank directors.

"In this reply the bank declares its readiness to exercise the above-mentioned option, on condition of the mints of other nations reverting to the observance of rules insuring the exchange of gold for silver and of silver for gold at a legal rate.

"Her Majesty's government, having subsequently learned that Mr. Lowell's action was in no way the result of instructions from his government, did not deem it proper to follow up the declaration of the Bank of England by communicating it to the conference through its delegate. A similar proposal having, however, within the last few days, been submitted by His Majesty's, the King of Italy's, Ambassador at London, on behalf of his government, Her Britannic Majesty's government has promptly given it the respectful reception it will always accord to the representative of one of the great powers of Europe.

"I have, therefore, the honor of laying on the table of the conference the very words used by the Bank of England in the above-mentioned communication:

"'The Bank Charter Act permits the issue of notes upon silver, but limits that issue to one-fourth of the gold held by the bank in the issue department. The purchase of gold bullion is obligatory and unlimited, the purchase of silver bullion is discretional and limited, the distinction being enforced by the necessity of paying all notes in gold on demand. The reappearance of silver bullion as an asset in the issue department of the Bank of England would, as is understood by the Foreign Office letter, depend entirely on the return of the mints of other countries to such rules as would insure the certainty of conversion of gold into silver and silver into gold. The rules need not be identical with those formerly in force; the ratio between silver and gold and the charge for mintage may both or either of them be varied and yet leave unimpaired the facility of exchange, which would be indispensable to the resumption of silver purchases by a bank of issue, whose responsibilities are contracted in gold. Subject to these considerations, the Bank Court are satisfied that the issue of their notes against silver within the letter of the act would not involve the risk of infringing that principle of it which imposes a positive obligation on the bank to receive gold in exchange for notes and to pay notes in gold on demand. The Bank Court see no reason why an assurance should not be conveyed to the monetary conference at Paris, if their Lordships think it desirable, that the Bank of England, agreeably with the act of 1844, would be always open to the purchase of silver under the conditions above described.'"

This, apparently, was the "inducement" which England had been holding back in the hope that Germany's concessions would satisfy the United States and France. Taken with the statement of the Italian delegate, it introduced a new phase of the question, and the members were in some doubt as to its precise effect or bearing. Pierson, of the Netherlands, called attention to the inevitable reservations in all the propositions, and asked why it was that the Bank of England was not disposed to buy silver ingots without stipulating the formation of a bimetallic league. He admitted that the question was naïve. How could they expect the bank to buy a metal treated throughout Europe as proscribed, as a pariah? For that metal to enter, in the regular way, into the metallic stock of the bank, its value must be steady; "but observe," said Pierson, "how important the declaration is from the theoretical standpoint. The great question which divides us is this: 'Will the adoption of the double standard by a large number of states have the effect of rendering the price of silver stable as expressed in gold?' We say, 'Yes'; our opponents say, 'No, the effect of a bimetallic league will never be such; your principle is unsound; you are going against the nature of things; the ratio of the value between gold and silver is regulated by causes with which law has scarcely anything to do.' Now, here is the British government coming and placing itself on our side, inasmuch as it approves of the bank taking a measure which, I say this on the strength of experience gained in a practical career, would be the greatest absurdity, would be most prejudicial to the bank's own shareholders, unless the adoption of the double standard had the effect of making the price of silver stable." This was turning the table very cleverly upon the monometallists, for, as Pierson pointed out, the proposal even went further, from this theoretical view, than did the leading bimetallists, who refused to admit that a bimetallic league would have the desired effect on the value of silver unless the league was a general one and included England; but in their anxiety to have France and the United States form a bimetallic union both England and Germany had admitted, through their delegates, that, in their opinion, such a union would make the price of silver stable. Pierson followed up to his advantage in this way:

"This, then, is what I would say to England: You are friendly, but you are not logical. If you really believe that the double-standard system can make the price of silver stable, why do you refuse us your co-operation? If you accord it, the present situation would immediately change from top to bottom. The Netherlands, as is seen by the declaration I have made, would scarcely hesitate to adopt bimetallism. France, the United States, and Italy would be quite disposed to do the same ; in short, a union would very soon be formed, comprising the most important commercial countries, and I cannot believe that Germany would refuse to form part of it. You have but to utter a word and the thing is done. Others are hesitating only because they are afraid of failing without you. Look, moreover, at the probable, or, at least, possible, effects of your refusal. The limping standard countries cannot permanently maintain that system which is contrary to the simplest, the most elementary rule, viz.: that the legal value of money should not be above its value as metal. The United States will not go on coining silver; they will adopt the single gold standard. Italy will do the same, as, also, Austria, as soon as she emerges from forced currency. Do you realize what all this means? It means fall of silver, your

Indian money, and rise of gold, your home money. It means entire derangement of prices, monetary confusion, commercial chaos. We are told, in the end, order will be re-established. Indeed, order always ends by being re-established, but is this a reason for not fearing revolutions? . . . . The situation is serious. On you depends whether the evil assumes enormous proportions or is entirely removed."

The French and American delegates, after a full examination of the situation, decided that nothing could result till the stress of circumstances had become more severe in Great Britain and Germany. That this increased stress would come they had no doubt, and they calmly expected that after a while the stubborn powers would yield, like Pharaoh after a few more plagues. The conference met for its thirteenth session on July 8, therefore, having been given to understand that the time had come to consider an adjournment, and ex-Secretary Evarts, on behalf of the delegates of France and the United States, read the following declaration:

"1. The depreciation and great fluctuations in the value of silver relatively to gold, which of late years have shown themselves and which continue to exist, have been and are injurious to commerce and to the general prosperity, and the establishment and maintenance of a fixed relation of value between silver and gold would produce most important benefits to the commerce of the world.

"2. A convention, entered into by an important group of states, by which they should agree to open their mints to free and unlimited coinage of both gold and silver, at a fixed proportion of weight between the gold and silver contained in the monetary unit of each metal, and with full legal-tender faculty to the money thus issued, would cause and maintain a stability in the relative value of the two metals suitable to the interests and requirements of the commerce of the world.

"3. Any ratio, now or of late in use by any commercial nation, if adopted by such important group of states, could be maintained; but the adoption of the ratio of 15.50 to 1 would accomplish the principal object with less disturbance in the monetary systems to be affected by it than any other ratio.

"4. Without considering the effect which might be produced towards the desired object by a lesser combination of states, a convention which should include England, France, Germany, and the United States, with the concurrence of other states, both in Europe and on the American continent, which this combination would assure, would be adequate to produce and maintain throughout the commercial world the relation between the two metals that such convention should adopt."

President Magnin then informed the conference that a considerable number of delegates of the invited powers had expressed a desire in private conversation to have the conference suspend its labors again and adjourn to some later date. If the idea should be favorably entertained, the delegations of France and the United States would submit resolutions to that effect. The delegate from Sweden at once objected on the ground that it would exceed diplomatic decorum to give so much permanence to the meetings without consulting the respective governments, and that it would do no good. The proposed prorogation would, in his opinion, signify nothing, unless a hope of inducing the United States to change its mind as to bipartite bimetallism, or the German and English governments to change their minds as to universal bimetallism; he considered that it would be better to at once acknowledge that the project of bimetallism, failing the adhesion of certain states, had collapsed, and that the conference could only follow the example of that of 1878, and declare the necessity of maintaining the monetary function of silver as of gold.

Baron von Thielmann desired the submission of a resolution of prorogation, so that its grounds might be more intelligently discussed, and after a twenty minutes' intermission the French and American delegations submitted resolutions to the effect that, considering the declarations made in the name of several states, all admitting the expediency of taking various measures in concert, there was ground for believing that an understanding might be established between the states, but that it was expedient to suspend the meetings, for the situation as to some states might call for the intervention of government action, thus affording a reason for giving the opportunity for diplomatic negotiations. It was, therefore, proposed to adjourn to April 12, 1882. The resolution was supported by the Governor of the Bank of France, who said that both the delegates of his country and the United States concurred in recommending it. The Belgian delegate announced that he should support the proposition because it offered advantages, and would involve no inconvenience, and Lord Reay, the Indian delegate, doubtless expressed the opinion of the English government when he said that there had been many proofs of the desire of the different governments to arrive at an international *modus vivendi* without cherishing the hope of carrying out a universal system, and that it was allowable to expect that Austria and Russia would offer their powerful co-operation for the rehabilitation of silver. He hoped that the French and American governments would be able at the adjourned conference to offer a programme, giving the labors a practical direction, and he considered it especially desirable that the programme should be kept within the limits imposed by the action of governments, and not aim at the adoption of an absolute theory not previously sanctioned by the governments, for the theorists who voted for the motion of adjournment would practically acknowledge that the question remaining was not the application of an economic thesis, but the discovery of a *rapprochement* for escaping the risks of a terrible crisis. The delegates of Austria and of Norway also supported the motion, and it was unanimously adopted. After the exchange of courtesies the conference adjourned, never to reassemble for the practical purposes it had in view.

CHAPTER VII

SILVER COINAGE IN THE UNITED STATES AND PROTECTIVE MEASURES IN EUROPE—THE STRUGGLE FOR GOLD

Little need be said in the way of review of the character of the conference. The disposition of the delegations of the different governments has been revealed in the brief survey of the course of the deliberations in the last chapter. It must always be remembered that the participants in any event view its features from a different standpoint, and in a different atmosphere and light, from those who are removed by space and time. We can now observe it from the vantage-ground of an intervening experience, and, able to examine in its totality what the delegates could only discern in its growth, we can more easily note the character of motives which were then disguised and not wholly discovered. In interest and importance the conference of 1881 surpasses others in the bimetallic series. It took place at a time when the doctrine of international bimetallism had apparently reached its highest practical development. Never before or since have so many states affirmed its practicability, or has there been such a general desire to accomplish something. Though speculations may be idle, it seems safe to say that but for the continuing uncertainty of what France, and especially the United States, would do in default of an immediate agreement with other states, something substantial might have resulted. If the delegates of the United States could have been able to assert that, failing in an agreement which would include England and Germany, their government would at once repeal the silver coinage act and await the time when an agreement was possible; if Austria would have definitely announced that, in case England and Germany adhered to the gold basis, she would, thenceforth, take steps to adopt it; if Russia had been ready to say that in a few years it would proceed to amass a great stock of gold, it is doubtful if England and Germany, in view of circumstances then existing, would have dared to stand in the way of a union which included them. They, at least, would not have contented themselves with playing upon the bimetallic desires of France and the United States with inconsequential concessions.

As it was, they were too seriously concerned to uphold a single doctrine of the old gold monometallism, but threw them all away in their eagerness to show that bimetallism was possible and practicable with only France and the United States to back it. They practically admitted every bimetallic argument. They were even more pronounced than others in their portrayal of the extreme dangers of the situation; they freely admitted the appreciation in the value of gold, the possibility of a fixed ratio and the rehabilitation of silver. Even if the Belgian delegate denied this, it made little difference when the English and German delegates frequently embraced opportunities to affirm it. Because they still had hopes that a bimetallic agreement with the United States and France as a centre would eventuate, they held off, and at any time during the next six years a bimetallic agreement including England and Germany would have been possible and quite probable had the United States definitely and unreservedly ceased their efforts to do something for silver. The attitude of expectancy still continued, and for two years the price of silver held fairly steady at about 52 pence.

The proper position for the United States to take in behalf of bimetallism was appreciated by the administration at Washington, but was scorned by the radical silver advocates. No doctrine ever stood in such dire need of being delivered from its most officious friends. Supplementing a statement concerning the continued difficulties of circulating the new silver dollars, Secretary Folger said in his report for December, 1881:

"The silver question is involved in some embarrassments. The monetary conference to which a commission was sent the past year, after elaborate discussion, reached no conclusion, except to adjourn to meet again for a further discussion next April. Whether a renewal at the present time of the consideration of the subject by it is likely to lead to any practical or acceptable results seems doubtful. That most of the European nations have a deep interest in a proper adjustment of the ratio between gold and silver coinage, if not deeper than the United States, admits of no doubt. We furnish the world with the largest portion of both gold and silver, and our exports command the best money of the world, as they ever should do and will, unless we bind ourselves to accept of a poorer. We need not appear anywhere as supplicants when we clearly may be the controllers. . . . . . The most potential means of bringing about any concert of action among different nations would appear to be for the United States to suspend for the present the further coinage of silver dollars. This is the decided opinion in both France and America of the highest authorities on bimetallism and of those who wish to bring silver into general use and raise its value ; and it is believed that a cessation of coinage would at a very early day bring about a satisfactory consideration of the whole subject among the chief commercial nations."

This was also the opinion of the American delegates to the conference, who saw reasons for thinking that England's embarrassments would continue and multiply till the government yielded. The bimetallists in Congress should have had foresight enough to have adopted the suggestion at once, or before the time for the reassembling of the conference. But, instead, it allowed the silver dollars to accumulate and relieve the embarrassments of the European nations, and, owing to a persistent clamor from the South, there was a movement for the reduction of the tariff — something which Europe always awaited hopefully. When the time for reassembling came it was found that England and Germany adhered to their positions, and France and the United States were quite as unwilling as ever to accept their terms. So the time passed without anything being undertaken.

While the United States continued to pile up silver dollars in the vaults of the treasury, the European governments took rational steps to protect themselves. In September, 1882, the Dutch delegates strongly recommended to their government the conversion into bullion and the sale of a part of the silver coin held by the Bank of Holland, and the purchase of gold ingots with the proceeds. The stock of gold in the bank, which at the close of the year 1880 was about 57,000,000 florins, had fallen to nearly 11,000,000, while the stock of silver had varied between 91 and 94 millions of florins. The gold depletion was, in part, due to the unusual efforts of the Banks of England, France, and Germany to accumulate gold, which began as soon as it became apparent that no settlement for a larger use of silver was probable. The Dutch delegates, looking to the interests of the country in its commercial relations with neighboring states in which gold was the standard, and to the necessity of maintaining a normal rate of exchange, urged that a stock of gold must always be kept on hand, as, whenever the bank should become unable to place gold bullion at the disposal of the exporter, gold coins would command a premium, with the necessary result that the standard silver coins would become depreciated and the rate of exchange with London would rise to an abnormal height. Some objection was made to the plan because the sale of silver and the purchase of gold could not be effected except at a loss of about 15 per cent. to the state, but in February, 1883, a bill was introduced by the government into the second chamber of the States-General, authorizing the Minister of Finance to cause 2½-florin pieces of the nominal value of 25 millions of florins to be melted and sold. In order to meet the loss entailed by this operation, another bill was at the same time presented, fixing at 15 instead of 10 millions of florins the amount of government paper money, thus increasing by 5 millions the debt bearing no interest. A long controversy followed, and in the meantime the situation of the bank greatly improved, so that, when the measure finally passed, the government did not consider it necessary to avail itself of its provisions, though it remained on the statute-books conveniently ready for such an emergency. The government took a more cautious and less expensive course, by melting a sufficient number of the 2½-florin pieces, whenever silver was needed for subsidiary purposes, instead of purchasing ingots in the London market as theretofore. In this way quite a large amount of the silver in the bank was worked into the home and colonial circulation as limited tender.

In striking contrast to this were the efforts of our Congress to force silver into the circulation. The New York Clearing-House had persistently discriminated against the silver dollars and their certificates, and in July, 1882, Congress passed an act prohibiting banking associations from being members of any clearing-house in which silver certificates were not receivable for balances. The associated banks passed resolutions nominally complying with the act, but the practice was such that the Treasury was unable to use either the silver dollars or certificates in settlements at the Clearing-House. This operated against the accumulation of gold in the Treasury, and resulted in a constant increase in the accumulations of silver. The Secretary of the Treasury remarked in his report that year, that if the coinage of silver dollars was kept up, and the demand for them continued as dormant as it had been up to that time, it would become a serious question where to find storage room for them in the public receptacles. In all, there were then 2400 tons of the metal stored in the public vaults.

The remarkable excess of imports of gold over exports ceased, also, at about this time. Whereas the excess of imports over exports was $77,000,000 in 1880, and $97,000,000 in 1881, in 1882 it was only $1,800,000, and in 1883 only $6,000,000. This was largely due to diminished exports of grain, European harvests having improved in the two latter years; but the restrictions which the large banks of Europe put in the way of gold for export had much to do with it, for it operated against our export trade in the products of our manufactories. At the same time the European governments were taking every possible step to increase their export trade, and some of them to decrease their imports. Germany imposed a high tariff on articles that came into competition with her own products or were not essential to the subsistence of her people. In 1881 the balance of our trade with Germany was $17,000,000 in our favor, in 1882 it was $2,000,000 in Germany's favor.[1]

The cessation of the excess of gold imports, however, was not then a serious matter to the United States, which had a large stock of gold, and produced it to the value of over $30,000,000 yearly. There was nothing to be concerned about so long as our own product remained here. No nation ever had

[1] "While the exportations to the United States were so large and gratifying to the people of Germany, the importations from the United States showed a decrease, and it would seem that in almost that proportion in which the exportations to the United States increased, the importations from our republic decreased. Yes, even to a greater degree, for although during the fiscal year 1881--82 the exportations from Germany to the United States amounted in value to about $12,000,000 more than in 1880--81, importations from the United States were about $16,000,000 less. The policy of the government of this empire in placing high duties upon articles grown or produced in foreign countries has had the effect, in my judgment, to seriously impair our commercial prospects in this direction. . . . Borne down by military burdens and the legacy of the past, Europe looks across the watery waste and sighs for resources like ours — for such a destiny. The great question is not how the great American Republic shall dispose of its surplus products, but how shall Europe find in America and the world at large markets for its wares, that its multitudes may obtain bread to eat and be withheld from revolution. They need from us these staples of life, but how, in return for these staples, shall they requite us?" — Report of Jas. Henry Smith, Commercial Agent at Hesse-Darmstadt, Sept. 1, 1883.

In a speech in the Reichstag, May 12, 1882, Bismarck said: "Because it is my deliberate judgment that the prosperity of America is mainly due to its system of protective laws, I urge that Germany has now reached that point where it is necessary to imitate the tariff system of the United States."

an equal opportunity to commercially control the money of the world; no nation ever so wasted its opportunities as did the United States then. Our currency policy would have ruined any country in Europe in short order, and it was not long before our great resources began to show its effects. A change was manifest soon after the slight tariff reduction of 1883, and yet for a whole decade nothing stood between us and a crisis except this tariff. When, finally, it was decided to throw that down, the crisis was at hand. Regularly every year a warning came from the Secretary of the Treasury. Hugh McCulloch, who again became the head of the department for a brief period under President Arthur, said in his report, in December, 1884, that it was becoming more and more evident that silver certificates were taking the place of gold, and that a panic or an adverse current of exchange might compel the use in ordinary payments by the Treasury of the gold held for the redemption of the United States notes, or the use of silver or silver certificates in the payment of its gold obligations. "The United States," he said, "is one of the most powerful of nations — its credit is high, its resources limitless; but it cannot prevent a depreciation of silver unless its efforts are aided by leading nations in Europe. . . . . The European nations which hold large amounts of silver must sooner or later come to its rescue, and the suspension of coinage in the United States would do much to bring about on their part action in its favor. But whatever might be the effect of the suspension of the coinage upon the commercial value of silver, it is very clear that the coinage cannot be continued without detriment to general business and danger to the national credit." But Congress, observing the unquestioning faith with which the people took the silver certificates at the gold value, considered the warnings idle and remained oblivious to the dangers underneath the surface of things. Bad financial tendencies seldom manifest themselves clearly when confidence is complete; the condition of affairs may seem to warrant the greatest satisfaction and yet be on the point of disaster, precipitated, perhaps, by a trifle.

The depression of trade continued in England, and the number of those who attributed it to the scarcity of gold and the fall in prices increased after the adjournment of the conference. None did so much to awaken British sentiment as the two men who had been delegates to the conference of 1878. Goschen, who had the reputation of being one of the best-informed men in England on financial matters, was especially influential in arousing the commercial and industrial centres of the kingdom. Adressing the Bankers' Institute of London, on April 18, 1883, he called attention to the fact that the demand for gold which had within a short period been made by Italy, in an effort to resume specie payments, by Germany in its monetary reform, and by the United States in trade amounted to £200,000,000 — a demand which had absorbed a sum equal to ten years' supply of that metal.[1] At the same time the matter was the subject of occasional debate in Parliament, and the threatened diminution of the reserves of the bank caused considerable alarm. That institution, how-

[1] "I next have to ask from what annual supply of gold this extraordinary demand had to be met? Now, many of you may be aware that there has been a falling off in the annual supply of gold, and that while in 1852 — the first year after the gold discoveries — the amount of gold produced was £36,000,000, it is now about £20,000,000 per annum. I think it may be well to give these facts in a quinquennial statement. The total production from 1852 to 1856 — in those five years — was, in round numbers, £150,000,000, giving an annual average of £30,000,000. In the next quinquennial period, from 1857 to 1861, the total production was £123,000,000, giving an annual average of £24,600,000. Between 1862 and 1866 the total amount produced was £114,000,000, and the annual average £22,800,000; and in the years between 1867 and 1871 the total production was about £109,000,000, with an annual average of £21,753,000; and in the years between 1871 and 1875 the total production was £77,000,000, and the annual average £15,400,000. Thus, you will observe that we have had an extraordinary and additional demand of £200,000,000 sterling coming upon an annual supply of £20,000,000 sterling." — Goschen, before Bankers' Institute.

ever, by persistent efforts in the face of difficulties, managed to maintain a fair reserve, the task becoming somewhat easier on account of the cessation of German purchases and the more abundant crops on the continent as well as in Great Britain and Ireland.

Little complaint came from the Indian colony during the early eighties. The alarm for the future, which manifested itself in 1876, seems to have been calmed by a remarkable expansion of the export trade of India. In spite of the fall of silver in relation to gold, the rupee would purchase as much of other commodities in India as ever, a fact which not only gave the wheat growers of the Punjab a great advantage, but had a stimulating effect upon other industries. During the five years 1877--81 the average annual export of wheat from India was 5,000,000 cwts., and during the five years 1882--86 it was 19,000,000 cwts. In 1874, before the fall of silver had begun to seriously manifest itself, the total exports of yarn from the Indian mills to China and Japan amounted to only 1,000,000 pounds. In 1875, when silver had fallen 3*d.* per ounce, the 1,000,000 pounds, which it had taken India nearly ten years to reach, suddenly expanded to 5,000,000 pounds. By 1880 it was 25,000,000 pounds, and by 1885 it was 75,000,000 pounds, which was nearly three times more yarn than the United Kingdom was sending to Japan and China, and almost as much as it was sending to China, Japan, and India together. The increasing loss on remittances to England on account of fixed charges naturally occasioned little complaint from the Indian government, whose ability to discharge these obligations was increasing somewhat faster than the gold value of the rupee fell.[1] Shrewd Indian merchants began to

[1]It was not until the fiscal year 1886--87 that the increase in home charges due to a declining rate of exchange began to absorb India's favorable balance of trade. That year the rate dropped to 17.4 pence per rupee and the year following to 16.8 pence.

regard the silver standard as advantageous, but, of course, the functionaries, who were paid in rupees, which on being remitted to England through the medium of exchange were measured at their gold value, regarded it in a far different light. So did the Lancashire manufacturers, whose business was becoming more and more depressed, and who began to observe the remarkable development of Indian competition in the great Oriental markets. Nothing is so painful to a British manufacturer as the sight of colonies, which he considers it his vested right to supply with goods, not only filling their own markets but actually usurping the trade in other countries. "Everything for England and nothing for India" was the motto which was popularly supposed to give a general description of the commercial relations of the mother country to the great Asiatic possessions. They were intended for the enrichment of England. Unfortunately, matters were not working in that agreeable manner at that time. But while Lancashire had reasons for bitter complaint, the unsatisfactory conditions of trade were by no means confined to its industries. Business, which had been languishing for ten years, seemed to fall flat in 1885, and the complaints were so numerous and came from such influential sources that the government responded by appointing a royal commission to investigate. The revenues from the railroads in England were £1,000,000 less in that year than in 1884. The returns of the London Clearing-House fell off 5 per cent. The production of pig-iron dropped from 7,530,000 tons to 7,250,000. The number of bankruptcies increased from 4394 to 5089. The reports of the United States consuls in Great Britain for that year furnish similar statistics for nearly every line of business. The value of the exports fell off largely, but it was due to a shrinkage of values rather than of quantities, and, while the financial centres were anxious to avoid the appearance of suspecting that the shrinkage was the work of an appreciating gold basis, the manufacturing centres openly accused the sanctified standard of English money as the cause of it all.[1]

The opinion was also held by a small group that England's free-trade policy was responsible for it. There can be little doubt that the tariff policy of the Continental nations, adopted largely after the failure of the conference of 1881, greatly disturbed the old commercial conditions, with disadvantage to England. But these tariff changes were indirectly, if not directly, due to the scarcity of gold, manifesting itself in the reserves of the banks. We have already referred to the adoption of a high tariff in Germany, one of the reasons for which, as openly declared, was the necessity of forcing a favorable balance of trade. France followed by transforming its ad valorem duties into those collected by weight, the effect being to considerably raise rates. Austria adopted the protective policy in 1882, and Switzerland in 1885. At the same time these countries sought in every way possible to expand their markets abroad, and especially in the United States, where reduction of the tariff in 1883 was, under the circumstances, inopportune. Our heavy exportations they considered a standing menace to their gold reserves, the chief remedy for which was an increased sale of their more cheaply produced products in America.

A strong effort was made in Germany to inaugurate a

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1 "The result has been a long, slow, grinding adaptation to the new conditions, pressing unequally upon nations and upon individuals, and intensely aggravating a depression which in all probability would have occurred without concurrent restriction of circulation by various nations, but which would have been in all probability by no means so severe. This subsidence of values has affected Great Britain quite as it has other nations, and being so heavily a creditor of the world and the richest of European nations, she has felt the depression at last, and thus while Continental countries have been driven to desperate exertions to improve and cheapen their manufactures and to find new and to enlarge old markets, Great Britain has been asleep; and now when the pressure is upon her as badly as upon others she wakes up to find Germans, French, and Belgians actively disputing markets which she thought hers by prescription." — Consular Report from Bristol, Eng., Jan. 7, 1887.

policy of buying less from us by forming a "Central European Zollverein." The aim was to first enter into a commercial treaty with Austria-Hungary, both countries embracing a population of 82,000,000 and producing articles which mutually supplemented deficiencies. Germany, for instance, would buy its needed breadstuffs in Austria-Hungary instead of America and India, and Austria-Hungary would buy coal in Germany, instead of in England. A German paper, which was supposed to reflect the opinions of the government, said: "Such an economical union once established between the two countries mentioned would be successively joined by smaller states of Europe, which, like Switzerland, Belgium, and Holland, are particularly confined to exportation. But even France, and with it Italy and Denmark, would, in joining that union, find their account in the fight against economical commonwealths that, like the United States, Russia, China, and Great Britain, embrace whole continents." The action of Germany, inspired by motives of this kind, largely accounts for the fact that the exports of both England and the United States showed such a decline during this period with Continental countries in which the scarcity of gold suggested and produced the protective policy. It was the dominating consideration behind the peculiar crusade against American meat products which occasioned so much diplomatic correspondence at that time. Had Germany been certain of an abundant supply of gold there would have been less trichinosis in our pork.

The year 1885 was a critical one for the Latin Union. Switzerland had given notice of a desire to terminate it. France had become weary of the mass of silver belonging to other states in the convention and was resolved, whether the union were dissolved or not, to insist upon a definite plan for the redemption by the different states of their respective shares.

The Bank of France, while possessing a large stock of gold, had up to this time found silver taking a larger and larger place in its reserves, and, with a demand for gold pressing from all sides, the government was determined to do something to relieve the situation. So, when the conference for the purpose of considering the renewal of the treaty was called, it asked that the renewal be made subordinate to an engagement to be assumed by each country to guarantee the value of their 5-franc coins and pledging to refund their value in gold at the time of the dissolution of the union. Belgium vigorously opposed it, maintaining that on the dissolution of the union any loss should be charged to the associated states. France insisted, but Belgium would concede nothing, except that no obstacle would be placed in the way of the natural return of her silver coins. Finally, her delegates refused to subscribe to the treaty, and left the conference, which closed its sittings August 4, to reconvene October 1. Belgium realized, however, that the dissolution of the union at that time would be highly disadvantageous to its finances under any circumstances, and its delegates returned to make the best terms they could. They finally agreed that Belgium should, in the event of the future dissolution of the union, redeem one-half of her silver, provided France would agree that the remainder should not be repatriated, except in the course of natural trade. Belgium would further agree not to modify her monetary system for five years after such a dissolution. On this basis a new treaty was finally made, one of the clauses being that any country which should thereafter issue silver coins of full legal tender should always stand ready to redeem them.

The Congress at Washington continued to disregard the advice of the Treasury Department regarding silver coinage, though an attempt was made late in the Forty-eighth Congress to follow it by attaching to the sundry civil bill, then pending in the House, a provision to suspend the operation of the Bland-Allison Act. It was rejected by a vote of 118 to 152. The campaign of 1884 had not been fought on financial grounds; both parties demanded the use of both gold and silver as legal money under proper restrictions for the maintenance of their parity. But a large section of the Democratic party earnestly favored a free-coinage policy for the United States, irrespective of the intentions of other states, and it was an unpleasant surprise to this faction when President-elect Cleveland began early in 1885 to express his opposition to silver coinage in letters to members of Congress. In the expectation that he would take a position hostile to silver in his inaugural, ninety-five Democrats in the House addressed to him a communication requesting that he should not commit his party to such a position till all phases of the question had been fully considered. He replied in a very direct and forcible manner, on February 24, asserting his opinion that a financial crisis would speedily follow if the coinage of silver were continued; that the gold in the Treasury reserved for the redemption of the greenbacks, if not already encroached upon, was perilously near encroachment: and he ended by expressing the wish that they would concur with him in seeking to deliver the people from the impending calamity, which might at any time be precipitated. The silver men replied in a long argument for their metal. They pointed out that France, with a population of 36,000,000 and a territory not as large as Texas, had in circulation \$600,000,000 of silver with \$850,000,000 of gold while the United States had but \$200,000,000 of full legal-tender silver to over \$600,000,000 of gold. With this proportion in our currency, they said, and with gold and silver equally full legal tender for everything, it was difficult to understand why the Secretary of the Treasury might not, if he chose to do so, pay out more silver and less gold. They could easily see that, while receiving into the Treasury United States notes, silver, silver certificates, gold, and gold certificates, if he paid out only gold, his stock of gold would diminish, but, if instead, he paid out more silver, how, they asked, could the character of the reserve change? In regard to the predictions of the different Secretaries of the Treasury, to which the President-elect had referred, they reminded him that experience had proved them to have been baseless, that gold had continued to accumulate in the country since the coinage of silver was begun, that it never possessed so much gold as then, and that $80,000,000 of the gold in the Treasury had been put there in exchange for silver certificates.

If the warnings of the Treasury Department had been somewhat overdrawn, the argument of the silver men was specious. Gold could not have failed to accumulate in this country under the commercial conditions that had prevailed since 1878, with Europe clamoring for our breadstuffs; it could not fail to accumulate in the Treasury in the process of exchange for silver certificates when currency was in active demand to meet extraordinary business requirements; and, while they cited the example of France in keeping a vast amount of silver in circulation, they ignored the fact that France had coined no legal-tender silver for seven years, and that the Bank of France, which had the option of paying in either gold or silver, could not prevent the overloading of its reserves with silver and the consequent danger to its notes. France, moreover, was a creditor nation, while the United States were regularly compelled to pay fully $100,000,000 in annual interest or earnings on various securities or investments held abroad. Only by maintaining a favorable balance to that amount in our foreign trade could we keep our gold, for Europe took very little of our silver, except that which was intended for India.

At the very end of the session, March 3, the Senate passed a resolution requesting the executive to resume negotiations with the powers in the interests of a bimetallic agreement, but it was too late to secure action in the House. The step appears to have been suggested by those close to the President-elect. While on assuming office he adhered to his policy for the suspension of silver coinage, and, so far as he could, committed influential members to it, he at once undertook to sound the European powers in relation to international action. The probability that when the Forty-ninth Congress met in December another free-silver crusade would be begun may have had some influence in his determination upon this course; but, on the other hand, the facts seem to warrant the conclusion that his administration would have gladly approved of the free coinage of silver with the co-operation of the other large states.

The consul-general at Paris was instructed to present to the delegates to the conference of the Latin Union an expression of the interest in its objects felt by this country, and to sound them on the practicability of reopening negotiations under the plan suggested by the conference of 1881. Early in May, also, Manton Marble, of New York, was appointed a special commissioner "to proceed to Europe and by personal conference with the expert advisers and statesmen of the principal governments to ascertain the present opinions and purposes of those governments in respect to such an establishment, internationally, of a fixed relative value between the two metals," and to the international use of both metals as legal tender.

The Ministers to France, Germany, and England, were asked to act in conjunction with Marble, affording him any assistance possible, and to report their own observations and conclusions. Consul-General Walker, at Paris, was permitted to present a statement of the position of the United States to the conference of the Latin Union, but any interest in the subject of renewed negotiations with a view to an international agreement was eclipsed by the critical condition of the matter immediately before the conference, and in August Walker reported to the State Department concerning the inharmonious character of the debate up to the time of the adjournment to October, and of his efforts to secure a consideration of the matters of particular interest to the government. His conclusion of the whole matter was that "nothing would so hasten the adoption of the bimetallic theory in Europe as the suspension of silver coinage in the United States." This was no sinister opinion. At about the same time Goschen declared to the Manchester Chamber of Commerce that there was no hope of the improvement of the financial situation until it was known what the United States would do with the Bland Bill.

During October the Ministers made their reports, and they generally agreed. The Minister at London, E. J. Phelps, said that, acting with Marble, he had secured free and protracted conferences with the government, and Marble had also been in confidential communication with those members having official relations to the subject. These interviews had been full and exhaustive, the whole ground had been gone over, and he said the British officials had expressed their opinions frankly, and the information could be depended upon as representing the attitude then occupied, and likely to be maintained, by the British government. "From these and other sources," said the Minister, "I am satisfied that the British government will inflexibly adhere to their past and present policy in respect to coinage, that they will not depart from the gold standard nor become a party to any bimetallic union to make silver a legal tender in Great Britain." The Minister at Paris said: "While France would gladly receive the intelligence that the United States would adopt the French ratio of 15.50 of silver to 1 of gold, no consideration of future consequences, whether for good or evil, could induce her to adopt the American ratio of 16 to 1 — still less would she adopt any higher ratio to assimilate the present commercial or market value of silver with the value of gold, nor would she consent to any ratio now to permit an unrestricted or even a limited coinage at her mints."

This seemed to indicate that the position of France had become less favorable, but it was only so because of domestic considerations. France was still favorable to a general bimetallic agreement on her ratio, but she would not have consented to a modification of her ratio, and there had not been a time since the bimetallic agitation began when she would have done so, though this country had persistently overlooked the fact. After the failure of the conference of 1881, France threw away theoretical considerations largely, and regarded silver coinage from a purely domestic basis. She had just taken steps to make a very complete count of the relative proportion of silver and gold in circulation, and it appeared that the silver had increased enormously. There were a billion francs of foreign silver in the Republic, that is, coins of other states of the Latin Union; of these 465,000,000 francs belonged to Belgium, and 435,000,000 to Italy. If the countries should refuse to redeem these coins France would incur a loss of at least 600,000,000 francs. It is, therefore, easy to understand the attitude of self-defence that France took, and why the debates in the conference of the Latin Union were so prolonged and so inharmonious.

The Minister at Berlin reported that, while the bimetallic sentiment had been making great headway in Germany, the government would consider an agreement impracticable unless England and Russia joined it, and it was frankly declared that the adherence of England was for Germany a *sine qua non*. A long debate had arisen in the Reichstag, and bimetallism was strongly advocated, but that body refused to amend the laws of 1871 and 1873, and a motion to instruct the government to open negotiations with other powers was defeated, though, it was said, for political reasons mainly.

With this information from abroad, the President met Congress when it assembled in December, with a strong appeal for the suspension of silver coinage. He maintained that the most vital part of the act of 1878 remained inoperative, because the conference for international action had failed, and that without an ally and friend we battled upon the silver field in an illogical and losing contest. The report of Secretary Manning was a vigorous and elaborate review of the monetary history of the government, a statement of existing conditions, and a demonstration from his point of view of the urgency of the repeal of the silver act. "In but one way now," he said, "can any nation retain in use coins of both metals which are both unlimited legal tender; namely, by stopping the coinage of the metal unacceptable to other nations. France has done so. The United States must likewise stop coining silver. Stop, wait, negotiate."

But not long after this steps were taken in England which, to the administration at least, seemed encouraging indications of a change in the opinion of the English government. In January, 1886, while the Select Committee on the Depression of Trade were still pursuing their investigations, a correspondence, apparently of considerable significance, was opened between the Indian Office of the home government and the Treasury. The first letter from the Secretary of State for India closed with these words: "Lord Randolph Churchill desires at the same time most earnestly to press upon my Lords the importance of making every endeavor that is possible to bring about by international agreement some settlement of the question how the free coinage of silver may be revived, and the comparative stability of the relative value of gold and silver, which is so essential for the regular course of trade, and which is of such vital importance to India, may be secured." This urgent appeal was supported by a telegram from the government of India saying: "We are of opinion that the interests of British India imperatively demand that a determined effort should be made to settle the silver question by international agreement. Until this is done we are drifting into a position of the most serious financial embarrassment, in regard to the consequences of which, not only as regards our financial position, but in respect of measures of taxation in relation to our rule of British India, it is impossible not to be seriously apprehensive."

Just at this important moment Congress embraced the opportunity to introduce and discuss another bill for the free coinage of silver. It was reported adversely by the Coinage Committee, and, when it came up in the House, a substitute was offered providing that unless prior to July 1, 1889, silver was remonetized "through the concurrent action of the nations of Europe with the United States," coinage under the act of 1878 should be discontinued. This proposition, which, had it been adopted, would in all probability have had a marked effect on the attitude of the English government at that time, was rejected on April 8, 1886, by a vote of only 84 yeas to 201 nays.

The reply of the English Treasury Department to the letter of the Secretary of State for India was made in May, the government, meanwhile, having changed hands, so that the opinion delivered was that of Gladstone's ministry. It was to the effect that it could take no measures for summoning or coöperating in a new monetary conference until it had previously determined what policy it should initiate or consent to. The whole subject, the government understood, was under consideration of the Commissioners on the Depression of Trade, but the Treasury said it could find nothing in the correspondence and information before them to induce it to depart from the instructions given to the British representatives in 1881.

This commission had taken a large amount of testimony and secured all available statistics. Some difference of opinion was manifest among its members as to the causes of the depression, but as to its nature they agreed in the definite conclusion that it dated from 1873 or thereabouts, that it extended to every branch of industry, and was not confined to England, that it appeared to be closely connected with a serious fall of prices resulting in the diminution and in some cases the total loss of profits and consequent irregularity of employment to the wage-earner, that its duration had been most unusual and abnormal, and that no adequate cause was discoverable unless it could be found in some general dislocation of values, caused by currency changes capable of affecting an area equal to that which the depression covered. The third report of the commission, which was presented soon after the Treasury had replied to the Indian Secretary that it could discover in the evidence no reason for a change in the attitude of the government, entered into the causes of the change in the conditions of gold and silver, and ended by recommending that, on account of the importance and nature of the subject, another commission be appointed to investigate "the recent changes in the relative values of the precious metals."

It so happened that by the return of the Tory party to power in the elections of July, precipitated by the defeat of one of Gladstone's Irish bills in Parliament, this recommendation fell into the hands of those who had made it. Meanwhile several petitions for the appointment of such a commission were prepared, one signed by 243 members of the House of Commons, and requesting an inquiry as to "remedies within the power of the legislature or the government by itself, or in concert with other powers, which would be effectual in removing or palliating the evils or inconveniences without injustice to other interests and without causing other evils and inconveniences equally great." In the Tory cabinet there was a new distribution of offices. The First Lord of the Treasury, Iddesleigh, and the Chancellor of the Exchequer, Hicks-Beach, who had successively held the leadership of the House of Commons, were translated to other functions. There may have been no significance in this, so far as the monetary question was concerned, but it was a fact, nevertheless, that Iddesleigh, whose opinions Gladstone's government had cited in May in support of the maintenance of England's traditional policy in its reply to Churchill, was not placed in the Treasury, and Churchill, who, as Secretary of State for India, had in January urged every endeavor for an international agreement for the free coinage of silver, was made Chancellor of the Exchequer, and took the leadership of the House of Commons. In that capacity, September 7, Churchill announced as members of the Gold and Silver Commission, Lord Herschell, chairman; Sir Charles Fremantle, Sir John Lubbock, T. H. Farrar, J. W. Birch, Leonard W. Courtney, Sir Louis Mallet, Arthur Balfour, Sir David Barbour, Sir William Houldsworth, Sir Samuel Montagu, and Henry Chaplin.

Not calculated to diminish the uneasiness of European financial circles at this time were the facts that Italy was absorbing considerable gold by its loans for resumption purposes, that Russia began to retain a larger portion of its gold product as a result of its new monetary law, which went into effect January 1, 1886, and which provided for the free coinage of gold, while coinage of silver on private account was prohibited, though the monetary unit was the silver rouble, and the mercantile crisis which was afflicting Netherlands India, and which was attributed by the Java authorities to the workings of the gold standard. The whole influence of the Indian government was exerted in favor of concerted action. In a dispatch sent to the Treasury upon the appointment of the Royal Commission it said: "In no other way than that of international agreement can a lasting and satisfactory order be brought about, and we trust that Your Majesty's government will give up its position of absolute isolation — a position which we venture to believe is indefensible in theory and in practice is fraught with danger both for England and for India;" and in conclusion, "We do not hesitate, therefore, to repeat emphatically that, from the standpoint of Indian finances, the situation has become intolerable."

The stubborn attitude of President Cleveland towards silver coinage had a quieting effect upon the silver element in the party, and during his first administration there was comparatively little agitation, the fear of offending the executive who had so much patronage to bestow overbalancing any devotion they had to silver principles. Some criticisms of the President were uttered in Congress, notably by Senator Beck; but, as Senator Edmunds said, "the Democratic party was wise enough for a wonder — wise enough for a wonder — to be absolutely silent upon that topic." But any effort to secure the repeal of the silver-coinage act was quickly strangled. In his report of December, 1886, Secretary Manning said that "if the law were repealed which makes compulsory Treasury purchases of silver, and if that repeal were accompanied by the declaration of Congress that the United States" would hold itself in readiness to unite with France, Germany, and Great Britain in opening their mints to the free coinage of silver and gold at a ratio fixed by international agreement, it was his deliberate judgment "that before the expiration of another fiscal year this international monetary dislocation might be corrected by such an international concurrence, the two metals restored to their old and universal function as the one standard measure of prices for the world's commodities, the depression of trade and industry relieved, and a general prosperity renewed." But the picture had no effect. It was feared by both parties that a stoppage of coinage would be interpreted by the people, who were not supposed to be sufficiently enlightened to understand the international aspects of the situation, as an act of hostility to the white metal, and that the consequence would be some political disadvantage. The getting of votes was a dominating consideration.

The President continued to keep an eye on Europe, in the hope of discovering a moment sufficiently ripe for calling another conference. The repeated warnings of men like Goschen in England, and the growing strength of bimetallism in Germany, together with a complete suspension of her money reform, seemed, indeed, to promise such a moment. With a view, doubtless, of allowing no opportunity to slip, early in 1887 he sent another commissioner to Europe, Edward Atkinson, to ascertain the exact condition of foreign sentiment and report whether it would be wise to bring about another conference. Atkinson certainly did not go with any marked prepossessions in favor of bimetallism, and he brought back none, though we must assume, even if it is difficult to believe, that he entered into the spirit of the government he represented. He began his work in June, and reported in October.

He appears to have approached the foreign governments from a standpoint differing widely from that of his predecessor, Marble, his method being to represent that the payment of all the interest-bearing bonds which were then due, the impending contraction of the paper currency by the consequent withdrawal of bank notes from circulation, the probable accumulation of the surplus revenue in the Treasury in the form of legal-tender United States notes or coin, and other influences, might soon render important legislation an absolute necessity, both in respect to our monetary system as well as to the reduction of taxation. "This contraction of the paper currency," he told them, according to his report, "might, or must, in almost any case continue long enough to render the circulating medium of the United States insufficient for the wants of the country." Whether this line of argument was suggested by the administration, or was adopted by the commissioner on his own judgment, it was precisely the kind of argument which was calculated to weaken any sentiment foreign governments, and especially the English government, may have had in favor of immediate steps for an international agreement. Atkinson used the argument to show, as his report says, that "a heavy and, perhaps, a long-continued draft of gold might be made upon the reserves of coin in Europe to fill the gap." But the possibility that the currency of the United States would become contracted only suggested to shrewd Europeans the greater probability that Congress would provide a larger use of silver — the probability that had for so long stood in the way of securing the cordial co-operation of foreign governments. Atkinson's further suggestion, that the taxes might be reduced, was calculated to cause the British government to withdraw completely into its hole; for in the reduction of our tariff was grounded its hope of such an enlargement of its export trade to this country as would prevent any drain of gold from the Bank of England, and it might enable it, as the bank of a creditor nation, to draw from our gold stock. With such a pleasing picture held out before them, the commissioner could hardly fail to receive an assurance that England proposed to adhere to its traditional policy. In the European discussions the fact that our tariff enabled us to command gold and added to its scarcity, and to the consequent embarrassment in Europe, had been freely and continually commented on.[1] It was not simply a theory, but a conviction, and it has been admitted by low-tariff men [2] in this country when talking of money and not of protection. It was this con-

[1] "Until now Europe has been able without difficulty to furnish the United States of America the quantity of gold required for the payment of the supplies of food which the former has imported; but if this situation continues, if several bad harvests in Europe render necessary the continued importations of provisions from America, and *if the latter country, in pursuance of its protectionist policy, prevents Europe from paying in European products and manufactured articles*, then the exportation of gold to America must go on."—Letter of Moritz Levy, Delegate of Denmark to the Conference of 1881, presented at ninth session, June 30th.

[2] "*On account of our tariffs*, Europe was unable to send us commodities for the entire volume of our exports, but had to pay for these in great part by gold. The European supply of this metal fell off considerably, and France was the worst sufferer."—E. Benjamin Andrews in *Political Science Quarterly*, June, 1893.

viction which had led to an increase in the tariffs in Europe already referred to. The governments defended the step on the ground that it enabled them to protect their gold. We are saying nothing now as to the defensibility of a protective tariff from a purely economic point of view, for in this history we are not immediately concerned with theories, but with practical conditions and results. The suspension of the coinage of silver in this country was needed to induce the principal nations of Europe to listen to the suggestion of a conference; the lowering of duties on articles manufactured in Europe was admirably adapted to transform the European attitude of expectancy into a fixed determination to adopt the gold standard. Commissioner Atkinson indirectly encouraged the hope of an enlarged use of silver in the United States, and directly the hope of a reduction of customs duties. We are thus quite prepared for the results of his investigation.

"Having," his report says, "thus stated how I have endeavored to perform the duties assigned to me, I now report that in my judgment:

"(1) There is no prospect of any change in the present monetary system of European states which can modify or influence the financial policy of the United States at the present time.

"(2) There are no indications of any change in the policy of the financial authorities of the several states visited by me which warrant any expectation that the subject of a bimetallic treaty for a common legal tender, coupled with the free coinage of silver, will be seriously considered at the present time by them.

"(3) There is no indication that the subject of bimetallism has received any intelligent or serious consideration outside of a small circle in each country named, as a probable or possible remedy for the existing cause of alleged depression in trade.

"(4) There is no considerable politically organized body of influential persons in either country with whom a combination could be made, if such a combination or co-operation were desirable on the part of a similar body in the United States, for promoting any definite or practicable measures to bring about the adoption of the bimetallic theory according to the commonly accepted meaning of that term. The discussion is as yet almost wholly personal and without any concentration of purpose, or the presentation of any well-devised measure, capable of being acted upon."

He also stated that the possibility of a bimetallic treaty without the concurrence of Great Britain, which had been suggested, had no prospect, apparently, even of consideration in Germany, and very little elsewhere. The important point, which, he said, he wished to present, was that he had become convinced from his own observation and that of others "that it would be unwise and inexpedient for the United States again to take the initiative in promoting action for a general adoption of a bimetallic legal tender, coupled with the free coinage of silver," for the reason that such action is misconstrued, and may tend to retard, rather than promote, the object aimed at. He found among the financiers of Europe a conviction that the United States government was loaded with an excessive quantity of silver dollars, which it could not get into circulation, and, in his opinion, therefore, any effort to promote a bimetallic treaty would not be regarded as a sincere effort to promote a better monetary system, of which all nations could share the benefit, but rather as being induced by a desire to promote the special interest of the United States at the cost of whom it might concern. Another, and a natural conclusion, was that so long as the coinage of the silver dollar was continued, no proposition for a bimetallic treaty could be entertained by European states, since they would not consider under any circumstances a proposition for a recoinage of their own silver in order to adjust it to the ratio in the United States.

Atkinson also informed the President in his report how he had pointed out to the Europeans that the concurrence of the United States in any agreement might be secured more easily at that time than thereafter, on account of the probability of the currency changes he had suggested, information which must have afforded the foreign officials an abundance of quiet amusement, coming from a government that had been pressing for a bimetallic agreement for ten years, and was watching anxiously for an opportunity to call another conference, a government, moreover, the great majority of whose legislature absolutely refused to stop the limited coinage of silver, and an increasing portion of which was demanding the free coinage of silver in utter disregard of Europe or its intentions. An able theorist is rarely a successful diplomat.

The international bimetallic bucket was completely upset in December, 1887, when the President met the Fiftieth Congress with his famous dissertation on the tariff. Congress immediately went to work to give it a legislative embodiment. The President had given his party a new idea, the first that it had possessed, all to itself, since the war, and it became so absorbed in it that silver was almost entirely forgotten. Even the President ignored the subject which two years before had led him to appeal to his party to deliver the people from the certain disaster that awaited them if the coinage of silver was continued. The Secretary of the Treasury was exceedingly mild in his references to the matter, suggesting only a modification of the law so that its operation could be suspended when the silver in the Treasury exceeded a certain amount. Depressed European industries waited expectantly for the lowering of the gates, and European governments confidently anticipated a return of the yellow tide.

During 1888 the public affairs which absorbed the attention of the people of the United States were the tariff debate and a presidential campaign and election. The noteworthy monetary event abroad was the final report of the English Gold and Silver Commission, embracing its conclusions. By its painstaking investigation it contributed a valuable addition to the already enormous stock of information, statistical and otherwise, on monetary matters. Its conclusions were divided into three parts: the first, as to some of the general features of the situation, and signed by all the commissioners;[1] the second, a statement signed by Herschell, Fremantle, Lubbock, Farrar, Birch, and Courtney, who, in later discussions, have been distinguished as the monometallists of the commission; and, third, by the other six, or the bimetallists. Briefly stated, the conclusion was unanimous that bimetallism had, in the two hundred years ending in 1873, preserved the ratio between silver

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[1] That part of the report signed by the whole commission contains the following:

"Looking to the vast changes which occurred prior to 1873 in the relative production of the two metals without any corresponding disturbance in their market value, it appears difficult to us to resist the conclusion that some influence was then at work tending to steady the price of silver, and to keep the ratio which it bore to gold approximately stable.

"These considerations seem to suggest the existence of some steadying influence in former periods, which has now been removed, and which has left the silver market subject to the free influence of causes the full effect of which was previously kept in check.

"Now, undoubtedly, the date which forms the dividing line between an epoch of approximate fixity in the relative value of gold and silver and one of marked instability is the year when the bimetallic system which had previously been in force in the Latin Union ceased to be in full operation; and we are irresistibly led to the conclusion that the operation of that system, established as it was in countries the population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals. So long as that system was in force, we think that, notwithstanding the changes in the production and use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely, 15.50 to 1. . . . . Nor does it appear to us *a priori* unreasonable to suppose that the existence in the Latin Union of a bimetallic system with a ratio of 15.50 to 1 fixed between the two metals should have been capable of keeping the market price of silver steady at approximately that ratio.

"The view that it could only affect the market price to the extent to which there was a demand for it for currency purposes in the Latin Union, or to which it was actually taken to the mints of those countries, is, we think, fallacious."

and gold, so that it did not vary more than 3 per cent. above or 3 per cent. below the fixed ratio of 15.50 to 1. The six monometallists favored bimetallism for every country except their own, and recommended that, to facilitate this object, the Bank of England should hold one-fifth of its specie in silver as permitted by the Bank Charter Act of 1844.[1] Sir John Lubbock and Mr. Birch, however, appended a note expressing a doubt whether the ratio could be permanently maintained. The bimetallists recited the familiar arguments for the effectiveness of the general adoption of the double standard.

Although a report of six celebrated Englishmen appointed by the government, distinctly and unequivocally favoring the adoption of bimetallism, marks an epoch in the history of this latter-day controversy, and rendered it possible for others to profess the doctrine and still hold their respectability, it cannot be said that it brought England any nearer to a bimetallic agreement than she formerly was. There was nothing remarkable in the admissions of the monometallic half of the commission, for the English delegates to the conference of 1881 had freely admitted, even argued, that France, the United States, and Austria, and what other countries they could gather up, would be able to maintain a stable ratio; they admitted all this in the hope that those countries would make the

[1]Among the statements made by the monometallic group were these:

"We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to (England, Germany, the United States, and the Latin Union) were to accept and strictly adhere to bimetallism at the suggested ratio [about the market ratio]. . . . .

"In our opinion it might be worth while to meet the great commercial nations on any proposal which would lead to a more extended use of silver, and so tend to prevent and apprehend further fall in the value of that metal and to keep its relation to gold more stable. . . . Though unable to recommend the adoption of what is commonly known as bimetallism, we desire it to be understood that we are quite alive to the imperfections of standards of value, which not only fluctuate, but fluctuate independently of each other."

effort and so relieve England of the embarrassments caused by the scarcity of gold and the continued depreciation of silver. The monometallists practically took that ground. Denying that bimetallism could be adopted by Great Britain, they undertook to prove that it was practicable for other nations, and they suggested that the government might meet other governments to consider the question of "the larger use of silver." The suggestion that a part of the reserves of the bank be kept in silver was exactly what the government had as a last resort proposed to the conference of 1881, on the condition that certain other states should adopt free silver coinage.

Looking at the report of the commission from its proper place in the history of the controversy, therefore, the most that can be said of it, from the bimetallic standpoint, is that it furnished evidence of a general desire to provide a larger use of silver in the money of the world, and of a growing sentiment among leading men that international bimetallism, with England included, was the only policy promising to obviate the evils which all, or nearly all, admitted. But it also showed a purpose of the government to still adhere to the gold standard in the expectation that France and the United States, with their great stocks of silver money, would before long be absolutely compelled to take steps to enhance the value of the metal, whether England co-operated or not. Very few in England were at this time prepared to think that it would be safe for India to adopt the gold standard, or that it would be possible, without producing a crisis at home, when the Bank of England was with so much difficulty maintaining an adequate stock of bullion.

It is not an unsafe supposition that if at this time the United States had raised its duties on European imports instead of threatening to reduce them, and had discontinued the coinage of silver instead of threatening constantly to increase it, the disturbance in English opinion would have been sufficient to have given the growing bimetallists the ascendency, or, at least, sufficient strength to have brought the government into an attitude distinctly favorable to a practical international agreement. The United States could have well afforded, for the sake of this object, to impose a tax which the consumers did not feel so long as they were employed and prosperous.

One day in March, 1888, the gold reserve in the United States Treasury stood at $218,818,253, the highest point it has ever reached. "The heavy movement of gold from the United States," said Director Leech of the Mint, in his report in November, 1889, "which commenced in May, 1888, and which has continued, with some interruptions, up to the present time, has created a profound stir in the American commercial world and excited some apprehensions of a serious drain upon the gold stock of the United States, as this is the first loss of gold of any magnitude since the resumption of specie payments in this country." A few figures are instructive. The following shows approximately the excess of imports or exports of gold, reported in six different countries for the years 1881--92, in millions of dollars:

	United States.		England.		France.		Germany.		Austria.		Russia.	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1881....	97.5	.....	....	27.0	2.0	.....	.....	7.5	8.4	.....	.....	47.5
1882...	1.8	.....	11.4	.....	17.6	.....	.....	2.5	6.4	.....	.....	49.4
1883...	6.1	.....	3.2	.....	.....	13.5	.....	5.0	5.4	.....	.....	12.5
1884....	....	18.2	.....	6.1	8.7	.....	.....	3.4	3.3	.....	.....	2.0
1885....	18.2	.....	7.0	.....	8.2	.....	4.2	.....	1.8	.....	.....	2.1
1886...	....	22.2	.....	2.0	12.1	.....	5.6	.....	2.7	.....	.....	9.1
1887....	33.2	.....	3.0	.....	.....	31.8	9.1	.....	1.8	.....	.....	12.8
1888....	25.5	.....	4.1	.....	.....	17.6	8.0	.....	6.0	.....	.....	10.8
1889....	.....	49.6	16.8	.....	40.1	.....	3.6	.....	6.4	.....	.....	11.3
1890...	.....	4.3	45.0	.....	.....	25.6	15.6	.....	17.2	.....	.....	.8
1891....	.....	68.1	29.8	.....	24.0	.....	24.9	.....	13.1	.....	55.3	.....
1892....	....	.5	28.2	.....	53.5	.....	6.7	.....	.....	.....	89.3	.....
	182.3	162.9	148.5	35.1	166.2	88.5	77.7	18.4	72.5	.....	144.6	158.3
1881–88.	182.3	40.4	28.7	35.1	48.6	62.9	26.9	18.4	35.8	.....	.....	146.2
1889–92.	.....	122.5	119.8	.....	117.6	25.6	50.8	.....	36.7	.....	144.6	12.1

Analyzing these results it is observed that the net gain or loss in the respective countries for the two periods was:

1881–88.				1889–92.			
	Gain.		Loss.		Gain.		Loss.
United States,	141.9	England,	6.4	England,	119.8	United States,	122.5
Germany,	8.5	France,	14.3	France,	92.0		
Austria,	35.8	Russia,	146.2	Germany,	50.8		
				Austria,	36.7		
				Russia,	132.5		
	186.2		166.9		431.8		122.5

What was the cause of this remarkable movement of gold beginning in 1888, so different from that predicted by Mr. Atkinson in 1886? It is important to observe a few facts, first, as to the circulation as given in the reports of the Treasury for the fiscal years ending June 30, 1881, 1885, 1888, and 1892.

	1881.	1885.	1888.	1892.
[1] Money in treasury,	292.3	525	690.7	771.2
[1] Money in circulation,	1,114.2	1,292.5	1,372.1	1,601.2
Total money per capita,	$27.41	$32.37	$34.39	$36.11
Money in circulation per capita,	21.71	23.02	22.88	24.50
[1] Net gold reserve in the Treasury,	157.5	134	214.2	114.6
[1] United States notes in circulation,	316.4	311.6	293.3	309.5
[1] Amount uncovered,	158.9	177.6	79.1	194.9
[1] Silver dollars and bullion in Treasury,	65.8	169.4	254.5	433.8
[1] Their gold value (average price silver),	58	142.6	187	311.6
[1] Depreciation,	7.8	26.8	77.5	122.2
[1] [3] Silver dollars in circulation,	29.3	39	55.5	56.8
[1] Their gold value,	25.7	31.8	40.2	37.4
[1] Depreciation,	3.6	7.2	15.3	19.4
[1] Total depreciation of all silver,	11.4	34	92.8	141.6
Proportion of gold to silver money,	4.7 to 1	2.9 to 1	2.5 to 1	1.5 to 1
[1] Funded debt,	1,639.5	1,196.1	950.5	585
[1] Annual interest charge,	75	47	38	22.8

[1] In millions of dollars.

[3] The depreciation of the silver certificates is not included here, for it has been calculated on the silver dollars in the Treasury which the certificates merely represented. By depreciation, it is, of course, meant the loss in intrinsic value. There was no change in the exchangeable value.

Were gold exports due to the overloading of the currency with silver—that is, did the camel's back, which for ten years had showed no signs of weakness, begin to give way? The opponents of silver have commonly attributed it to this cause, asserting that, the currency having become redundant, the cheaper silver drove out the gold, and also that the same redundancy frightened foreign investors and induced them to send our securities home. But nowhere are hasty conclusions so unsafe as in the regions of finance, where amid so many insidious influences satisfactory conclusions escape even the closest and most impartial study.

It is difficult to discover in the situation indicated by the facts set forth in the above table any cause for a sudden beginning of an unusual export movement of gold. There was certainly no reason for timidity on the part of the holders of our securities, and there is little to show that the weight of silver was beginning to break the back of a currency which had been in constant demand. It appears that the circulation per capita was but slightly larger than in 1881; that it was less than in 1885; that the gold reserve was larger than in any previous year; that there was free gold enough in the Treasury to redeem all but $80,000,000 of the greenbacks; that even after deducting the total amount that the silver dollars had lost in their intrinsic value from the gold reserve it still remained nearly as large proportionally as in 1881; that, leaving the value of the silver in the coinage entirely out of consideration, the reserve was over 32 per cent. of all the silver and paper money in circulation exclusive of the national bank notes; that the proportion of gold to silver in the circulation was 2.5 to 1, and nearly as great as in 1885; and that the situation was in every way better than in 1892, a year in which the imports of gold nearly balanced the exports. Nor was there anything in the situation to cause alarm in the commercial and financial circles at home. The new coinage of the yellow metal for the four years 1888–92 equalled the excess of exports over imports, so that the country lost nothing that its production did not make good. There is no evidence of any marked selling movement of our securities until some time after 1888, and that movement was brought about by no distrust of the financial soundness of the country, but by the necessity of settling losses on investments in South American and other securities, as will be noticed later.

A clearer cause for the beginning of the export movement is revealed by an examination of the trade balances for the period. In the year ending June 30, 1888, the balance was against us for the first time in twelve years. The average balance in our favor from June 30, 1880, to June 30, 1887, was \$109,000,000. Between May, 1888, and September, 1889, the balance against us reached \$47,825,359. Including the trade of the year 1892, when the balance turned in our favor to the extent of \$215,000,000, the average excess of exports of merchandise and silver over their importations for six years from June 30, 1887, was \$68,000,000 only. At first sight this might seem to account for the gold exportations, for it will be observed that, deducting from the average excess of exports of merchandise and silver for the first period (1881--87) the annual excess of imports of gold, the result is an unaccounted-for overpayment abroad of \$88,900,000; and, adding to the excess of exports of merchandise and silver for the latter period (1888--92) the average excess of gold exports, the apparent annual overpayment is \$87,800,000, or about that of the first period. This overpayment is commonly attributed not simply to payment on securities and investments held abroad, but to money carried out by tourists and charges for freight in foreign bottoms, operations upon which no very definite calculations can be made.

But it is unsafe to rely implicitly upon the reported balances in merchandise when drawing conclusions. In a general way an apparently unfavorable balance affects the rate of exchange, but no fixed rules can be laid down. The real balance in these international operations is always undetermined, and at times, undoubtedly, differs widely from the apparent balance; and the rate of exchange affects imports and exports of merchandise quite as much as it is affected by them. A rate that calls for the export of specie naturally stimulates the export of merchandise by adding to the prospective profit of the export merchant, and conversely discourages imports of merchandise.[1] We should look, therefore, for a decline in imports in the years 1888--92, and an increase in exports. As a matter of fact, the value of our imports increased more than the value of our exports. The value of our average annual exports of merchandise during 1888--92 was but $77,000,000 greater than during 1881--87, while the value of the average annual imports was $120,000,000 greater in the latter period than in the former. If the year 1892, when exports reached an unprecedented figure, is omitted from the latter period, the average annual value of our exports of merchandise was only $30,000,000 greater than during 1881--87; that of imports $110,000,000 greater.

The real explanation of this anomalous economic condition seems to be that the sudden export movement of gold was not called for by the commercial conditions prevailing at the time. The rate of exchange indicated this. The movement did not have its origin in any distrust of our financial condition, nor in a redundancy of silver currency, nor even in a decline in our favorable balance of trade, which, however, aided it. It originated in another remarkable demand for gold in Europe, which was compelled to have it, even if it paid a high price. The shipments of gold in 1888 and 1889 were mostly made

[1] After the war of 1870--71 the exports of France increased enormously for several years, because the large payments made to Germany caused foreign paper to rise considerably above par, and the profits that exporters obtained from the paper they drew on foreign debtors were such that they could content themselves with an extremely small profit on the price of their goods, and could, if necessary, sell them at an apparent loss.

when the rate of exchange was below the figure which enabled shipments to be made in London without loss. The Director of the Mint said in his report for 1891, after a tabular statement of the gold exports: "An examination of the above table discloses the very singular fact that of this large amount ($70,000,000) all but $9,300,000 was shipped when the rate of sterling exchange was below the point (about $4.886) at which gold shipments can be made without loss. The movement, therefore, must have been artificially stimulated by banks and bankers in Europe paying a premium on gold, or making discounts to bill-drawers for cash remittances." The price of exchange in New York would necessarily have been nearly $4.89 to make shipments to London profitable for sale to the Bank of England, for the margin of 1½ pence per ounce at the bank between the buying and selling price would cause owners of bullion in London to accept any price above 77*s.* 9*d.* for shipment this way. Yet large amounts of gold were sent to London when the rate of exchange was below $4.88.

Why this demand for gold? The Bank of France began in 1888, in a determined way, to increase its gold stock, and in less than nine months $63,790,000 was added to it. In the fall of 1889 its stock of gold was the largest it had ever held. The Bank of Germany was trying to accomplish the same thing. Both institutions began to credit banking-houses in Paris and Berlin with the value of the bullion shipped to them from New York at the date of shipment, thus lessening the cost of the movement by the interest on the amount during the whole period of transit. This was done to attract gold from the immense stock in America. As during 1888 and 1889 exchange between London and Paris was in favor of the latter, and the reserve in the Bank of England was too low to permit of loss without serious consequences, England imported our gold at a loss to pay its debts in France, not being able to pay them from its own stock of gold. A little later came the Baring crisis, and the consequent losses incurred by English capitalists in South American countries compelled the Bank of England to borrow a large amount from the Bank of France to prevent a serious disaster. Soon after Austria demanded a supply of yellow metal for the adoption of the gold standard; Roumania did the same on a smaller scale; Russia, which for years had furnished the world with a large amount of gold, suddenly began to absorb its own product and actually import vast stores; and India took larger quantities, which never returned.

During this pressing demand for the money metal of the world there was no stock so easy to draw from as that of the United States. While the great banks of Europe were using various devices to protect their stock and to attract additions to it, the gold stock of the United States Treasury was open to all comers on easy terms. There was no conveniently shifting discount rate as in England and Germany, and no premium charge as in France. The Treasury did not pay a premium on foreign coin as did the Bank of England on American dollars, and offered importers no inducements in the way of interest on shipments while in transit, though late in 1891 the Treasury did pass an order allowing depositors of foreign coin and bullion approximate spot cash value for it as soon as received at the counter of the assay office, thus saving interest on the value of the deposit pending melting and assay. But this could not compete against the far more generous terms of foreign banks. Europe simply demanded gold, and could get it nowhere else so easily as here, and it took it, paying the loss on shipments necessitated by the rate of exchange.

The decline in American exports may have been due to some extent to the fact that the rate of exchange offered no additional profit to the exporter, to some extent also to the continued decline in prices, but more to the falling off of the ability of the consuming classes of Europe to consume. The long depression in Europe, and especially in England, had reduced the mass of the people to a condition requiring the strictest economy of expenditures even for the necessities of life. Profits had been lost and wages cut. The spectre of socialistic discontent grew larger and more distinct. The United States prospered, but still suffered a considerable loss through this decreased demand for their great staples, the prices of which steadily fell. It makes no difference whether the phenomenon is called over-production or under-consumption; but it makes a vast difference to a productive people if the power to consume does not go hand in hand with the power to produce.

England was troubled with the very condition of things which she had feared in 1881, and which her delegates had sought to have others prevent. Austria was preparing to adopt the gold standard, and Russia's gold fund had a military aspect unpleasant to contemplate. Moreover, her own India was not simply usurping the Eastern markets with some classes of manufactures, but was absorbing an increasing amount of gold each year, intercepting some that would have otherwise gone to London, and also drawing it from London, where it could least be spared. During the ten years 1880 to 1890 that colony imported £36,000,000 of the metal, and in 1890 the importations rose to unprecedented figures. The opinion that she might as well adopt the gold standard began to be expressed, for she would require no more gold than she was already taking, and which, immediately upon arrival, went into hiding-places, where it was of no further use to commerce.

On account of the peculiar condition of her trade, England was finding it next to impossible to accumulate the precious metal for which so many others were grasping. In 1881 the reserve of the bank was £41,000,000; in 1889 it was only £19,000,000. The proportion of cash to liabilities had fallen in ten years about 20 per cent. The bank had changed its rate of discount nearly a hundred times, the variations amounting to 4 per cent. Some advantages accrued to the holders of interest notes, but this only occasioned a discontent among the producers which was forcibly revealed in the parliamentary debates in the spring of 1890, when the question of the adoption of bimetallism was submitted and secured the votes of one-third of the Commons.

A former president of the Liverpool Chamber of Commerce submitted 140 petitions with 60,000 signatures asking for the re-establishment of the bimetallic system. He described the losses which labor was suffering by the appreciation of gold, and said it was a tax which the drones of society levied on the working bees. The welfare of society could not be promoted if the income of the idle non-producing class was raised at the expense of the toiling masses, and he held that one-half of this new burden was derived from the demonetization of silver. He denounced the attempt to depreciate silver as a huge fraud on civilization, and argued that the contraction of the currency was merely in the interest of the rich, and was opposed to the interest of the whole nation. Sir William Houldsworth, a Manchester cotton-spinner, and one of the members of the Gold and Silver Commission, declared that it was incorrect to say that the wage worker found indemnification in the fall of prices of the necessaries of life for the loss in work or wages, and if the equalization took place at all, it must do so very late. For these reasons he said the wage workers were earnestly in favor of the bimetallic petition. A Cheshire cotton-spinner lamented the pitiable condition of all debtors of the country who had assumed burdens under entirely different circumstances, and said that the producers were the victims of monetary vivisection. The monometallists replied that the participation of England in a bimetallic Congress would mean that England, the great creditor of the world, was to invite the debtor nations to deliberate whether the debts contracted in gold since 1816 might be liquidated in depreciated silver. A union would last just so long as England was willing to remain in it, to be shorn like a gentle sheep by the debtor nations. This opinion was put forth by the representatives of the government, but the Secretary for Ireland, Arthur Balfour, separated from his associates and declared that he subscribed to "the bimetallic heresy." He maintained that it was wrong to imagine that all the inconveniences since 1874 had sprung from a divergence of the values of the two metals, but that the divergence had had a large share in them, that it would be better for the country to suffer from inflation than from contraction, and that an international agreement was possible and desirable, but could not perhaps be carried out against the prevailing opinion of mercantile circles. "But," he asked, "if to-morrow America were to decide to use no more silver, but place itself entirely on a gold basis, where would the prices be?"

In a public meeting at about the same time Goschen expressed his shame at the sensitiveness of the market to a demand for gold from Brazil or other small countries; the scarcity of a standard metal in England was humiliating; and he said of bimetallism that he considered it a very serious demand for a change which bimetallists deplore and attempt to remedy. "I fully appreciate the importance of the question. I feel it is almost impossible to exaggerate its importance."

During the summer of 1889, and in connection with the Exposition at Paris, the French government organized several conferences, and one of them was on money. The commissioners of the various governments to the fair were asked to appoint representatives, and a few did so, but no one appeared for the United States. It was a sort of oratorical tournament participated in by unofficial representatives, and lasted but two days. Thus it could accomplish nothing, and sought to accomplish nothing, though the speeches showed that, in the personal opinion of those present, the monetary situation was in desperate need of a remedy.

The feeling in the Old World, and especially in England, on which everything depended, was such that if the United States had suspended silver coinage, placed themselves entirely on a gold basis, but announced their attitude as one of readiness to confer with Europe when Europe discovered that she was ready, the prospects would have been excellent for the accomplishment of that which this country had twice unsuccessfully sought. But, as usual, the occasion was taken for another outburst of free-silver enthusiasm. By a thorough organization of the silver forces, and by the admission of more territories to statehood, the issue had assumed great importance in politics, and after Cleveland's defeat the Democrats rallied to free silver with a vim born of the feeling that they had no administration of their own to hurt, and that they might hurt "the other fellows" by capturing the silver states. The new administration was far from being unfriendly to silver, and Republican managers generally considered that something should be done, for a majority of the new Senate was plainly in favor of free coinage. It was a political necessity to propose something, for otherwise a free silver bill might go to the President, and his party, while opposing the free coinâge of silver on principle, dreaded the effects of a veto of a free-coinage measure.

Accordingly, Secretary Windom presented in December, 1889, his plan for silver purchases. He began with the premise that the continued coinage of silver dollars at a constantly increasing monthly quota was "a disturbing element in the otherwise excellent financial condition of the country, and a positive hinderance to any international agreement for free coinage," but he said the policy of stopping the purchase of silver and throwing an additional thirty million ounces on the market, while it might be the shortest way to an international agreement, would probably be attended by financial and commercial disasters at home and abroad, and a less dangerous solution should be sought. He pronounced the various propositions which had been made, including the free coinage of silver, impracticable, and then proposed the following measure:

> "Issue treasury notes against deposits of silver bullion at the market price of silver when deposited, payable on demand in such quantities of silver bullion as will equal in value, at the date of presentation, the number of dollars expressed on the face of the notes at the market price of silver; or in gold, at the option of the government; or in silver dollars, at the option of the holder. Repeal the compulsory feature of the present coinage act."

It was, in brief, a proposition to open the mints to the free deposit of silver, the market value of the same (not to exceed $1 for 412.5 grains of standard silver) at the time of deposit to be paid in treasury notes, receivable for all dues, and to be counted as a part of the lawful reserve of banks. Among the possible advantages of the measure, he suggested that, if it proved successful, other nations might find it in their interest to adopt it, without waiting for an international agreement, and, should concerted action be deemed desirable, it could then be more easily secured. He did not consider that a restriction of the amount to be purchased would be wise, for it would be felt in the silver market, and make the law inconvenient in operation, but, if a restriction was made, it should be to the productions of the mines of the United States.

As the measure was finally formulated, however, the purchases were to be limited to silver produced in this country, and in such form it was introduced on January 20, 1890. A number of free coinage bills were also put in. It is unnecessary to enter into the remarkable debates on the silver question in this Congress, the various forms the measure took, and the various reports that were made. The free-silver men fought desperately. The history of the act of 1873 was again raked up; spurious quotations were made to show that Ernest Seyd came to this country to bribe Congress to adopt the gold standard, and attempts were made to support the charge by affidavits. It was one of those Congressional silver battles with which we, in the United States, have become familiar.

As it passed the House the bill contained the bullion redemption clause, a limitation of purchases to \$4,500,000 worth monthly, and a section providing for free coinage when silver reached parity with gold at the coining ratio. If this had passed, it might have quickly resulted in free coinage, for the silver producers could have held back their product till parity was reached, and then felt safe to let it go. But as the bill passed the Senate, a few days later, by a vote of 42 to 25, it was an unlimited-coinage measure pure and unconditional, owing to the adoption of an amendment which stripped it of every feature of Secretary Windom's plan, and made the coinage of dollars of full legal tender absolutely free. The House nonconcurred by a vote of 135 to 152 — a narrow escape — and it went to a conference committee, from which it came in much the same shape as it had passed the House, except that instead of requiring a monthly purchase to the value of \$4,500,000, it called for the purchase of 4,500,000 ounces a month. It was finally passed, signed July 14, and made operative August 13.

Its effect on the price of silver had been largely anticipated before its passage, the quotation having been in March as low as 48¾*d.*, from which it jumped to 48*d.* in April, and 49*d.* in June. When the bill became law, in July, silver was quoted at 50½, and when it went into effect in August at 54½, and three weeks later at 54⅝, a price which the metal had not touched since March, 1878 — over twelve years. The silver men were jubilant; some bimetallists cited it as proof of their previous assertions that demonetization alone had reduced the price of the metal, and financial circles were generally gratified at the apparently favorable workings of the policy. Bimetallists in Europe predicted a flattering future for silver, one of the best authorities in monetary statistics estimating that the world's use of silver would thenceforth be 146,000,000 ounces a year, while the production could not rise above 130,000,000 ounces.

"Where is the balance of 16,000,000 ounces to come from?" asked Ottomar Haupt, of Austria. "Neither will Germany sell any more of her silver thalers nor Italy her demonetized piasters. As regards the other countries, none will move in the silver question. The American mint price works out at $1.29, equal to 59*d.* Who will sell with such a prospect before him?"

But producers and speculators had been holding back a quantity of silver since the first of the year in the expectation of higher prices. This had had the effect of stiffening the price prior to the passage of the act, but soon afterwards, when they began to take it to the government, the price began to weaken. By November it was quoted as low as 45*d.* On a falling market everybody who had silver sold. Besides, Roumania, which had adopted the gold standard in March, withdrew 25,000,000 francs of silver and put it on the market. Considerable foreign silver came to this country; indeed, the situation was altogether unprecedented. The imports of foreign silver into the United States from May 1 to November 1 exceeded the exports of domestic silver by some $7,750,000, while for the corresponding period of the year before the exports exceeded the imports by nearly $8,000,000. The movement of silver from San Francisco to the Orient, which had previously averaged about $7,000,000 a year, stopped entirely. The effect of this was not simply to produce a surplus of silver in the American market, and so decrease the price, but to further decrease our trade balance, so that gold had to take the place of the silver usually demanded for export. Europe was thus enabled to secure gold from us at a little less expense.

The act undoubtedly afforded some little relief in the fall of 1890, when a severe stringency prevailed in the New York money market attributed to the influences of the Baring crisis; but on the whole our circulation did not increase. Up to July 1, 1891, the government had put out some $50,000,000 in treasury notes, but in the same period about $65,000,000 of gold was exported. This was the most serious loss we had yet experienced, but, as in the two previous years, it was shipped mostly when the rate of exchange made shipments a losing operation. The heavy losses in Europe compelled the banks to get gold at any price. The Bank of England paid a premium on American dollars, and raised it several times. The new treasury notes affected the situation only as extra instruments for drawing gold from the treasury. It would have been drawn out anyway.

Speaking of this period towards the end of January, 1891, at Leeds, the English Chancellor of the Exchequer said:

"We were on the brink of a crisis, through which it might have been difficult for the soundest to pass unscathed, for the wealthiest to have escaped. It was a time when none who had liabilities or engagements to pay could say how they would pay them, if a condition of things were to continue under which produce could not be sold, under which bills could not be discounted, under which there appeared an absence of cash sufficient to discharge the liabilities of the general public. That was the position at home, and I will tell you what was at stake. You risked the deposition of London as the banking centre of the universe; you risked the supremacy of English credit; you risked the transfer of the business of this country to other countries, if such a catastrophe had occurred as you were on the eve of witnessing. I cannot exaggerate the danger, the immediate danger, to which this country was exposed at that time. You escaped from a catastrophe which would have affected every town, every industry; to use a common phrase, you have escaped by the skin of your teeth."

Goschen's theme at this time, as it had been for some years, was the scarcity of gold for monetary purposes. Speaking as the Chancellor of the Exchequer, his words had a more marked effect, and financiers began to consider seriously whether England was not at a disadvantage in the scramble for gold, a disadvantage which might threaten her commercial supremacy. Lidderdale, who was Governor of the bank during the crisis, joined the ranks of the bimetallists. That staunch advocate of monometallism, the *Economist*, said, in speaking of the efforts to recuperate in 1891: "A struggle for gold lasted from January to December, as the bank was obliged again and again to make a strong effort to induce deposits, but found it impossible to keep them, for no sooner had it built up its reserves than the market prices fell and a new overflow began." Goschen endeavored to devise means to strengthen the reserves of the joint stock banks, and he induced them to make more frequent reports, but the proportion of their cash to reserves, which was only 12.9 per cent. at the end of 1890, had risen to but 13.7 by the end of 1891. To help out the Bank of England he proposed to have it issue one-pound notes to exchange for a part of the gold in the currency, and he made other propositions for means to provide against future crises of the kind. An estimate of the gold in England made in 1884 had placed the amount at £120,000,000; Goschen held that in 1891 there was only about £70,000,000.

The continued depreciation of silver, notwithstanding purchases under the act of 1890 in this country, was a great disappointment to the administration, and aroused the silver men to fresh agitation of unlimited coinage at the very time we were negotiating for another conference. Secretary Windom hoped for a change for the better when the silver surplus had been absorbed, as he said in his report, and the President reminded Congress that a longer trial should be allowed the measure. But as it might prove a failure, and as an election was coming on in 1892, the possibilities of another conference were seriously considered. It seemed to be the misfortune of the United States to always turn to international conferences as a means of escape from free coinage when the success of such conferences depended upon a vigorous and sincere refusal of this country to do anything for silver till Europe should act. President Harrison said in his message at the end of 1890 that, while it had not been thought best to renew formally the suggestion of another conference, care had been taken to observe closely any change in the situation abroad, and the monetary disturbances there, he thought, were not unlikely to suggest a re-examination of the subject. He added: "Our very large supply of gold will, if not lost by impulsive legislation in the supposed interest of silver, give us a position of advantage in promoting a permanent and safe international agreement for the free use of silver as a coin metal."

As early as the month of April, 1891, the Treasury Department began an investigation to ascertain the sentiment of the European governments as to a conference. England was found to be ready for a meeting, but not to consider the free use of silver. The government met our advances with that stereotyped formula which had been a regular feature of previous conferences, that the acceptance of an invitation to meet for the consideration of a fixed ratio between gold and silver might give rise to a misunderstanding by implying that the English government had some doubt as to the maintenance of the monetary system which had been in force since 1816. The commercial interests of England and her colonies, it was admitted, made the fall and fluctuation of silver a matter of concern, and it therefore asked that the invitation be, if possible, modified so as to call merely for the consideration of what measures, if any, could be adopted to increase the use of silver as currency. As such an increase might, of course, embrace even the free coinage of silver by all nations, the invitation was finally sent out in that form, and nearly all the powers to which it was sent accepted. Much delay was occasioned, however, in the settlement of a place of meeting. As usual, Paris seemed the most convenient centre, but France was far less enthusiastic than in 1881, and the government rather resented the imputations, which had been thrown out from some quarters, that her frequent advances in the cause of bimetallism were due to self-interest. She had been very successful in the accumulation of a large gold reserve, had just saved the Bank of England, and preferred that some other government should act as host. She therefore sent a polite declination to accept the honor of making Paris the place of meeting. England was sounded, but the government expressed a doubt as to whether the interests of the conference would be promoted at London. Finally Brussels was determined upon, and it was on the whole a very appropriate place. There had been some change in the opinion of the Belgian government, which in every conference theretofore had stood as an uncompromising adherent of gold monometallism.

Negotiations on this point and some others went on during a greater part of 1891 and 1892, so that the time of meeting was deferred till November of the latter year. Some writers have held that the taint of partisan politics attached to the scheme from the beginning, and was responsible for the delay; but there do not seem to be sufficient grounds for the belief. It is easy to charge with political designs those in official life, and none know so well as such officials how commonly steps taken with the highest motives are attributed to partisanship or worse. If the design had been to use the conference to take the Silver Question out of the presidential campaign of 1892, it would hardly have been delayed till after the election; and had it been possible to have arranged the meeting so that it would have been in progress during an exciting campaign, it is doubtful if it would have been wise, for other than political reasons.

It is unquestionably true, however, that during the interval of delay some events of an unfavorable character occurred abroad. The financial condition of England improved, and while the bimetallic sentiment continued to grow in strength and influence, the government, by a change of party control, became decidedly less friendly to bimetallism. The agitation which began in 1891, after Sir David Barbour's financial statement, for placing India on a gold standard, gradually assumed the form of a definite policy in 1892, under the growing impression that the United States would repeal the act of 1890, and thus leave India to suffer alone from a frightful drop in silver. But the Indian government would have much preferred bimetallism. The Secretary of the Bengal Chamber of Commerce wrote to the Indian government in February, 1892, urging that, if there were no possibility of a bimetallic agreement, India must endeavor to go to the gold standard as speedily as possible. The Governor-General, Marquis of Lansdowne, urged the policy repeatedly during 1892 in his letters to the English government. In June he expressed his satisfaction at the acceptance of the invitation of the United States to take part in a conference, but regretted that it had not been summoned to consider the adoption of an international agreement for the free coinage of silver instead of a more extended use of the metal. He could not overlook the strong opposition to the introduction of the double legal tender in England, and feared that a refusal of England to do so might be fatal to India. Reviewing all the facts in the case, he said: "We desire to place on record, for your lordship's information, our deliberate opinion that, if it becomes evident that the international conference is unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States is found to be unattainable, the government of India should at once close its mints to the free coinage of silver, and at once make arrangements for the introduction of the gold standard." He urged that measures be taken in advance so that India could go to a gold standard at any time when it became apparent that the conference would fail, or that the United States would abandon silver purchases. Petitions poured in from merchants in both India and England, for bimetallism, if possible, but if not, for the gold standard for Indian currency, and the government responded by appointing in September a commission to investigate the question and advise as to the best course to pursue. The members were Lord Herschell, who had presided over the Commissions on the Depression of Trade and on Gold and Silver, Leonard Courtney, Thomas Farrar, Sir Reginald E. Welby, Arthur Godley, Sir Richard Strachey, and Bertram Currie.

But no sooner had the commission been appointed than protests against meddling with the currency began to pour in from the Indian producing and trading classes. They claimed that the country made an enormous gain in its international trade through the depreciation of silver, the increased receipts for exports far exceeding the increased rupee price paid for imports. Associations all over India petitioned the House of Commons to refuse to permit the adoption of the plan urged by the government, and which they claimed would benefit the functionaries only. With such contradictory appeals before them the commission suspended its labors in November to await the result of the international conference.

Another unfavorable occurrence during the delay in the arrangements was the definite adoption by Austria-Hungary of the gold standard. It is a curious fact, and significant as showing how our efforts to help silver have always hurt it, that this event was hastened by the Silver Purchase Act of 1890, and the consequent temporary rise in silver. Otherwise, it is doubtful if it would have taken place for some time. The situation was this: the great industry of Hungary is agriculture, and, while there was a marked difference in the relative value of gold and silver, it was to the advantage of Hungarian land-owners to retain a silver currency, inasmuch as the wages they paid to the laborer who produced their crops was silver, while their surplus was marketed in central Europe where nations maintained a gold basis, the gain in exchanging the two metals being an important part of the land-owners' profits. On the other hand, Austria is a manufacturing country, and much of the raw material had to be purchased abroad with gold, while the products of the factories were largely marketed in Hungary, where silver was received for them. Austria could not induce Hungary to agree, therefore, to her programme, and probably would have failed, had not the price of silver rose so near to parity with gold in the summer of 1890. At that time the two governments agreed to nominate legislative committees to meet and discuss the subject of a currency basis, and, if possible, arrange a coinage which would be satisfactory to both sections of the country. The result was that in the summer of 1891 the two governments agreed to make gold the standard of their future currency. Many troublesome questions came up, such as whether the value of the future florin should be given the value of the existing gold florin, or of the existing silver florin, but a compromise was made by reducing the value of the gold florin but overvaluing the old silver coins, and the laws were finally passed in the summer of 1892, or at the same time that the Indian government was appealing for a gold standard.

Another unfavorable circumstance was the apparent change in Dutch opinion. The Netherlands government had been a strong advocate of the double standard in the monetary conferences, and was yet upon broad lines, for her finances were still in the same hands, but further experience had convinced her statesmen that it would cost their government too much to adopt bimetallism under any agreement for a limited union. The government was using every means in its power to decrease its silver and increase its gold currency.

But perhaps the most unfortunate circumstance of all in its influence was the changes that had meanwhile occurred in gold holdings of European banks. Before this the United States had appeared at conferences as an easy accumulator and large holder of the coveted metal, and Europe had been troubled with low reserves. The situation was reversed. A shrinkage in the gold reserve was troubling the United States, while all the banks of issue in Europe had by desperate expedients improved their situations, some of them in a marked manner. The following table shows the approximate condition of the reserves in the principal banks of Europe at the time the United States began to consider the question of another conference early in 1891 and at the time the conference met:

	1891.	1892.
Bank of England, . .	$100,000,000	$117,000,000
Bank of France, . .	260,000,000	325,000,000
Bank of Germany, . .	125,000,000	160,000,000
Bank of Russia, . .	205,000,000	320,000,000
United States gold reserve,	190,000,000	114,000,000

The change is apparent. In the course of eighteen months the chief European banks of issue made a large gain in their gold resources. Still more striking was the change between the time of the conference of 1881 and that of 1892. In 1881 France had been a severe sufferer from loss of gold; in 1892 France was content, but England had been the greatest sufferer, and no foreign nation took so much interest in the conference of 1892 as England. She was the predominating influence in it, but still was the great obstruction to international bimetallism.

CHAPTER VIII

PROPOSED PLANS FOR A LARGER USE OF SILVER—THE CONFERENCE OF 1892

Of the fifty delegates to the monetary conference of 1892, but four had represented their governments in that of 1881 — Sir Charles Fremantle, of England, Charles Edouard Lardy, of Switzerland, Dr. Hans Forssell, of Sweden, and Simonelli, of Italy; Lardy alone had been a delegate to the conference of 1878. One, Sir Rivers Wilson, of England, had sat in the conference of 1867. The Indian Currency Commission was represented by two delegates, General Strachey and Bertram Currie, the first a bimetallist and the second a gold monometallist. Two had served on the English Gold and Silver Commission of 1886, Sir Charles Fremantle and Sir William Houldsworth, the former a gold monometallist and the latter one of the most ardent bimetallists in the United Kingdom. Such a bifurcated delegation from England was a novelty in monetary conferences, and indicated the change in public opinion; but, with the other members, gold monometallism easily predominated. The French delegation was entirely new, and it is noticeable that, while in 1881 France was represented by such earnest bimetallists as De Normandie and Cernuschi, in 1892 her delegation was an indifferent one. On the other hand, Belgium, which sent to the conference of 1881 the stanchest gold advocate there, Euodore Pirmez, in 1892 was represented by one disciple of Pirmez, and by one ardent bimetallist, a frequent contributor to the reviews, and by three whose positions as to bimetallism were less defined. Mexico and Roumania appeared for the first time in monetary conferences. The chief delegates of nine of the governments were Ministers to Belgium, and not considered specialists in monetary matters. The full list of delegates is as follows:

Germany:
Count Alvensleben, Minister to Belgium.
Dr. von Glasenapp, Councillor in the Imperial Treasury Department.
Hartung, Director of the Imperial Bank.

Austria-Hungary:
Count Khevenhüller Metsch, Minister to Belgium.

Belgium:
Montefiore Levi, Senator.
Devolder, Director of the Society for Promoting National Industry.
Weber, Vice-Governor of the National Bank.
A. Allard, Honorary Director of the Mint.
Sainctelette, Commissioner of the Mint.

Denmark:
C. F. Tietgen, Privy Councillor of State.
Frederic G. Schack de Brockdorff, Consul-General at Antwerp.

Spain:
J. Surra y Rull, Commissioner of the Mint.
J. Sanchez de Toca, Member of the House of Representatives.
G. J. de Osma, Member of the House of Representatives.

United States:
Edwin H. Terrell, Minister to Belgium.
William B. Allison, Senator.
John P. Jones, Senator.
James B. McCreary, Member of Congress.
Henry W. Cannon, President of the Chase National Bank, New York.
E. Benjamin Andrews, President of Brown University, Providence.

France:
Tirard, ex-Minister of Finance.
Liron d'Airoles, Councillor of State, Director of the Administrations of Coins and Medals.
Foville, Chief of the Bureau of Statistics and Legislation in the Ministry of Finance.

Great Britain:
Sir Charles Fremantle, Deputy Master of the Mint.
Sir C. Rivers Wilson, Comptroller-General of the Public-Debt Office.
Sir William Houldsworth, Manchester Manufacturer.
Alfred de Rothschild, Banker and Director of the Bank of England.
Bertram Currie.

Greece:
P. Mulle, Consul-General at Brussels.

British India:
Gen. Strachey.
Sir Guilford L. Molesworth.

Italy:
Baron de Renzis, Minister to Belgium.
Simonelli, Deputy.
Zeppa, Deputy.

Mexico:
Don Antonio de Mier y Celis.
Don Joaquin D. Casasus, Deputy.
Gen. Francisco Z. Mena.

Norway:
Hagbard Berner, Director of the Mortgage Bank of Norway.

The Netherlands:
Van den Berg, President of the Netherlands Bank.
Boissevain, Member of the Statistical Institute of the Netherlands.

Portugal:
D'Antas, Minister to Belgium.

Roumania:
Bengesco, Minister to Belgium.

Russia:
Prince Ouroussoff, Minister to Belgium.
A. Raffalovich, Councillor of State, Agent of the Imperial Finance Ministry at Paris.

Sweden:
Dr. Hans Forssell, ex-Minister of Finance.

Switzerland:
Charles E. Lardy, Minister at Paris.
Alphonse Rivier, Consul-General in Belgium.
Conrad Cramer-Frey, National Councillor.

Turkey:
Etienne Caratheodory Effendi, Minister to Belgium.
Allard, Consul-General at Brussels.

Beernaert, the Belgian premier, opened the conference with an address of welcome, and some general statements on the monetary situation. Montefiore Levi, of Belgium, was chosen president, and Minister Terrell, of the United States, vice-president. In his speech on taking the chair, Levi said that, whatever might be the result of the deliberations, the conference would have it at heart to investigate the possibility of remedying the condition of affairs of which none mistook the gravity. At Senator Allison's suggestion, the conference then adjourned for three days, as the delegates of the United States wished to consult as to the propositions they should submit for consideration.

The plan they agreed to present was unique. In the consideration of means for a larger use of silver, it is obvious that international free coinage should come first if at all; if an agreement for the full use of silver became impossible, the next step, naturally, would be to consider means for the largest use short of free coinage, and so on till the largest use possible was found. Instead of this, the American delegates asked for the consideration of plans for a limited use first.

It is difficult to reconcile this course with the instructions given by the Secretary of State on November 10. "It is the opinion of the President, and, as he believes, of the people of the United States, with singular unanimity," said the Secretary, "that a full use of silver as a coined metal, at a ratio to gold to be fixed by an agreement between the great commercial nations of the world, would very highly promote the prosperity of all the people of all the countries of the world. For this reason your first and most important duty will be to secure, if possible, an agreement between the chief commercial countries of the world looking to international bimetallism — that is, the unlimited coinage of gold and silver into money of full debt-paying power at a fixed ratio in coinage common to all the agreeing powers. . . . Failing to secure international bimetallism, the next important duty will be to secure, if possible, some action upon the part of European countries looking to a larger use of silver as currency, in order to put an end to the further depreciation of that metal.

The delegates, by stipulating for the consideration of plans which the government rated as secondary, seemed to admit at once the impossibility of securing bimetallism, though they evidently had no such intention.

A possible explanation of this inverted course of action, contrary to the instructions of their government, is that they were satisfied an agreement would be impossible on any plan for limited coinage or purchases, and that the conference would, in due time, arrive at the point where it must take bimetallism or nothing. They seemed to feel confident that England was too deeply concerned to allow the conference to adjourn without result, and that, if the United States refused to accept anything short of bimetallism, England would eventually yield. If this were the motive for the programme, it did not result as expected.

At the opening of the session on the 25th, Senator Allison presented printed copies of the programme and statement, which were as follows:

"It is generally admitted that the very large depreciation in silver, as compared with gold, during the last twenty years, and the frequent and violent fluctuations in the gold price of silver incident thereto, have been injurious to the commercial and other economic interests of all civilized countries, and have caused, and are causing, serious evils and inconveniences to trade, the full extent of which cannot yet be measured.

"It is the opinion of the people of the United States, with singular unanimity, that the establishment of some fixity of value between gold and silver and the full use of silver as a coin metal, upon a ratio to gold to be fixed by an agreement between the great commercial nations of the world, would very greatly promote the prosperity of all classes of people. They are not unaware, however, of the fact that public opinion in some of the other countries whose co-operation in a successful movement for such an agreement is most desirable may not fully accord with the views entertained in the United States as to the practicability of such an agreement. They believe, however, that a sentiment for a larger use of silver as a money metal has been steadily growing throughout the world, and that the time is propitious for holding an international conference to consider the subject. The government of the United States, while frankly disclosing its own views as to the proper remedy to be applied, did not wish to impose any conditions that would embarrass any government that might be willing to confer upon the most advantageous relation of silver to the coinage of the world.

"For these reasons the government of the United States proposed a convention of the powers for the purpose of conferring as to what measures, if any, can be taken to increase the use of silver as money.

"In conformity to the general purpose of this conference, the delegates of the United States offer the following resolution:

"'That, in the opinion of this conference, it is desirable that some measures should be found for increasing the use of silver in the currency systems of the nations.'

"In presenting, as requested, a further programme to be laid before the conference, the delegates of the United States consider it to be due to the other nations here represented that an opportunity should be afforded them to consider plans for the enlarged use of silver as money other than one favored by the United States. It is our desire and expectation that the powers represented at this conference, or some of their delegates, should submit proposals looking to this end; and we desire that these proposals should have precedence in the discussion. In addition to any plans of the kind which may be presented, we submit for discussion the following, which have been suggested by recognized authorities. At the same time, we submit the general plan of international bimetallism which is favored by the United States:

"1. The plan of M. Moritz Levy, proposed to the monetary conference of 1881.

"II. The plan of the late distinguished A. Soetbeer.

"Lastly, we present the plan favored by ourselves as delegates of the United States of America:

"1. That the re-establishment and maintenance of a fixed parity between gold and silver, and the continued use of both as coined money of full debt-paying power, would be productive of important benefits to the world.

"2. That these ends can be accomplished by removing the legal restrictions which now exist on the coinage of silver into full legal-tender money, and restoring, by international agreement, the parity of value between the metals which existed prior to 1873, at such ratio as may be decided upon by this conference.

"3. That the essential provisions of such an international arrangement should be:

"(*a*) Unrestricted coinage of both gold and silver into money of full debt-paying power.

"(*b*) Fixing the ratio in coinage between the two metals.

"(*c*) Establishing a uniform charge (if any) to the public for the manufacture of gold and silver coins."

In submitting this programme Senator Allison said that it would have been difficult for his delegation to prepare a proposition for the enlarged use of silver among the nations, limited as to coinage, which could be answered by yes or no, for they were not sufficiently familiar with the political policy of the states of Europe as regards their autonomy and methods to enable them to formulate a definite project necessarily so complex in its nature. It was their desire, therefore, that the European delegates should feel free to present plans for the consideration of the conference, while the United States delegates confined themselves to giving in detail the plan which they favored. He then offered for immediate consideration the resolution that, in the opinion of the conference, it was desirable to find some measures for increasing the use of silver among the nations — a resolution which merely restated the terms under which the conference had convened.

England was the first to come forward. Speaking in the name of all the English delegates, Sir Rivers Wilson said, they accepted the resolution as it stood, but felt that, as it was only a recapitulation of the invitation which had already been accepted, it need not be discussed. They were there to discuss plans for the increase of the circulation of silver, and would, therefore, reserve for a later time their observations upon the plan that might be submitted. With that, Rothschild laid on the table his plan, which undoubtedly had received the sanction of the English government, and which, later, received so much attention in the conference and outside. Spain, Denmark, Mexico, and Holland joined with England in accepting unequivocally the abstract resolution of the United States, but Germany, Austria-Hungary, and Russia practically doomed the conference to failure by stating that they were prohibited by their instructions from debating or voting upon any resolution whatever. As to Germany, Count Alvensleben said that, being satisfied with its monetary system, it had no intention of modifying its basis. But his government did not fail to recognize that the continual oscillation and the considerable fall of silver were much to be regretted from an economic point of view, and that it would be of great advantage to the empire if the evils could be remedied in a lasting manner, and for these reasons the invitation of the United States to join in a conference had been accepted. Roumania, Portugal, Greece, and Turkey expressed similar reservations as to this particular resolution, though without any specific instructions; indeed, the Turkish delegate seemed to have received no instructions whatever, and he felt that he could not express any opinion on money without first referring it to his government.

The position of France was disappointing. She could not repeat too often, said Tirard, that, having one of the largest holdings of the white metal, she was very much interested in the question before the conference, "but," he added, "this enormous quantity of silver which France already owns imposes upon her the greatest prudence, and she will not accept any proposal except upon the condition that this stock of depreciated metal shall not be increased, or, supposing that it be increased, that it shall not fail to offer very important compensations." He was disappointed in the order of proceedings the United States had laid down, for international bimetallism, the principal question, that which was fundamental and embraced everything, was left to the last, while subsidiary proposals, which would naturally come up when it had been found impossible to adopt the main proposal, were placed first. He did not oppose the resolution, but would reserve complete liberty of action as to plans for a limited increase in the use of silver, so as in no way to prejudice the examination of the broader proposal of bimetallism. Italy and Belgium took practically the same position, though Switzerland held the same attitude as in the conferences of 1878 and 1881 — friendly to the gold standard, but subordinated to the Latin Union.

Forssell, of Sweden, thought it would be premature to vote upon the resolution of the United States before the means by which the use of silver could be enlarged were known. He proposed postponing it till after an examination of the plans which might come before the conference, and the motion was supported by Raffalovich, of Russia, and Boissevain, of Holland. Senator Allison thereupon stated that he would not insist upon an immediate vote, preferring to adopt the method of procedure most agreeable to the assembly. The president, therefore, proposed to drop the resolution and enter upon a consideration of the plans, beginning with that of Rothschild, at the next session, a proposal which was adopted; and, owing to the course of later events, this initial resolution was not again taken up, though there is scarcely a doubt that it would have received a unanimous vote in the conference at any time in its deliberations.

The plan submitted by Rothschild was accompanied by a statement giving the text of a letter he had written to the Gold and Silver Commission in 1886, insisting upon gold monometallism as the only possible policy for England, and pointing out the dangers to the Bank of England under a bimetallic system. These sentiments, Rothschild went on to say in his statement to the conference, he still held, and he gave some additional reasons for maintaining them. While venturing to hope that he had conclusively shown the absolute impossibility of bimetallism for England, "still," he said, "the question arises whether it is not possible to extend the use of silver generally, and thereby stop a further fall, the disastrous consequences of which no one can foresee. I, therefore, take the liberty of respectfully submitting a proposal for your kind consideration. It would be presumptuous on my part to imagine that I could suggest an absolute and lasting remedy, but I think a palliative might be found in the following form:

> "The American government are purchasers of silver to the extent of 54 millions of ounces yearly, and I would suggest that, on condition these purchases were continued, the different European powers should combine to make certain yearly purchases, say to the extent of about £5,000,000 sterling annually, such purchases to be continued over a period of five years at a price not exceeding 43 pence per ounce standard, but, if silver should rise above that price, the purchases for the time being to be immediately suspended. The details of such a scheme to form the subject of an international agreement to be discussed by representatives of the different powers."

He left it with the conference, if it should approve of the plan, to supplement it in any way it saw fit before submitting it to their governments, and he believed that, should the expression of the conference be unanimous, it would have great weight in the ultimate settlement of the vexed question. He hoped the United States would find it acceptable, and he could see no objection, so far as England was concerned, in further making silver legal tender up to £5 instead of £2. He also thought the proposal would be well received in India. "The bulk of the population," he said, "would recognize that no material alteration, if any, had been suggested, while the merchants and bankers would know that the exchanges had been given a stability which could not be disturbed for a period of five years; for, if I am not misinformed, it is the instability in the exchange which is the principal factor in the complaints from India, rather than the depreciation in the value of the rupee itself." But a material depreciation in the value of the rupee would be a great calamity, he continued, affecting the savings of hundreds of millions of people. If it were objected that the plan proposed certain sacrifices on the part of other countries not so immediately interested as England and India, he could only say that what was right and best for the world in general must eventually prove to be best for individual interests.

Rothschild seemed to overlook the fact that this was the very argument bimetallists had used in their vain appeals to England in times past. The boot was on the other leg. Fifteen years before the warnings had come from bimetallists and were regarded either with indifference or scorn by England. It was Rothschild, an English delegate, who, in 1892, used these ominous words: "Gentlemen, I need hardly remind you that the stock of silver in the world is estimated at some thousands of millions, and if this conference were to break up without arriving at any definite result there would be a depreciation in the value of that commodity which it would be frightful to contemplate, and out of which a monetary panic would ensue, the far-spreading effects of which it would be impossible to foretell."

The underlying motives in the Rothschild plan do not seem to have been fully appreciated at once by the conference, or, at least, by the American delegates. In a general way, they were the same as those prompting England's interest in the conference of 1881 — a desire to induce some one else to undertake the burden of relieving England of embarrassments in her Eastern commerce. In reality the Rothschild plan was a scheme to bind the United States to continue its large purchases of silver. Because of the fear and belief in India that these purchases would be discontinued, a plan for the adoption of the gold standard had been formed by Sir David Barbour of the Indian government, and had been submitted to the Indian Currency Commission, together with several petitions for its acceptance. As we have seen also, it had been followed by numerous protests from the producing classes against its adoption. The English government and the commission considered it an uncertain and, perhaps, a dangerous step, yet they thought that if silver should fall much lower the conditions of trade would become well-nigh intolerable. The Indian population was wedded to silver. There was the enormous mass of 1,150,000,000 rupees in active circulation, to say nothing of the fabulous hoards, and the gravest political troubles might follow the demonetization and consequent depreciation of such a treasure. The accumulation of gold in India for the purposes of adopting a standard based on that metal was to England almost unthinkable, when she had all she could do to get and to keep gold enough for herself, and it was in this state of the case that the Indian Currency Commission had suspended its deliberations to see what could be done at the conference.

If it could be known that the United States would continue their purchases of silver, or, better still, be somehow inveigled into free coinage by themselves, the English government would not think of changing the Indian currency. But not knowing this, and doubting whether our silver purchases would long continue, it was proposed that, on condition that the United

States would continue to purchase 54,000,000 ounces of silver yearly at any price below 59 pence, Europe would buy £5,000,000 worth annually, or about half as much as the United States were purchasing, provided the price of silver did not go above 43 pence per ounce.

There was only one handle to that jug. In other words, the United States would be compelled to buy its monthly quota for five years, adding over $200,000,000 to their legal-tender circulation, while England and Europe would, under the circumstances, be compelled to buy very little, if any at all. The reason for this is plain enough. It will be remembered that at the time of the passage of the act of 1890 the price of silver rose to 54 pence, and for some time before the conference had held fairly steady at 43 pence, though shortly before it fell to about 39 pence. An international agreement, it was thought, would have a similar and even greater effect in raising the price; the moment it became assured, under the Rothschild plan, silver would easily rise from 39 to 43 pence, probably higher, and England could then sit back and enjoy the situation, while the United States were doing all the purchasing.

If, after a time, the price should fall slightly below 43, Europe, for England's benefit, would purchase a little, and quickly bring the price back to the non-purchasing point, the centre of the silver market being in London, where there were exceptionable facilities for controlling matters under such an arrangement. London bought silver extensively for India anyhow, and if it became necessary to buy a little more to keep the price above 43 pence, it could be done and sent to India, the purchase of council bills being, perhaps, regulated accordingly. But there was reason to suppose that no purchases to speak of would be necessary, because the fact that Europe always stood ready to buy below 43 would naturally keep silver from seriously falling below, if, indeed, it did not keep it continuously above, that figure.

But why 43 pence? To explain this a few details from the plan of Sir David Barbour, then before the Indian Currency Commission, are needed. In introducing his plan he said to the English government that a gold currency was impossible for India; whatever the standard, the people required small coins for their small transactions, and would make trouble if they could not get them. If the gold standard were introduced, therefore, the bulk of the currency must still be silver, and the only feasible plan was to stop the coinage of silver except on government account, open the mints to gold, and make the rupee worth, say, 16 pence in gold. Now, when silver is 43 pence per ounce English standard, the silver in a rupee is worth just about 16 pence.

The Rothschild plan, therefore, had the further object of fixing exchange on a stable basis between India and England, instability being the chief cause of complaint, as Rothschild said in his statement recently quoted, and fixing it at the figure considered suitable for the introduction of a gold standard into India. There was nothing in Rothschild's plan, as he drew it, to guarantee that, at the end of the five years, India might not adopt the gold standard with some of the gold that meanwhile should be drawn out of Indian hiding places, or forced out of the United States by the mass of treasury notes which our government would be bound, internationally, to keep increasing.

Such was the Rothschild scheme, or the scheme of the English government, which the conference of 1892 first took up for consideration. It appeared to some advisable to send it to a committee for consideration, and, accordingly, when the conference reassembled on November 28, Raffalovich, of Russia, made a motion to that effect, expressing the belief that the committee should consist of the experts in monetary matters, and should observe secrecy in their deliberations till the time of making their report. It was supported by several delegates, who, while asserting that the plan did not meet their ideal, considered that it should be seriously considered, in view of the object laid down in the invitation to the conference. It was thought best to also refer the Levy and Soetbeer plans to the committee, the appointment of which was left to the officers of the conference, who selected the following: Cannon (United States), Casasus (Mexico), Cramer-Frey (Switzerland), Foville (France), Osma (Spain), Forssell (Sweden), Fremantle (England), Molesworth (British India), Raffalovich (Russia), Sainctelette (Belgium), Simonelli (Italy), Tietgen (Denmark), and Van den Berg (Netherlands). The president and secretary of the conference were also added to the committee, which immediately began its work, and six meetings were held before the next session of the conference on December 2.

Its preliminary inquiry was directed towards these four points:

1. The possibility of legislative measures to be taken by the silver-producing countries, with a view to restrict or regulate the production of that metal.

2. The existing probability as to the future production of silver in its two principal centres, namely, the United States and Mexico.

3. The policy of the United States in regard to the purchase of silver.

4. The policy of British India as to the coinage of silver.

As to the first question the American representative said that it would be very difficult for the federal government to tax the production of mines in which it had no direct interest, and such a step was not at all probable. The Mexican delegate said his government would dislike to increase the taxes on the mines, as it would be harmful to the industry. He thought that the silver production in Mexico had reached its maximum. The tax had been successively reduced from 30 to 7½ per cent. on the gross product, and, silver being the great article of Mexican exportation, the government had every interest in not hindering its sale. The United States delegate said that in his opinion the maximum of production in his country had been nearly reached, if it had not already been passed. As to silver purchases, he said that the repeal of the act of 1890 had been advised by the two political parties, and by the great bankers of New York, and if some arrangement were not made in this conference it was probable that the purchases would be discontinued or decreased.

It will be understood that the statement of the Indian delegate regarding the future policy of his country as to silver coinage was of considerable importance. As long, he said, as there was any hope of seeing an international agreement his government would hesitate to modify its system; but, if this conference should arrive at no conclusion, India would be obliged to act, though the adoption of the gold standard would be fraught with difficulties. The most satisfactory solution for India would be the adoption of international bimetallism, in which she would join the Latin Union and the United States. If the conference adopted a plan rendering probable the maintenance of a relative stability in the price of silver, it was not likely that his government would close its mints to silver even if the plan should meet with only partial, but sufficiently important, adhesion; "the government of India, without relinquishing its liberty of action, would be disposed to buy silver, or to permit the coinage of a fixed quantity of silver, not less than fifty million rupees a year, during the entire duration of the agreement."

The committee then proceeded to examine the Rothschild plan. From a theoretical point of view the principal argument advanced by the opponents of the plan was that the intervention of a buyer, endeavoring to influence the market, would be in conflict with the economic law which lays down that the natural laws overpower, sooner or later, all attempts of an artificial character. The partisans of the plan conceded that an intervention, such as that proposed, would be dangerous unless it were limited in the length or importance of the engagements to be undertaken. But with a duration of five years, and with a maximum limit to the purchases to be made, the moral effect, they said, should be considered. Monetary policy in regard to silver would be settled for five years, and besides this agreement of European nations, there would be the certainty of seeing the United States, Mexico, and the Indies remaining faithful to the existing line of conduct.

Touching upon practical ground, it was asked whether the experiment had not already been made under more favorable conditions. The coinage and purchases of the United States were cited and attention called to the fact that they added more to the annual demand than would be added on the part of Europe by the Rothschild plan. Nevertheless, with the exception of the rise in 1890 — a rise resulting from the ebullition of speculation which thought its risks limited — the price of silver in London had not ceased to fall. It was urged that Europe, without any preconcerted agreement, had absorbed in the three years from 1889 to 1892 more than 300,000,000 francs for the needs of its coinage, and that, nevertheless, the price had fallen.

In reply, Rothschild claimed that the experience of America was not conclusive, as, since 1878, the political opinion in the United States had been essentially changeable, oscillating between the prospect of free coinage and that of the cessation of Treasury purchases, while Europe held aloof in an attitude which was merely expectant, if not actively hostile to the white metal, and, therefore, tending to discredit it still further. The suggested experiment would, he said, be made in entirely different conditions, since it would imply an accord of all united interests. It was true that the European countries which would become purchasers of the metal were not all in an identical situation. There were some which could easily add each year a certain quantity of silver to their circulation, but there were others which already had a more than sufficient stock of white metal. For the latter a certain compensation for possible sacrifices might be found in the stability of its value, in the arrest of its fall, and, perhaps, also in the conditions of greater security in international trade, and in the greater facility of exchanges.

In the course of the committee's discussion it became apparent that the United States would only consent, if at all, to such an agreement with Europe by being assured that the newly bought silver would be used as money. There was considerable difference of opinion as to how the silver should be purchased and as to the quantity. The United States delegate was quick to point out the unfairness of expecting his government to purchase so much more heavily than all Europe together at the market price, whereas Europe was never to pay more than 43 pence per ounce; but the European delegates were in no mood to obligate their governments to purchase any greater quantity than absolutely necessary, though the amount was finally arranged provisionally at 30,000,000 ounces, or a little more than Rothschild had originally suggested. As finally modified by the committee the proposal was as follows:

"1. The European states which agree upon the basis of this proposal will buy each year 30,000,000 ounces of silver, on condition that the United States agree to continue their present purchases, and that unlimited free coinage be maintained in British India and Mexico.

"2. The proportion of the purchase to be made by each country will be determined by agreement between them.

"3. The purchases will be made at will and in the manner preferred by each government.

"4. These amounts of silver will be devoted in each country to the monetary uses authorized by the legislation of that state; at the will of each government, the silver will be either coined or made the guarantee for the issue of ordinary or special notes.

"5. The arrangement will be made for five years. The obligatory purchase of silver will be suspended should the metal reach, in the London market, a price determined by agreement of the governments. The purchases may be resumed if the delegates of the different countries interested should agree upon the fixing of a new limit of price. They should be resumed in any case if the price falls below the original limit."

The Soetbeer plan appeared to the committee too complicated to offer a practical basis for an agreement. The great German monetary expert, who had been one of the leading intellectual forces in the accomplishment of the monetary reform of his country, through his investigations in later years, became fully impressed with the difficulties raised by the scarcity of gold, and shortly before his death, when bimetallism appeared to be making great headway in the German empire, he published a plan for an international agreement which had for its basis the acknowledgment of a fixed weight of pure gold as a universal and sole foundation and normal measure of currency, and the maintenance in the several states of the existing gold currency, subject to an agreement that in the future no gold coins should be issued containing less gold than the 20-franc piece, and that all previously coined pieces of less value should be placed out of circulation within ten years. It provided, further, for the redemption of all bank notes and other paper currency tokens of a value less than 20 francs within ten years, and the obligation not to issue any currency tokens of less denomination based on gold; the redemption within fifteen years of all previously coined silver of a higher nominal value than 10 per cent. of the value of the future lowest gold coin, the minting of all larger silver coins to be at the ratio of 20 to 1 and only on government account. Each government would, however, be obligated to accept at its public treasuries these "major" silver coins to any amount, and private persons to the amount of three times the full value of the lowest gold coin. There were provisions, also, for the issue of certificates against these coins. It was, in short, a plan for a general gold standard with a larger use of silver at the ratio of 20 to 1; the ideal, under existing circumstances, of the theoretical gold monometallist. It involved extensive recoinage, and many problems which practical men would not think of facing, at least to leave silver where it already was, in a subsidiary position.

The plan of Moritz Levy, already described in the chapter devoted to the conference of 1881, was much simpler, and received considerable attention from the committee. Objection was made, however, that the cost of recoinage would be too great, that the withdrawal of small gold pieces would be unpopular in some states, and the difficulty of withdrawing small notes great in many states. The committee finally decided to submit the proposal to the conference in this shape:

I. The withdrawal from circulation within a period of ——— of gold coins containing a weight of less than 5.806 grains of fine gold (20-franc pieces).

II. The withdrawal of notes of less value than the coin of 20 francs or its equivalent, an exception being made of notes representing a deposit of silver.

A decided majority of the committee preferred the Levy plan to Rothschild's, but the British delegate said he could not recommend it to his government unless it were joined with some policy like that of Rothschild, and an attempt was made, therefore, to modify the latter plan by the use of some of the provisions of the Levy scheme; but the representatives of the Latin Union were plainly determined that their governments should purchase no more silver, and would not, therefore, agree to the principle of the Rothschild proposal; they even went so far as to offer a formal motion that if such a plan were adopted by the conference they could not recommend it at home, and it passed the committee by seven votes against six, the representatives of Sweden, Denmark, and Russia joining those of the Latin Union to support it. Two of the six who thought well enough of the plan to agree to recommend it to their governments were, of course, Fremantle, of England, and Molesworth, of India. The others were Cannon, of the United

States, Van den Berg, of the Netherlands, Casasus, of Mexico, and Osma, of Spain. The position taken by France is one of the curiosities of this conference. In 1881 she was ready and eager to enter into an agreement to coin silver without limit; in 1892 she would enter into no agreement that would require her to coin any at all. But her delegates were willing to recommend to their government the Levy plan, which she had barely noticed when it was presented in 1881, and which was scorned by the bimetallists then as a half-measure. A large majority of the committee of inquiry favoring the Levy plan, it accordingly came before the conference when it re-assembled on December 2 as the only one affording any hopes of practical results.

When the debate upon the report was opened, Boissevain, of the Netherlands, said that it left the conference face to face with the last proposals of the United States, international bimetallism. The Rothschild plan had been improved, but the majority of the committee could not recommend it to their governments. The Levy plan was left, to be sure, "but," asked Boissevain, "is there any one so bold as to flatter himself that measures such as these could remedy the situation in a really efficacious manner? I believe, gentlemen, that we must admit that just as the conference of 1881 failed to find the means of overcoming the difficulties of the situation by the measures which it had in view at the time of its adjournment, so we have been now vainly ensnared by the hope that we should find in palliatives the means of arriving at an understanding between bimetallists and monometallists, which would satisfy, at least, the most urgent needs of the present time."

The delegates seemed to assume that the committee had done all with the Rothschild plan that could be done; regrets were expressed that it could not have been modified into a form promising practical results, but, instead of attempting to do what the committee had not done, the conference took it as it was, and so, of course, it amounted to nothing. General Strachey, after reviewing the situation in India, said that its delegates would not be able to associate themselves with any proposal unless of a distinctly practical character, and that would exclude all measures which failed to receive the support of enough countries of financial importance to give reasonable assurance of their becoming really effective. For this reason he feared it would be impossible for him to recommend to his government, as he had hoped he might, the proposal of Rothschild. He wished the delegates could look more favorably upon it.

The bimetallic delegate from Belgium, Allard, severely criticised the conclusions which Rothschild had advanced in behalf of the gold standard for England, quoted many eminent Englishmen to show that the system had been in many ways disastrous to their country, reminded Rothschild that the monometallic Bank of England, of which he was a director, had been compelled to appeal for the third time to the bimetallic Bank of France to be saved from a crisis, and said that the key to the unfortunate situation was in England, and her delegates should turn to their government and endeavor to obtain better terms than Rothschild had offered, and which he considered would be entirely inadequate for the existing condition of things. He had no faith in silver purchases anyway. If a terrible monetary panic should follow a further and sudden fall of silver due to the breaking up of the conference without arriving at any definite result, as Rothschild had predicted in urging his plan, it would appear first at the doors of the Bank of England, and it was, therefore, for England to come forward with some proposition that would effect a real remedy.

Bertram Currie represented the stanch and complacent gold monometallists of England. He held that there was enough gold in the world, and that matters would arrange themselves if they were allowed to take their own course, unobstructed by artificial devices, and if the nations kept their finances in sound condition, the real desideratum being the maintenance of a surplus of revenue over expenditure. Such a surplus, he claimed, would command gold, and if any remedy were needed, it was a gold standard even without a gold currency.

When the debate had proceeded thus far, Senator Allison asked that the conference adjourn till the 6th, as the delegates of the United States had not been able to make themselves thoroughly acquainted with the report of the committee, and as the debate had taken a wide range as to principles which they would be ready to discuss if the conference considered that it had arrived at that point where the consideration of subsidiary proposals gave promise of no results. They had asked for the consideration of these plans first to ascertain the views of the different states, and to learn how far they would go in the enlarged use of silver, in case they would not adopt the plan of general bimetallism. The wish of Senator Allison was acceded to, but one cannot fail to notice the curious, almost ridiculous, position in which the conference appeared to be placed. It had been found that some of the nations would not go so far as the Rothschild plan implied in the use of silver, and yet it was proposed to enter as a last resort upon the consideration of a plan to go further. In reality, however, the discussion of bimetallism was in the nature of a pastime. Other subsidiary devices had been submitted, and the committee of inquiry had still to report on these.

One feature of the declaration of the Mexican delegates made at the fourth session deserves notice. Their government did not appear in the rôle of a supplicant for relief; indeed, they implied that Europe was most interested in preventing the decline in the price of silver, although Mexico was one of the large producers, and though silver had been for centuries her chief article of export. The explanation of this may be found in the following statement taken from their declaration:

"The depreciation of silver as it has appeared to foreign countries — for in our own country values have not perceptibly changed — has produced an actual premium on exportation. Articles which were not exported formerly are sold now in the markets of Europe and the United States at a loss of 8, 10, or 15 per cent. on the cost of their production and the expenses incurred, because compensation is found in the gain in exchange of 25 or 30 per cent., corresponding to the depreciation of silver, and for this reason the export of articles, other than silver, has risen from $6,000,000, in 1873, to $27,000,000, in 1891. In view of these results we have reason to believe that, after a few years, we shall be able to pay the value of our foreign imports in produce of the country and in raw material, and, perhaps, even more than this; and that our silver, of which the present production is 40,000,000 piasters a year, will disappear from the European markets."

At the beginning of the fifth session, Sir Rivers Wilson stated the position of Sir Charles Fremantle and himself. The peculiar thing about the British delegation in this conference was that it ran the whole gamut of monetary science. Currie was a monometallist who could see no evils in the situation and conceived the gold standard to be the best system for all nations, while, on the other extreme, there was Sir William Houldsworth, who accepted all the principles and arguments of bimetallism and desired its general introduction. Between them were Wilson, Fremantle, and Rothschild, all of whom held that the gold standard was necessary to their country, but they admitted that there were serious evils in the existing situation, and were either willing or anxious that some practical plan of relief should be devised without any sacrifice of their monometallic principles. It was not enough, said Wilson, that the plan should be defensible in principle, though that was necessary; it must meet with such a preponderance of support as would justify them in recommending it to their government for consideration. The Rothschild plan had not met with that support, and it would, therefore, be useless for them to discuss it, and it would be equally useless to discuss the Levy plan, for their government would be unwilling to submit to the inconvenience of so extensive a withdrawal of its gold coinage unless it were coupled with features which would plainly make it for their advantage to do so. England must, therefore, await other plans.

Although Cannon had, by his vote in the committee, practically declared his willingness to recommend the Rothschild plan to the government of the United States, others in our delegation were evidently unwilling to go so far. McCreary followed Wilson with a speech in which he said that he could not support the plan, giving his reasons very plainly and predicting that, if the conference came to no result, the silver-purchase act would be quickly repealed by Congress. Upon this Rothschild withdrew his plan from the conference with the statement that, although he had not shown it to the delegates of the United States beforehand, he had believed it would be satisfactory to them.

No other palliative remained to be discussed except that of Levy, and the debate which followed treated less of its features than of general principles. Van den Berg, of Holland, one of the ablest and most experienced financiers in the conference, spoke earnestly for bimetallism, and was followed by Sir William Houldsworth, who attacked the arguments of his colleague, Bertram Currie, and said that he considered the plan of his other colleague, Rothschild, quite inadequate as a permanent remedy. He was not, however, disposed to turn his back on palliatives, provided they were not accepted as remedies, but were applied for a short time to give the opportunity to work out a complete and enduring solution. Eighteen months would be long enough, in his opinion, to try a plan like Rothschild's, and then, if the world were not wise enough to adopt a scientific monetary system, he believed the logic of stern events would in time force its adoption. Sir Guilford Molesworth, of British India, made an exceedingly able speech on the general situation in its relation to India, and said that the only satisfactory solution for his government under the circumstances would be a bimetallic agreement between India, the Latin Union, and the United States, and he believed that it would be strong enough to maintain any ratio that might be fixed. He could not disguise the fact, he said, that the adoption by India of the gold standard would be fraught with difficulties, but he believed it would be more disastrous to the gold-using countries of Europe than to India. Like Houldsworth, he ridiculed the assertions of Currie, that the gold standard had produced no troubles for England, but had rather built up her commerce and given her a financial supremacy, and he cited many historical instances to prove the contrary to be true.

The general discussion of bimetallism was continued to the tenth and last session, while the committee were considering other plans which had been submitted. It was an exceedingly able and exhaustive debate, the chief participants being Senator Jones, whose comprehensive review of the subject occupied much of two sessions, Houldsworth, of England, Molesworth, of British India, Boissevain and Van den Berg, of Holland, Allard and Weber, of Belgium, Forssell, of Sweden, and Tirard, of France. The chief addresses on the gold side were those of Weber and Forssell. The former endeavored especially to meet the arguments of those who claimed with unabated persistence that the fall of prices was due entirely to the scarcity of metallic money. He held that the forced circulation of silver would be iniquitous from whatever standpoint regarded, and that, in seeking for industrial and commercial expansion by international means, the nations must look to the custom-houses and not to the mint. No one, he said, could calculate the loss that would accrue to the next generation from an international agreement on bimetallism. Who would dare to prophesy the condition of international affairs, the condition of Europe and of the world, when the term of the international monetary convention ran out? Which nations would have an interest in demanding from the others the redemption of the coins bearing their distinctive stamp? After twenty or twenty-five years, the probable period of such an arrangement, who would be the creditors, and who the debtors? No one, he said, could tell; but they could, in his opinion, be sure of one thing, that there would be a surfeit of money, a formidable inflation of silver currency, and that it would have all been brought about for the sole purpose of digging up silver in America and elsewhere, and bringing it to Europe to bury it again in the vaults of the banks of issue.

The proposal for an international bimetallic agreement, said Forssell, was audacious far above the vulgar prejudices of the time. "Everybody distrusts silver coin, of which there is evidently more than is necessary; everybody, therefore, seeks to keep his gold, which seems scarcely sufficient for its needs; and it is at this moment that everybody is asked to agree by international contract to coin this disliked silver in unlimited quantities while remaining free to get and to keep gold, each as best he may." He claimed that the actual ratio between the two metals had never, and nowhere, been invariably in accord with the legal ratio, and that, after such an experience the resort to the hypothetical project of international bimetallism was an attack on reason. The problem of a union sufficient to guarantee against a premium on gold was like the question "What length, what breadth, and what capacity should be given in order to best contain a certain quantity of liquid in a hogshead of which there is no possibility of stopping the bunghole?" In conclusion he said:

"The states of the Latin Union, and especially Belgium, can tell us something of the practical side of the question. Those states entered one fine day full of international confidence under the magnificent arches of the bimetallic system supported by pillars of gold and silver ranged in a pre-established harmony of 15½. But the harmony was disturbed, silver fell, the white pillars were transformed into walls which barred the outlet, and they were imprisoned. In prison, tempers are easily soured, and the Latin Union states no longer bless the treaty of 1865. How can it be desired that the European states, with eyes opened by these experiences, should willingly enter into an international engagement from which there would be no retreat? If the conference of Brussels contributes to establish and fortify the conviction, which is already very general, that an international agreement for the free and unlimited coinage of silver as full legal-tender money is not only rejected for the moment, but inadmissible for the future, it will have reached a very important result. It will then have destroyed the vain and sterile illusions which have already too long troubled men's minds and turned them from the reality of facts towards the dream of an unrealizable Utopia."

The bimetallic arguments were stated with equal force and ability. It was held that bimetallism was in scientific accord with the law of supply and demand, and that a league of strong nations could fix the relation of supply and demand itself; that prices had fallen because of the appreciation of gold, and that there had really been no overproduction of silver. The fact that monometallists no longer advocated the demonetization of silver everywhere they claimed to be a recognition of the paucity of gold available for money, and they asserted without contradiction that gold monometallism could not be maintained permanently anywhere, unless it was everywhere, for commerce would not always tolerate one money for the East and another for the West. The conflict for gold, if not paired with silver, would be irrepressible and more and more bitter.

There was some disposition among the monometallists to allege that bimetallism had strong affinities for protection by customs tariff, but the bimetallists claimed that some of the strongest foes of bimetallism were protectionists and many of its chief advocates free-traders. Only once in the debate was the question as to what should be the fixed ratio between gold and silver, in case of an international agreement, touched upon. It was raised by Forssell, possibly in the belief that it would engender a dispute between the advocates of bimetallism, and thus prevent their rather severe charges against monometallism. Senator Allison quickly set aside the question by saying that while it was a fundamental one, it was the last to be considered; the question of how many states would enter into an agreement must naturally come first. If not enough states were ready, the discussion of the ratio would be a waste of time. He stated, however, that if the general opinion seemed to be in favor of the adoption of the ratio of 15.50 to 1, he thought his government would agree to it.

Curiously enough, the old question which was the motive of the conference of 1867 was suggested by one delegate, Bengesco, of Roumania, though the suggestion fell flat. His idea was that while an international agreement as to the matters presented by the United States appeared to be impossible, one might be easily arranged on the optional coinage and obligatory circulation in each country of gold pieces equivalent to 25 francs.

Both before and during the debate on bimetallism the British delegates had asserted that England could not adopt such a system, and Germany and Austria practically stated that they could not unless England did. The latter was really the attitude of France also, though her delegates protested that they were as friendly as ever to silver; but France had too much to permit it to consider any proposition to enter into an agreement to coin more unless under a general bimetallic agreement. Tirard said that, if the Rothschild plan was to be adopted, he had no doubt that France, which had so much silver, would be expected by England, which had very little, to buy the greater part of Europe's share. In this situation it would have been useless for the United States delegates to have urged a vote on the question of adopting bimetallism. Neither side seemed to wish it. Neither was there a vote upon the Levy proposition.

At the tenth session the conference took up the report of the committee on the six other plans which had in the meantime been submitted to its consideration. The first of these, that of Tietgen, of Denmark, proposed the free coinage of silver at a ratio to gold as near as possible to that of bullion in the market, the coins to be full legal tender, and to circulate internationally, each state being bound to redeem its own in gold. The possibility of establishing in the banks of issue by this plan a sort of metallic credit upon foreign countries, which might in times of crisis serve to some extent to protect the gold reserve, very favorably impressed the committee, but the feature of recoinage of silver money was objectionable to some. Tietgen withdrew this part of it, but, being compelled to return home, the plan was dropped.

Sir William Houldsworth presented a plan based upon a project prepared by Huskisson in 1826, for the consideration of the British government, and which, presupposing bimetallism in one or more states, was intended to guarantee the success of this through the adoption by other states of some means short of bimetallism. The gold states would receive silver bullion, issuing therefor certificates, each naming the gold value of the silver at the date of deposit, circulating as legal tender in all transactions, and redeemable each in the weight of silver for which it was issued. If silver rose, the holder would gain; if it fell, he would lose. It was found that certain countries would not enter into such an arrangement with this legal-tender feature, fearing that if the bimetallic union should break up, the notes would become depreciated; but Houldsworth considered the legal-tender feature essential to the plan, and so the committee dropped that also.

Allard, of Belgium, proposed an international application of the recommendation made by Secretary Windom in 1889, a plan under which the governments, instead of the holders of the certificates, would gain or lose from the fluctuations in the price of silver. Allard proposed that the issuing states form a group and bear the loss in common, in a proportion to be determined, in case silver depreciated; but serious objections were raised to it, and the committee regarded the efficiency of the remedy as doubtful. Foville advocated international legislation, favoring the practice of the deposit of silver bullion in the mints and great banks with certificates of deposit or commercial warrants, but not legal tender nor guaranteed by the governments. Forssell, of Sweden, with the purpose of showing the benefit that might be expected from an international agreement for improving the conditions of gold circulation and diminishing the frequent transfers of gold from one bank to another, proposed the compact already in force between the banks of Sweden, Norway, and Denmark. Each of these banks has an account with each of the others, a check being honored by the drawee bank even when the bank drawing it happens to have no cash on deposit with the drawee. Levi and Sainctelette proposed that mints and government banks should receive "twin deposits," each consisting in a given amount of gold and a given amount — say, twenty times as much in weight — of silver, issuing for each such twin deposit a certificate redeemable only in the exact weight of gold and silver deposited. The United States member of the committee objected to the various plans for silver warrants on the ground that they would create floating stocks of metal without a monetary outlet, and that they would be subject to speculation. The committee decided to leave the questions raised by all these proposals open for consideration and settlement in the conference, so its whole report was really a mere exposition, which at best could only serve as a basis for investigation by the delegates or their governments.

But a majority of the conference were not disposed to do any more work at that time, the holidays being at hand. Most of the delegates were uncertain as to the manner in which their governments would regard the various propositions offered. Some wished to reassemble early in January, but more considered a longer recess desirable, to enable governments to consider fully the various measures placed before the conference. Accordingly, at the tenth session Baron di Renzis, of Italy, offered the following resolution:

"The International Monetary Conference, recognizing the great value of the arguments which have been developed in the reports presented and in the discussions at the meetings, and reserving its final judgment upon the subjects proposed for its examination, expresses its gratitude to the government of the United States for having furnished an opportunity for a fresh study of the present condition of silver.

"The conference suspends its labors and decides, should the governments approve, to meet again the 30th of May, 1893. It expresses the hope that during the interval the careful study of the documents submitted to the conference will have permitted the discovery of an equitable basis for an agreement, which shall not infringe in any way the fundamental principles of the monetary policy of the different countries."

Baron di Renzis supported the motion in a speech in which he predicted that definite results would follow a reconvening of the conference after the delegates and their governments had fully examined the plans which had been submitted. Senator Allison said that, as it had been quite generally admitted that there were grave dangers in the situation, and as it seemed important that something should materialize, he would consider it wise to continue the deliberations, but a short adjournment, at least, seemed necessary, and he quite agreed with the suggestion that it would be well under the circumstances to allow the different governments time for consideration. The only opposition to the course came from the purely monometallic wing of the British delegation. Bertram Currie called attention to the fact that the conference of 1881 still remained adjourned, and he asked what prospect the conference of 1892 would have of a speedier reunion. In three different conferences the nations had exhausted their ingenuity in devising plans for the increase of silver money, and he thought the time had arrived when, as men of the world, or men of business, they should recognize that the task was impossible, that it was wiser, instead of postponing the decision, to declare plainly to the advocates of bimetallism that their plan would be no cure for the ills of which they complained, so that, abandoning vain imaginings and illusive visions, which could never become realities, they might turn their attention to some possible alleviations of their distress. He considered that the malady which affected them was political rather than financial.

Sir Rivers Wilson made a somewhat more moderate statement in behalf of Fremantle, Rothschild, and himself, simply expressing a doubt as to the advantages of a proposed adjournment. It was no secret, he said, that the English government only entered upon the conference with hesitation, and it was quite possible that it might appear to that government unnecessary to renew the mission. If the meeting of the conference should take place at the date proposed, he thought it could have no other purpose than the examination of a perfectly practical and explicit proposal from the government of the United States. Sir William Houldsworth, speaking for himself, denied that the British government accepted the invitation to the conference with hesitation or reserve. "So far from any reserves being placed upon us," he said, "our instructions seem to me of the freest possible kind. They even went so far as to charge us to study with the greatest care any plan that might be submitted for our consideration before coming to the conclusion that matters must be left as they are." Nor did he agree with the suggestion of his colleague that the conference should not meet again unless to consider some definite plan put forward by the United States. "I trust that by next May," he said, "we shall have more light, and I think Mr. Currie will be astonished in a very short time at the progress which this question will make in England among the great masses of the industrial and commercial classes. Of course, the bankers of England and the government may remain obstinate, but I do not think that the people of England will quietly and patiently continue to suffer from the dangers and difficulties which they are now enduring, or which certainly will come upon them if nothing be done. The delegates from

British India strongly favored the adjournment to May; the resolution passed, not even Currie voting against it, and with the usual courtesies the delegates of the conference of 1892 separated never to reassemble. In the course of a month they had held ten long sessions, considered as many different plans for increasing the use of silver as money, redebated the question of bimetallism, and taken not a single vote. The resolution which had been submitted by the delegates of the United States, to the effect that a larger use of silver as money was desirable, remained unacted upon among the papers of the conference.

CHAPTER IX

THE COURSE OF MONETARY EVENTS SINCE 1892—THE PRESENT AND THE FUTURE

Mainly because of his different social and political traditions and environment, the European habitually misapprehends the real strength and the saving qualities of popular government in the United States. We, on the other hand, quite as commonly and as naturally misapprehend the peculiarities of European civilization. The rigidity of financial conservatism in England, for example, is underestimated by us, and the elasticity manifested by public sentiment here, the violent swings the political pendulum sometimes makes, is misconstrued abroad, even by intelligent and acute Englishmen. Seeing us for the moment in the rapids, they are led to think, as did Carlyle thirty-five years ago, that we must consequently "shoot Niagara to the bottom." The intelligent American knows that the powers of his particular form of government for his deliverance develop themselves in the rapids, and that the very forces which seem to threaten his destruction finally co-operate to establish him on safer and higher ground than he before held. His history will teach him this.

Expensive as some of the escapades of political feeling have been in this country, they have had their compensations ultimately; and a strong nation has been developed, a people firmly bound together by a loyalty to themselves as a people with a rich inheritance. Serious questions have gradually worked themselves out, and a sounder policy has frequently followed in the trail of apparently disastrous outbreaks of political furor, fed and fattened by demagoguery. In view of the European misapprehension of our political phenomena, it is not strange that governments abroad have postponed action in the face of their own urgent situation in the expectation that the United States would, in a freak of indiscretion, assume the whole, or a greater part, of the inconvenience of pulling their chestnuts out of the fire. Of such a parentage was their attitude of expectancy born. In the light of the history related in the preceding chapters, it remains simply to deal with the series of facts characterizing the past five years, and which, though important and striking, are so familiar to most readers as to require only brief reference.

The conference of 1892 adjourned in the expectation of reconvening five months later, because none of the governments were willing to let the matter drop. They were well aware that the Silver Question had been brought to a fork in the road, and that something important must soon happen. Here they paused, each in its characteristic attitude of expectancy, England assuming to await some definite proposition from the United States. But she realized that something must be done for India unless the United States continued to purchase silver or reopened their mints to it. No government would have congratulated itself more sincerely than the English had an agreement for a larger use of silver been reached, and it doubtless thought that the silver interest in the United States was sufficiently strong to compel the government to, at least, come forward the following May with a proposal that would require England to do no more than her delegates had shown a willingness to do; and the almost continual agitation for free silver in Congress and in the West kept English expectancy alive. The deficits in the Indian budget, and the embarrassments of English merchants because of the uncertain rate of exchange, and the fact that the low price of silver gave Indian merchants a marked advantage over them in valuable Oriental markets would, they conceived, vanish like the mists of the morning if only the United States would by one of those threatening sweeps of silver feeling provide from their enormous resources a market for all the silver their mines produced and that which, possibly, other nations would cheerfully, under the circumstances, discard.

At that time, as the English statesmen well knew, the government of the United States, with a mass of silver in circulation, faced a gold reserve scarcely above the point maintained as necessary for the redemption of the "greenbacks," and this balance was, in the absence of any premium device or rate of discount, at the mercy of any one who desired gold for export or hoarding. Would the United States dare to discontinue the purchase of silver, and, thus subjecting their silver circulation to a serious depreciation, add to the burden resting upon an unprotected reserve? On the other hand, the United States might with as much reason have asked, would England dare to close the Indian mints which for years had absorbed silver, thus subjecting an enormous and sometimes rebellious population, habituated to silver as a legal tender, always hoarding it as the main evidence of wealth, to the uncertainties of an artificial and possibly inconvertible currency? While they were waiting, these questions were answered. The United States became frightened over the gold reserve, and undertook the repeal of the silver-purchase act; England took steps to close the Indian mints.

The conference adjourned during one of those periods when the government of the United States seldom does anything of importance — the period between the election of a new president and his inauguration; and as the time of a new president for three months after his inauguration is mainly occupied with the reception of office-seekers and their friends, we may not be surprised that the adjourned conference and its future prospects vanished from the minds of the people, and occasioned no perceptible ripple in administrative affairs. The report of the American delegates was submitted to Congress in the latter part of February, 1893. In it they said: "It is anticipated that the delegates upon the reassembling of the conference will be able to state definitely the views of their respective governments as to what plans are practicable to secure the greater use of silver as a part of the metallic money of the world. The delegates of the United States express the hope that the conference at the next session will be able to adopt some practical method to secure this end. They are encouraged in this hope by the fact that in the later sessions of the conference the general concensus of opinion was distinctly more favorable to the objects which the conference had in view than in the early sessions." The radical silver element in Congress was rather pleased than otherwise over the failure, having no faith in international conferences, and little use for anything short of free coinage; they were too impatient to have the United States undertake it alone to bother with other nations. In the correspondence on the subject it appeared that the other nations expected the United States to present a definite proposition when the conference reassembled; but the new administration was at first too engrossed in reversing the policy of its predecessor in the Hawaiian Islands to consider the conference, and the President asked for a postponement till November 30. So the date passed with hardly a mention on this side of the water. The popular mind was absorbed in the mission of Mr. Blount to Honolulu, and the first manifestations of an uneasiness in the business world.

The subject attracted more attention in England. Soon after the adjournment of the conference the Indian Currency Commission resumed its hearings and continued them till the latter part of February. The testimony taken is interesting reading in the light of subsequent events, and furnished little to warrant the conclusion that a "rupee vacuum" could be created in India, and the rate of exchange thereby stiffened, as the Indian Currency Association proposed. The idea rested largely on the economic theorem that money is made dearer by decreasing its supply — a theorem which sometimes fails when the very process reduces the commercial value of the metal of which the money is made. The majority of the witnesses, who, from their experience in Indian affairs, were the most competent to judge, gave various reasons why in their opinion a gold standard would be a failure and even a disaster in India. They feared the effects on the Indian population if the plan of the Currency Association did what was promised for it, and they had little faith in such artificial means as a remedy for the government's predicament.

The members of the commission were evidently far from hopeful or sanguine as to the plan. From the first of March to the first of June they waited before formulating a report. Meanwhile the bimetallic agitation went on in Lancashire and other parts of Great Britain, while the Indian officials and the Currency Association sent on appeals for action, if bimetallism were impossible, or there were no hopes of the reassembling of the conference. On the other hand, prominent associations engaged in the Oriental trade continued to file protests against the adoption of a gold standard for India.

The report of the commission is dated May 31, the day after that fixed for the reconvening of the conference. It may have been simply a coincidence, but there appears to be abundant circumstantial evidence that the commission would have preferred to have left matters as they were, had there been any remaining prospect of an international agreement on such terms as England had expressed a willingness to consider. England would probably have yielded something more, rather than try an experiment which the majority of the commission evidently feared.

In the whole course of the long controversy, probably, there has never been provided better material for a bimetallic argument than is furnished by this report. Let us look at it a moment from a bimetallic standpoint. The commission seemed to fear that, if the mints were entirely closed to silver, exchange might rise above the fixed par of 1*s.* 4*d.*, though the commercial price of silver would fall; that is, the price of silver would fall because of the sudden stoppage in the commercial demand, while the exchangeable value of the rupee might rise to an uncertain height because the supply in India was cut off. Here were silver coins which had possessed, according to the report, a steady intrinsic and exchange value among 287,000,000 people, a population as great as all Europe, leaving out Russia, and it was proposed to produce a sort of corner in these coins in India, which, while lowering their intrinsic value, might, it was feared, so raise the exchange value as to lead to a fall in the price of Indian produce. In the hope of avoiding this possibility, the commission proposed that, while the mints were closed to the public, the government should have the right of coining rupees on its own account, if at any time exchange seemed in danger of rising too high; that is, if the demand of the people for rupees became so severe as to threaten a fall in the price of their products.

After years of free mintage the whole per capita circulation in India at that time, as given in official reports, was 5.35 rupees ($1.26). This was the circulation which, to raise exchange, it was proposed to monopolize. Now observe the situation of the Indian government. In the report it is stated:

"The government have yearly to remit a very large sum to this country [England] in discharge of their gold obligations. In 1873--74, before the fall [of silver] commenced, the amount remitted was £13,-285,678, which, at a rate of exchange of 1*s.* 10.351*d.*, was represented by Rx. 14,265,700 [tens of rupees]. During the last year (1892--93), the amount remitted was £16,532,215, which, at the rate of exchange of that year, viz.: 1*s.* 2.985*d.*, required a payment of Rx. 26,478,415. If this could have been remitted at the exchange of 1873--74, it would have needed only Rx. 17,751,920."

After making all allowances, "it is certain," say the commissioners, "that the government had actually to remit in

1892-3 upwards of Rx. 8,700,000 more than if the exchange had been at its former point." Proceeding now from a bimetallic standpoint, it will be observed that, as the government acquired its rupees principally by the taxation of the people with whom the rupee had not materially changed in value, this increased remittance meant an additional tax of over 50 per cent. to pay the English creditor, not for more money invested, but for the change that had come over the creditor's money — for the difference which had come between the money the Indian debtor acquired and the money the English creditor required. While the silver of the Indian was worth no more in commodities in India than in 1873, the gold of the creditor would buy much more in England — his prices had fallen. He had not only received regularly the annual interest on the securities, but the principal had greatly enhanced in value without his investing an additional penny. But this royal commission of the creditor nation, in speaking of the possible rise of the exchange value of the rupee, in case the government had not the power of regulating the intensity of the proposed vacuum in the legal tender of the debtors, says: "The rise in exchange would be calculated to lead to a fall in the price of Indian produce. And, if this were seen to follow, and believed to be caused by the action of the government, public opinion might be disturbed, and the situation might become critical. The view has been expressed that, even though the native producers might not be likely to be actively hostile to a scheme which left prices unaffected, they would be far from indifferent, and the state of things might become dangerous if prices began to fall sensibly."

Was this a compliment, unconsciously rendered, to the sensitiveness and natural resentment of injustice of the taxed native of India, sentiments which about a hundred years before were strongly manifested in the American colonies? Pretty much all Christendom had been experiencing falling prices for twenty years without becoming involved in any more serious trouble than a dispute as to whether the signs of industrial depression were really due to the continuing adoption of the gold standard and the demonetization of silver, and whether, after all, it was not a good thing — a financial evolution, an economic advancement, a progress in civilization. But England, which clung to the gold standard, notwithstanding all international efforts and the appeals of India, feared to force a similar experience, even to a slight degree, on the subjugated Indian native. Had a prosperous creditor government been able to force upon its own intelligent masses a disaster which the Indian ryot and trader would not endure? So the bimetallist might regard it.

Gold was yet too precious at the Bank of England to permit the government to regard with complacency or favor any scheme likely to withdraw from the market the Indian production of gold or to withdraw from the existing stores a supply for placing India on the English standard. Here was one of the difficulties which made England extremely anxious for some arrangement for checking the fall of silver, for India must be satisfied and English exporters appeased. But it was becoming apparent that the United States intended to discontinue silver purchases. The commission must do something, and so they proposed their compromise of closing the mints to silver except on government account, and announcing that gold would be received at the public treasuries for public dues at the rate of 1*s.* 4*d.* per rupee.

The report with this modified plan was signed by all the commissioners, and one of them, Leonard Courtney, before regarded as a leading advocate of the gold standard, announced that he had become a bimetallist. In a note appended to the report, after expressing his belief that the question of India's troubles should first be considered in the light of the inquiry as to whether gold had become more valuable in itself or silver less valuable in itself, an inquiry avoided by the commission, he says:

"For reasons upon which I do not now enter, I have come to the conclusion that the divergence between gold and silver has been, to a large extent, due to an appreciation of gold, and this opinion necessarily affects my judgment of the policy of the Indian government, which is to adopt a gold standard instead of one of silver. This is to accept as unalterable, if not to intensify, the aggravated burden thrown on India. It may be that no other course is possible, but the home government should ask itself whether it is through its own action that no other course is possible and whether the Indian government might not propose a very different course if there was any chance of its being favorably considered by the supreme government. I am myself drawn to the conclusion that the home government is the greatest obstacle, perhaps the only substantial obstacle, to the establishment of an international agreement for the use of silver as money, which, without attempting to restore the position of twenty years since, would relieve India from the anxiety of a further depreciation of its revenue in relation to its liabilities. The problem may be thus stated: The Indian government asks permission to adopt a certain course, but, as is well understood, not the course it would of its own free will first desire to be adopted. In considering whether the course actually proposed should be sanctioned, we cannot refuse to consider whether there are invincible obstacles to the entertainment of the course which would be the first preference of India."

Although the report of the commission formulating the plan above indicated was signed immediately after the date for the reconvening of the conference, it was still held back. It should be understood that this was not a plan devised under the stress of legislative contention. The hearings were secret, witnesses called in one by one, and the public had no definite knowledge of the thoughts and purposes of the commission till the report was submitted to the government about the middle of June.

Within a few hours the Viceroy telegraphed the acceptance of the recommendations of the commission by the Indian government, and asked the Ministers of the Queen for authority to act without delay. Five days later the Secretary of State for India telegraphed that authorization. The council of India was immediately summoned to meet at Simla on the 26th. A bill was laid before it amending the currency acts to carry out the plan, and was at once passed. The mints were immediately closed, and the same day the fact was communicated to the English government. Gladstone announced it in the Commons in these words:

"It may be for the convenience of the House to learn the exact terms of the telegram received from the Viceroy of India to-day, communicating the steps taken with respect to the report of Lord Herschell's committee on the Indian currency. The telegram is this: 'Council has passed an act, which takes effect at once, to carry out the plan recommended by Lord Herschell's committee. Act provides for close of Indian mints to free coinage of silver from and after date of passing. Arrangements will be made to issue rupees from the mint in exchange for gold and sovereigns at the rate of 16*d.* per rupee (until further notice) and receive sovereigns and half-sovereigns at public treasuries in payment of government dues at the same rate. It is intended to introduce a gold standard into India, but gold will not be made legal tender at present.'"

The Indian government made a determined effort to maintain the par of exchange fixed in the arrangement for the closing of the mints, but the price of silver immediately dropped from 37 pence to 30½, and the natural par of exchange to about 13 pence. The result can be imagined. The absurdity of fearing a dangerous rise in exchange was apparent. Silver kept pouring in, and unless the government sold council bills at less than the par of exchange it had undertaken to maintain they could not be sold at all. In July the price of silver rose to 32⅓ pence on speculative buying in this country, but from that point it began a decline which has seldom been interrupted since. The situation of the Indian government for the first three months of this experiment is thus described in *Bradstreet's* for September 23:

"The non-success of the closing of the mints is thus far absolute. The total budget requirements of the Indian government for payments to be made in gold in Europe during the current fiscal year are about £18,700,000, against £17,000,000 in 1892. Since March 1, 1893, the total amount secured by the issue of council drafts on India has been only £5,850,000 against £7,165,000 in the same period a year ago. Since June 26, when the mints were closed and the attempt to create a fixed value of 1*s.* 4*d.* per rupee for exchange went into effect, the showing has been very much more disastrous. In that period council bills have been disposed of only to the amount of £200,000, against £2,200,000 in the same period a year ago."

The government very quickly abandoned all attempt to maintain the rate of 1*s.* 4*d.*, but had no better success in an effort to maintain the rate of 1*s.* 3¼*d.* This failure naturally threw discredit upon the project in India, and especially in England, where it was more generally understood. Another effect was to strengthen the Bimetallic League, and to awaken it to fresh endeavors. Distinguished recruits openly flocked to it. The apostacy of practical men and students like Gibbs, Goschen, and Courtney resulted in serious thinking, but something like a sensation was caused when a man in Balfour's political position delivered his famous Mansion House address on August 3, or about five weeks after the mints were closed. He had strongly leaned to the bimetallic cause before, but in this address he came forward with the strongest open defence of it as a practical policy which had been made in England. He vigorously denounced the attempt to force an inconvertible currency on the Indian masses, declared that the gold of England was open to an onslaught from any of the large governments of the Continent if the "kissing-at-sight" terms should for any reason cease, and added:

"We have hitherto been accustomed to boast of our isolation in matters of currency, and we now find ourselves trembling with apprehension at the course that may be pursued by this or that government over whom we have no control. Hitherto, we have boasted of our independence, and we find, to our dismay, that it may, perhaps, rest with the uncommercial policy of some military power on the Continent to upset the whole system of our finance in this country. We have claimed, and we have surely rightly claimed, that we were the great commercial community of the world, trading with all other countries, covering the seas with our fleets, taking toll of all nations, having commercial intercourse with all nations, and we now find, I fear partly through our own fault, that the world is divided into gold-using countries and into silver-using countries, that the whole mechanism of exchange between the gold and silver using countries is upset, and that with that mechanism of exchange every merchant who deals with South America, or with India, or with Mexico, or with China is hampered and embarrassed in all his transactions."

The speculative movement which for a time sustained the price of silver, referred to above, was to some extent due to a rumor, apparently well founded, that the Indian government was to put a heavy import duty on silver. The government doubtless did give this matter early consideration as a means of preventing continuing imports of silver and of keeping up the price of council bills ; but when the fact leaked out of official channels, silver began to be purchased and sent to India in anticipation of a higher price after the tax had been laid. This movement made the sale of council bills still more difficult.

Meanwhile the India Loan Bill (£10,000,000) had passed the Commons, and in the latter part of December came up in the House of Lords, where Lord Kimberly explained the reason for it and said: "If it should so happen that this policy of closing the mints should entirely fail, we shall be thrown back into our original situation, which is a very grave one, because at the present price of silver the exchange, if measured as it is usually measured, stands at no more than one shilling and one-eighth; and, speaking in round numbers, at that rate of exchange the government of India would be landed in a deficit of no less than 6,000,000 rupees. That would be a deficit of a most serious and alarming character." In speaking of the vast amount of silver which continued to find its way into India, he gave as another cause besides the speculative one the fact that the Indian native seemed to always demand silver for purposes other than currency, and quoted Sir David Barbour, who had just returned to England, as saying that this normal demand had been stimulated in the ordinary way in which a demand is stimulated by a large fall in the price.

"The natives," he said, "generally consider that this is a most favorable opportunity to purchase silver for the purpose of ornaments; and Sir David Barbour thinks that that probably accounts for the larger part of the demand. When we remember that the population of India numbers 287,000,000, we see that any increased demand from so vast a population may easily produce a very considerable result." He might with reason probably have added that, in contrast with the difficulties of the government in paying the gold debt to England and with the depression of the Lancashire trade with the Orient, the mass of Indian natives had been enjoying fair harvests and unusual prosperity, so that they sought silver for their hoardings, and, if silver could not have been sent to India in large quantities at the time when the government was endeavoring to produce a "rupee vacuum," there might have been trouble. The hoarding propensity is one of the important features of the Indian problem.

In the course of the same debate the Marquis of Salisbury deplored the measures that had been taken and predicted that they would fail. He believed that the "private mints" of India were unusually active. Soon after this, or early in January, 1894, came the announcement that the import tax would not be laid on silver, and, of course, the silver which had been held in anticipation of the tax, and which was on its way there, was dumped on the market with natural results. The price fell to 27*d.* in London. In the first part of February the Indian government further announced that it had come to the conclusion to abandon the attempt to keep council drafts any longer at 1*s.* 3¼*d.*, or at any other fixed price. This apparently meant that, as the fiscal year was drawing to a close, and the sale of council bills fell far short of paying the gold debt to England, it would use the remaining days to sell bills at any price, and make up the deficiency out of the proceeds of a loan.

This might have been as favorable an opportunity for the reconvening of the conference or the inauguration of a new one as any that had occurred, but the government of the United States had business of an apparently more serious nature on hand. The course of affairs in India and England have been followed without interruption by reference to contemporary monetary events in other countries, and it will be necessary now to return for a moment's examination of the condition of affairs in this country at the time the India mints were closed.

In a previous chapter the reader's attention was called to the beginning of an export movement of gold to Europe in 1889, and to the continuation of the movement through the two following years, although much of the gold was exported when the rate of exchange did not warrant it under ordinary conditions of trade. It is easy, and too often the practice in the study of finance, and more especially in "practical politics" when dealing with financial questions, to attribute any important or striking phenomenon to some one specific cause. No events are so simple. The camel may successfully bear a very heavy burden, but the ultimate straw has serious effects. The public is apt to regard one of the last straws as wholly responsible for the calamity, and there are always those who are interested in making it so, whereas the camel would not have felt it, might have travelled on comfortably and happily, but for the remainder of the burden.

The first great fact in connection with the export movement of gold was the persistent and strong European demand for it, and the determined policy of certain governments, by the imposition of certain trade and banking regulations, to attract it their way, or, at least, to prevent its going to America. This has been already explained, but it may be added that some of this gold went into war chests, conspicuously in Russia, where, for the time, it was lost to commerce, and its movement, therefore, did nothing to relieve the ordinary demands of the market for the metal.

A second fact was that the prices of the great staples, as well as of lesser commodities, were extremely low, thereby diminishing the value of our exports of merchandise in relation to the quantity.

Related to the latter fact was another — the government revenues were falling off, and were insufficient to meet the ordinary expenditures.

The fourth fact was the expansion of paper currency through the purchase of silver, and the issue of treasury notes.

The fifth fact was a narrowing-down of business connections and enterprise because of the uncertainty and timidity as to the results of the announced policy of the administration to reduce the tariff.

These five facts entered into the situation one after the other in the order given, and there are many good reasons for supposing that it was the last which broke the camel's back, rather than the silver-purchase act.

There was gold enough in the country, for, though the net gold exports for the four calendar years 1889–92 were $135,000,000, the gold production for the same time was $132,000,000, to say nothing of the gold from ores and base bars produced in Mexico and British America. The drain, therefore, had not reduced our stock. From the time the government began to inject silver into its currency, that is, from 1878 to 1888, the net excess of imports of gold over exports was $224,000,000, and the gold product was $387,000,000, a total of $611,000,000;[1] practically our whole gold stock was obtained after we began to coin silver. It is by no means argued from this that the coinage of silver aided in the acquisition of gold, for it doubtless had a contrary effect during a

[1] E. O. Leech, ex-Director of the Mint, *Bankers' Magazine*, Nov., 1895.

greater part of the period. It simply shows that silver coinage did not seriously prevent our acquisition of gold, that silver was regularly absorbed by a prosperous and increasing business, and that at the beginning of 1893 our gold stock was about as large as it had ever been.

Not until the last months of 1892 were there any indications that either the silver currency or that issued on bullion was occasioning any trouble or uneasiness. So long as workers were busy, mills running, and enterprises starting up and reaching out, the character of the currency attracted no attention. But the moment business halted in an attitude of uncertainty and began to contract its lines, whether from fear or simply as a good business act, to await lower duties on certain articles, the burden of too much silver in the currency became manifest. The effect would have been the same if an equal amount of outstanding currency had been based directly on gold, on which, as a matter of fact, all our currency finally rests. The currency was not needed, and, as the Europeans were struggling as hard as ever for gold, our surplus money became a convenient article with which to withdraw gold from the Treasury.

This process, however, could have continued but a short time but for the influence of the third fact mentioned above — insufficient revenue. If the paper which was used to withdraw gold could then have been held in the Treasury, the currency would very quickly have become contracted to the point required for the diminished business. But, with daily deficits, the Treasury could keep neither its gold nor the currency which withdrew it. The gold went abroad and the currency returned to the over-supplied channels to again become available for the same process. It was a vicious circle. The halt in business to await tariff revision made currency redundant and diminished the revenues of the government; a redundant currency and a lean Treasury forced out the gold, and the departure of gold increased the hesitation of business. At the same time the European demand for gold, much of which was purchased by the Rothschild group for Austria, and the low price of exportable merchandise were operating in the same direction.

The whole responsibility for this situation was thrown upon the silver-purchase act by the financial and banking people, with whom it was naturally unpopular for two reasons — the selfish one, because the treasury notes operated against a profitable increase of national bank notes, and the unselfish one, because the continuance of the act was contrary to sound federal finance. Obviously, however, the repeal of the act could be no cure for the situation then existing. The redundant currency was already there. Its repeal was a wise act for the future; it might prevent a similar situation when adverse conditions again conspired together. But, bad as the act was at the time from every point of view, and especially from a bimetallic standpoint, as it was a continuing obstacle to an international agreement, its repeal could then help neither the Treasury situation nor business, and it did not.

President Cleveland took the view of those who thought, or professed to think, it the whole evil. By the time the Indian Currency Commission made their report the free gold in the United States Treasury had decreased to $89,000,000, and while the Indian government was hurrying to close its mints in anticipation of the repeal of the silver-purchase act here, the panic came on. Four days after the Indian mints were closed the President summoned Congress to meet, August 7, to repeal the silver-purchase act, to which he wholly ascribed "the present perilous condition."

The redundant currency at once disappeared; people drew their money out of the banks and put it under their pillows, and by the time Congress met to cure the situation by cutting off the source of supply, those who were still trying to do business were paying a premium for the very notes the issue of which it was proposed to discontinue. All the available currency was drawn from the Treasury — unfortunately, the amount was small because of the deficits in revenue—and gold returned so freely that the reserve was at a higher figure than for six months. Gold again circulated. Laboring men were paid with it so far as possible. It was the cheapest money to be had. Exchange turned and gold was largely imported during the summer. Indeed, we had the interesting spectacle of England sending us gold and taking our silver to send to India, where it was endeavoring to produce a scarcity of rupees.

The President in his message to Congress on assembling strongly argued that the Treasury reserve had been depleted by the increasing redemption of treasury notes in gold, such redemption being necessary to maintain the parity; but it will probably appear to most persons who reflect upon it now that there is no rational basis for a gold reserve in a country maintaining a gold standard unless it stands for the redemption of an outstanding currency of less intrinsic value than gold. In the permanent preservation of a parity between money of the standard value and money of a less value, there can be no fixed discrimination against different forms of the currency of the lower order. If every treasury note and greenback were cancelled and the currency of silver certificates became too abundant, and if a situation such as that of 1893 appeared, the maintenance of the parity would quite as much require the redemption of those certificates in gold, if gold were wanted and the certificates were not. In the last analysis, all our currency hangs on the same peg — the ability of the government to pay in gold. In this respect the situation of the Bank of England is precisely similar; if there is a crisis, and people rush in to redeem their notes, the bank must secure more gold, as it did from the Bank of France in 1890. In most other respects, of course, the Bank of England and the

United States Treasury are very dissimilar institutions. The former can generally regulate the proportion of its reserves to its obligations by its discount rate; the latter must depend for its immunity upon a surplus balance large enough to enable it to withdraw for the time whatever currency is presented for redemption when money is plenty, and enable it to pay out the currency for gold when money is stringent. Regulated by such a balance, there never could be any question of the ability of government to redeem its notes and certificates, for a busy and industrious people can, under no circumstances, afford to redeem its currency except within certain narrow limits.

Looked at, however, from the standpoint of the desirability of an international agreement, the repeal of the silver-purchase act was demanded, just as from the same standpoint its enactment was unwise. But the free-silver men who had denounced it as a half-way measure rallied to its defence, after making sure that they could not pass a free-coinage amendment to the repeal resolution. Such an amendment was lost in the House by a vote of 125 to 226, though the vote on the Democratic side was 101 to 112. The dreary struggle lasted till November 1, when the repeal resolution was passed with an amendment introduced by the Democratic leader for repeal in the Senate, declaring it to be the policy of the United States to continue the use of both gold and silver as standard money, and to coin both into money of equal intrinsic and exchangeable value, "such equality to be secured through international agreement, or by such safeguards of legislation as will insure the maintenance of the parity in value of the coins of the two metals, and the equal power of every dollar at all times in the markets and in the payment of debts." So far as this addition could have any effect at all, it simply added new life to Europe's attitude of expectancy, and soothed in a measure the silver section of the Democratic constituency.

By the time the law was repealed the panic was over, and money had reappeared from its hiding-places, but business was flat; the money was not needed, and gold again began to leave us. The repeal of the law had not touched the vicious circle. Every day showed an increase deficit in the Treasury, and the currency which was presented for redemption had to be immediately reissued to pay the ordinary expenditures.

This sword of Damocles was still hanging over business. The uncertainty as to what a somewhat unmanageable majority in Congress would do with the customs duties abided still. So long as business halted the currency would continue redundant, and the vicious circle would be in full operation. In his first annual message to Congress, a month after the repeal, the President intimated that in time a comprehensive plan for currency reform would be presented, and added:

"The monetary conference which assembled at Brussels upon our invitation was adjourned to the 30th of November, in the present year. The considerations just stated and the fact that a definite proposition from us seemed to be expected upon the reassembling of the conference led me to express a willingness to have the meeting still further postponed. It seems to me that it would be wise to give general authority to the President to invite other nations to such a conference at any time when there should be a fair prospect of accomplishing an international agreement on the subject of coinage. I desire also to earnestly suggest the wisdom of amending the existing statutes in regard to the issuance of government bonds."

He closed his message with an appeal for a reduction of the customs duties and an enlargement of the free list, when, even then, deficient revenues constituted a leading element in the vicious circle. Two months later the first issue of bonds to replenish the gold in the Treasury was announced. They sold for $58,660,917, and $24,396,459 of the gold to purchase them came from the Treasury. Is it not exactly correct to say that the government thus took $24,000,000 out of its pocket, guaranteed to pay 5 per cent. on the amount for ten years, and then put it back. The fact at the bottom was that the government needed the money to pay its expenses. At the same time the administration leaders in Congress brought in a measure calculated to reduce the revenues $60,000,000 a year, on the basis of our previous importations; and the very same Congress, which had been besought to repeal a law adding less than $50,000,000 a year to the currency, passed an act for the coinage of the seigniorage on the bullion in the Treasury — enough to make over 55,000,000 standard dollars. Though vetoed, it afforded another contribution to the vitality of Europe's attitude of expectancy.

The developments of the line of policy the administration had adopted may be dismissed with a few words. Having started out on the theory that the treasury notes issued under the repealed silver-purchase act had caused the trouble, the logical conclusion was that any notes directly redeemable in gold should be withdrawn and destroyed; for the trouble continued. Fifteen months after the repeal of the obnoxious act the President said in a message, in recommending a law for an issue of bonds to retire the greenbacks and treasury notes:

> "The real condition which confronts us consists of a lack of confidence, widespread and constantly increasing, in the continuing ability or disposition of the government to pay its obligations in gold. This lack of confidence grows to some extent out of the palpable and apparent embarrassment attending the efforts of the government under existing laws to procure gold and to a greater extent out of the impossibility of either keeping it in the Treasury or cancelling obligations by its expenditure after it is obtained."

No doubt the feeling did extensively exist that the government might fail to pay its obligations in gold, but it could hardly have derived any added strength from the fact that a month after this gloomy message, Congress having refused to sanction a law for the issue of bonds asked for, a large block of 4-per-cent. coin bonds were sold to a syndicate for 104.495, which immediately resold them to a second syndicate for 112.5, the bonds soon appearing on the market at 119.

Quite naturally, also, a policy which overlooked the true relation of the deficient revenue and saw no salvation for a country maintaining a gold standard except in the destruction of all notes redeemable in gold led to propositions for a bank-note currency such as the so-called Baltimore plan and that of the Secretary of the Treasury.

The real effect of the President's policy was to arouse in the West a spirit of enmity against the banks, and in the banks a spirit of intolerance of the silver sentiment of the West, with the final result of driving the greater part of his party, bag and baggage, into the silver camp. In this migration we may leave them for a time and notice certain events abroad.

The Indian government was finding that time added no attractions to the experiment it had made with the mints. "Though silver was no longer coined," wrote the Japanese Minister of Finance in 1894, "its circulation suddenly increased." A Hindoo banker, writing in March, 1894, gave a very plausible explanation. The price, he said, had been so much lowered in England and America, that 100 tolas of silver, which cost 106 rupees once, could then be purchased in Bombay for from 85 to 86 rupees. As the native derived prominence from the amount of silver he possessed, it was not strange that a large trade in bullion developed, as well as much illicit minting. Finally, the government placed a 5 per cent. import duty on the metal, the standard of value and the legal tender of the people. Customs duties were also placed on other imports. In this way exchange was brought somewhat nearer the fixed rate, and an indirect tax was levied on those who could not endure further direct taxation. The production of the country was good during these years, and in this way the Indian government worked along, but in a condition no more satisfactory than before the mints were closed. Meanwhile the leading journals complained loudly, and in England the dissatisfaction among the merchants dealing with India grew rapidly. The Bimetallic League daily developed strength and influence, and bimetallism was even made an issue in parliamentary elections. The tide rose high in 1895.

From the time of the adjournment of the Brussels conference the Agrarian party in Germany had been agitating for bimetallism. A silver commission was appointed to examine into the effects of the fall of silver on German industries, and the results greatly stimulated the bimetallic movement. Early in 1895, Count von Mirbach, the Agrarian and bimetallic leader, undertook to secure a majority of the Reichstag for a demand for another conference and for the rehabilitation of silver. He quickly obtained 211 signatures, or more than a majority, and on February 15 submitted his motion, stating at the outset of his speech that "the only way in which an international union can be thought of is on the basis of a fixed relation between gold and silver, established by an international treaty." He quoted statistics to prove the fall of prices since Germany adopted the gold standard, and argued to show that under monometallism agriculture had gone from bad to worse in England and Germany, and that English exports to silver-using countries had steadily declined. Referring to this country he said:

"If there is destined to be no bimetallism, we should wish the American conditions to remain as they are, although, in my opinion they are untenable for America for any length of time. The golden treasure of America has dwindled, has sunk in such a way that it can no longer provide in gold for covering its currency. Every moment the gold reserves drop to the lowest ebb and the Secretary of the Treasury is driven to have recourse to petty loans, which are, no doubt, pleasant enough to the gentlemen who furnish him with the loans, for I, somehow, imagine that those who supply the money quickly recover it and then renew the game. Should there be no currency union, one of two things will happen. Either America will address herself in all earnestness to the establishment of a currency and seek a loan of $500,000,000 in gold in the European market — but what of our gold reserves then? and what of the English Bank and all the rest? — this alone shows how insufficient gold is, just as soon as America goes earnestly to work. Or — and this might prove even more calamitous to us — America will renounce the coining of gold altogether, and go over to the coining of silver. Then we would be confronted with differences in value which would threaten us more seriously than the present conditions. Then there would really remain no other course than to close ourselves up hermetically against America, and afford America an opportunity to absorb the whole commerce with Asia, by virtue of the parity of its silver currency to that of Asia. I believe that because things are as they are in America we should heed the warning and not wait with our hands in our lap; we should take hold of those things before it is too late."

He also said that America could actually absorb the European gold reserves and hold them fast, and force a decision of the currency question. But, in view of the situation then existing in this country, he considered such an event too remote to be anticipated. The reader will observe that he did not admit what so many silver men in this country claim, that free silver coinage by us alone would restore the parity. On the other hand, he believed it would put us on a parity with Asia, and that what Europe would have to fear in such a case would be our competition with Europe's manufactures. As a matter of fact, European financiers have no fear on this score. To bring about such a competition, especially in manufactures, there would need to be a fall in wages in this country relative to the price of necessaries of life — a matter which the advocate of free silver in this country carefully avoids. Count von Mirbach was speaking at a time when our administration was issuing bonds to secure gold, and did not anticipate the conditions of two years later when, under the same currency, there would be gold enough in the reserves, and abundant prospects of securing much more. The fact that we might by absorbing gold and by a practical industrial policy hold it fast, thereby forcing a decision of the question, doubtless seemed remote to many then.

Dr. Lieber, leader of the Clericals, and one of the signers of the demand, defined in a brief declaration the attitude of his party, and of the neutral deputies in general. He said: "We believe that the present time is opportune, in view of the universal depression of economic life, to revive the international consideration of the problem affecting most vitally the trade of the world." In Germany, the Radical and Social Democratic elements are for the gold standard. They charged the supporters of the motion with working for political and not economic ends. Dr. Theodore Barth, of the Radical Union, said: "This is the agitation of the Agrarian high-tariff people in another guise. It is designed to deceive the peasants, to lead them to believe that the remedy for their present distress is to be found, not in wholesome reforms of the land laws, but in the adoption of a double standard. Such an agitation is doomed to failure. I do not deny that another conference like the one in Brussels may be brought together, but what of it? The conference will result in nothing, as did the meeting at Brussels."

Chancellor von Hohenlohe made a conservative statement, but one none the less significant. He said: "It must be conceded, without prejudice to our national currency, that the growing disparity of value between the two coin-metals is producing a detrimental reaction upon our industrial life. I am, therefore, inclined, in the further pursuit of the endeavors which have resulted in the convoking of the Silver Commission, to consider with the confederated governments whether other states which are essentially concerned in the enhancement of the value of silver cannot be brought into a friendly exchange of views on mutually protective measures."

Count von Mirbach's motion passed by a vote of more than two to one — a striking fact when compared with Germany's refusal to participate in the Conference of 1878, and with her expressions in other conferences of the government's satisfaction with the monetary policy it had adopted.

The Council of State, under the chairmanship of Emperor William, devoted two days, March 14 and 15, to the consideration of the subject, and finally resolved as follows:

"According to the statement of the Chancellor during the session of the Reichstag, February 15 last, an exchange of views of the confederated governments with other states has been proposed concerning common measures for obviating the detrimental reaction recognized to have resulted to industrial life from the increasing disparity between the values of gold and silver. In reference to this statement, of which the Council of State has taken note with pleasure, the same believes that no further measures should be taken at the present time, and that the result of the steps already taken should be awaited."

This was an assurance that the Chancellor had taken the matter into his own hands. Some of the monometallists in the Council endeavored to incorporate in the first part of this resolution the words, "without prejudice to the existing standard," but this was declined, and thus the statement was less conservative than that made by the Chancellor to the Reichstag, though the Council is a much more conservative body. This action considerably aroused trade circles. On April 4 at Berlin, a committee of the trade congress adopted the following: "The commercial and industrial circles must regard every weakening of the well-ordered gold standard in Germany as a fundamental injury to German economic life." An association for the protection of the gold standard was formed, and the Chambers of Commerce generally declared against bimetallism. But the government would eagerly have entered a bimetallic union had England led the way.

The events in England at this time were quite as remarkable. On February 26, Robert L. Everett, a member of the Liberal party, introduced in the Commons the following resolution:

"That this House regards with increasing apprehension the constant fluctuations and growing divergence in the relative value of gold and silver, and heartily concurs in the expressions of opinion on the part of the government of France and the government parliament of Germany, as to the serious evils resulting therefrom. It, therefore, urges upon Her Majesty's government the desirability of co-operating with other powers in an international conference for the purpose of considering what measures can be taken to remove or mitigate these evils."

Sir William Harcourt, Chancellor of the Exchequer, said he had never denied the existence of evils in consequence of the growing divergence of the values of gold and silver. England had not refused to co-operate when other countries had desired a monetary conference. But the majority of the European countries had declared in favor of a monometallic currency at the Brussels conference. He did not think Germany had changed her opinion. When a proposal from Germany or any other country reached the government, it would be time enough to consider the question of England joining another conference. A misconception, he said, existed in regard to the cause of the failure of the Brussels conference. The government of the United States in proposing that meeting expressed a wish that it be held with a view to establish a ratio of values of gold and silver, by the leading nations, by means of the free coinage of silver in their respective mints. England, said Harcourt, could not accept an invitation couched in such terms, and he could not then enter into a matter which impeached the first principles of English currency. The proposals had then turned to means for a larger use of silver, and this policy the British delegates had supported. Harcourt announced at the close of his speech that he would not oppose the Everett resolution, and it was passed by a unanimous vote. Neither side could afford to make a party question of it, for a large section of both were affected by the bimetallic propaganda.

Such events in England and Germany were necessarily reflected in French opinion. The indifference of France at the Brussels conference was, as has been seen, due largely to the fact that, after a long struggle, the Bank of France had acquired an ample stock of gold to counterbalance its large stock of silver, and to a consequent disposition to avoid further increase in silver coinage. After the conference the bank continued to accumulate gold, and at this time held the enormous sum of $411,000,000, though its stock of silver was still about $330,000,000. In stating the position of his government, the French Minister of Finance was reported as saying that he agreed with the claims of the bimetallists that the abandonment of the mintage of silver had proved extremely disastrous, though he did not attribute the agricultural crisis, in all its length and breadth, solely to the suspension of the free coinage of silver. But he believed that the abandonment of bimetallism, coinciding with other causes, had precipitated the crisis and given it a far graver character than it would have otherwise had. France alone, he said, could not solve the problem. If she attempted to do so, she would have to pay all the cost of the solution. He pointed out that, in the countries up to that time most attached to the monometallic system, and notably in England, a current of opinion in favor of a serious attempt to find a remedy for the crisis was being developed, and the action of the Manchester Chamber of Commerce in demanding that by some means the value of silver be restored he considered an important event. He added: "We may differ in opinion as to the precise methods to be employed, but I believe that in England and Germany there is a genuine movement in favor of the resumption of the coinage of silver. I cannot say at what moment this progress will be sufficiently decisive to finally overpower the resisting forces, which are great. In such a position what should be the attitude of the French government? We were summoned in 1892 to a conference at Brussels, which unfortunately, has been without result and has been adjourned indefinitely. Although I have been Minister of Finance but a few days, I have already discussed this question with my colleague, the Minister of Foreign Affairs. We are completely in accord. Although I believe that France cannot alone settle the question, I am of opinion that she ought not to restrict herself to an attitude of indifference in waiting. She ought to indicate in a marked manner that she desires to hasten the solution. She ought to assume an attitude which will encourage the movement of public opinion in neighboring countries. This is the policy which the Minister of Foreign Affairs will adopt and which I have adopted."

The National Bimetallic League of France had meanwhile lost none of its importance. Loubet was its president, and among its vice-presidents were Magnin, Governor of the Bank of France, De Normandie, Cernuschi, Méline, Senator Berenger, and Guichard, president of the Suez Canal Company. But the league did not advocate action by France or any other country alone. The annual meeting of the league was held in April, and a statement made by the venerable Cernuschi indicated the true position of international bimetallists:

"As soon as the coinage of silver by the United States was free, Europe would act towards the United States just as Germany acted towards France, so long as France coined silver. Europe would demonetize large masses of silver and send them to Philadelphia to get them made into dollars, with which dollars she could get gold dollars despatched to her. Very venturesome would be those who should recommend the United States of America to undertake, single-handed, what France will undertake only triple-handed."

The annual meeting of the English Bimetallic League was held at the Mansion House, London, April 3, and the notable feature was the speech of Balfour, the Conservative leader of the House of Commons, in favor of international bimetallism. The following extract indicates its character:

"They talk of the excellence of the British system of currency. What is the British system of currency? We are an empire, as we are proud to think, with interests and with possessions in every part of the world. I concentrate my attention, not upon the self-governing colonies, which, for purposes of currency, may be described as independent of us, but upon those great portions of our great empire which are practically under the rule of the British parliament; and what is the system of currency prevailing in them? Or is there a system of currency? You go to Hong Kong and the Straits Settlements. You find there that obligations are measured and debts are paid in silver. You come to England and you find that obligations are measured and debts are paid in gold. You stop halfway — in India — and you find that obligations are measured and debts are paid in something which is neither gold nor silver, but is the strangest product of monometallic ingenuity which the world has ever seen — a currency which is as arbitrary as any forced paper currency of which the world has ever heard, and which is as expensive as any metallic currency the world has ever heard of, which, happily, combines in itself all the disadvantages of every system of currency which human beings have ever tried before. That is what we call the British system of currency.

"I do not believe that the common-sense of nations will long tolerate such a state of things. When I look to what is going on in America, in Germany, and in France — nay, when I look to what is going on even in the most conservative commercial centres in this country — I say to myself that the reproach which is now upon us cannot surely be of long duration, and that the time is not far distant when men of all parties, of all occupations, and of all interests will combine to say that it is our business to do our best, at all events, to bring to an end a reproach to our common civilization and to introduce into our international transactions some medium of exchange less open to criticism, less destructive of settled industry, less embarrassing to the merchant than the absurd system under which it is our present misfortune to live."

Such a state of feeling in Europe naturally had some effect in this country. Soon after the action of the Reichstag, Senator Wolcott, of Colorado, offered an amendment to the Sundry Civil bill looking to the appointment of delegates to an international conference if called by one of the European governments. It authorized the appointment of three delegates by the President, and six others to be "a joint committee of this Congress, three of said committee to be members of the Senate and three of the House of Representatives." The Senate before adjourning named Senators Teller of Colorado, Jones of Arkansas, and Daniel, of Virginia — all radical silver men. The House requested Speaker Crisp to name himself, which he did, filling up the quota with Culberson, of Texas, and Hitt, of Illinois. Of all these men, Hitt was the only one who had not advocated the free coinage of silver by the United States alone.

Another international conference seemed to be at hand. In our financial circles, the wisest men thought that the sentiment in England and Germany was such that one of those governments would make a proposition. Never had an international agreement seemed so likely. But our curious fatality again put in its appearance. As has been said, the policy of the President was by this time driving his party into the silver camp. Bitter against the banks and the bond syndicate, overwhelmed by a severe defeat in the state elections of November, disgusted with the effects of the new tariff bill, shorn of every issue on which the party had won a victory in 1892, the Democratic masses turned naturally to the only issue which seemed available, and the leaders accepted it as the only hope of future salvation. At the very time when there seemed at last to be a chance for bimetallism, a veritable "silver craze" set in everywhere outside of the New England and Middle States. The party organs clamored loudly for free coinage. A Western lawyer who had been studying the subject brought forth "Coin's Financial School," fancifully illustrated, and thousands of the little pamphlets went broadcast over the land. It became the topic of the day. Our gravest economists condescended to answer its arguments, and the papers were full of it. Congress had adjourned in March. Otherwise there would doubtless have been another free-silver bill and a discussion.

Of course, under such circumstances, no proposition came from Europe. The bimetallic tide suddenly receded, and the President had no occasion to complete the commission Congress had authorized. Genuine as were the pleas of the European bimetallists for a conference, severe as were the embarrassments of the different governments, no government could be made to act while such a silver furor was sweeping this country. They at once drew back into their attitude of expectancy. The London *Statist*, commenting on the affair, said that there was no telling what the voters of the United States would do next.

The administration labored along on the theory that a gold reserve could not be maintained so long as notes redeemable in gold were outstanding, which was equivalent to saying that so long as the people had a redeemable currency the government could not insure a stock of the redeeming metal. In his message to the new Congress which convened on December 2, 1895, the President dwelt at length on the legal-tender note and its influence, as he saw it, on the gold reserve. There was, however, no suggestion of a deficit in the revenues of the government, though it was constantly accruing, and from the first of the year already amounted to $36,000,000. As has been explained, it was the deficit and nothing else which prevented the government from taking the surplus currency in the hands of the people and holding it till business revived. Within twenty-two months the government had obtained from three bond sales $182,000,000. Had it been simply a question of exchanging gold for legal tenders, as the administration argued, the net cash balance in the Treasury at the end of that period (December 1) should have exceeded that at the beginning by just that amount. On the contrary, the net cash balance had increased only $93,000,000. Between the first and second bond sales the Treasury lost more than $35,000,000 of its cash balance; between the second and third more than $21,000,000, and from the third to the meeting of Congress $32,000,000 more. Had this sum of $88,000,000 been a surplus instead of a deficit, there would have been very little trouble. Although the bond sales considerably contracted the currency, not till after the extensive popular loan of February, 1896, did currency become sufficiently contracted to prevent it from constantly returning for the Treasury's gold.

It was another anomaly of the situation that the Treasury, under the revised tariff, was looking for relief from deficits in the same direction whence a further drain of gold by export might be expected. Here was another vicious circle; there must be an increase of imports of merchandise to add to our revenues when the already existing volume of imports was enough to justify gold exports.

The doctrine of a protective tariff may be contrary to the classical economic notions of a perfectly ideal commercial condition of things. It would evidently be out of place for a country like England, whose foreign investments, according to a recent English authority, amount to $15,000,000,000, which means that, as a creditor of the world, she demands a yearly return in gold of some $450,000,000 at least. The position of the United States is so different that they must pay a part of this return — not less probably than $75,000,000 annually — in interest and dividends. An ideal theory can not fit two such diverse conditions.[1]

The House of Representatives elected in the sweeping Republican victory of 1894 had a large Republican majority, but the Senate was more than ever a silver body. While the Republicans in the lower chamber felt it incumbent upon them to undertake some remedy for the situation, the remedy which from their party position they would naturally propose would be sure to meet the disapproval of the President, and, moreover, a national election was but eleven months off, and in a general way the inability of the administration to mend matters would naturally be to Republican advantage. Pursuant to the President's suggestion, however, a bond bill was framed and passed, but in the Senate was quickly transformed into a free-silver-coinage bill by a vote of 42 to 35. As thus modified, the measure called for the free and unlimited coinage of silver dollars at 16 to 1, the coinage of the seigniorage on the bullion in the Treasury, and the immediate issue of silver certificates to represent such seigniorage pending its coinage. This would have involved an inflation of about $100,-000,000, as soon as the printing-presses and the mints could complete the work. The bill also provided for the redemption

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[1] In the examination of Robert Hardie, of the Council of India, by the Indian Currency Commission in 1892, this dialogue occurred:

"Q. Has the balance of exports over imports become less or greater than it was? A. It is greater, because the Indian council bills are greater, and the amount of silver that is going into India just now is rather greater. I rather take the view that hardly any country with a large foreign debt is in a position to maintain a gold standard without some special means to insure that her balance of exports will be in excess of her imports to a sufficient extent to pay for the foreign debt, and that special means seems to me to be a protective tariff.

"Q. But all the colonies have not import duties. New South Wales has no great import duties. A. Well, I believe she has been carrying on her financial system by loans in England."

of greenbacks and treasury notes with gold coin or silver dollars. The result was a permanent disagreement between the two houses, and nothing was done. This was doubtless fortunate. The forces were gathering for an open battle of the people at the polls. The issue was to be squarely carried to the court of last resort, and Europe, always supplied with fresh ammunition for its attitude of expectancy, continued to wait — to see what the voters would do next.

They performed the greatest service for the cause of international bimetallism, probably, which its unfortunate history thus far records. They deprived Europe's attitude of expectancy of much of its rational basis, showing to those who do not readily understand us or our institutions that, however frequently or persistently inclined our people may seem to advocate an unwise course for securing their ends, they acquit themselves judiciously when it comes to the critical point of actually accepting or rejecting the unwise course. To be sure the issue was clouded somewhat by other elements, but that is always a feature of our political life, and sometimes a saving one.

While the Democratic party, to avoid bankruptcy as to principles, eagerly embraced the advocacy of the free coinage of silver, to secure further support it took up with a lot of notions which the greatest exigencies of its long career had never forced upon it before. It made a broad appeal to all the discontented and disgruntled, and they were many after such a business depression, and after such an unwise policy as the administration had pursued. It linked an impure socialism to an indiscreet and blatant silverism. It appealed largely to the passions of such as were easily influenced by unpleasant conditions and too easily deceived as to their real cause.

The strength of the other side consisted in those whose opinions, at least in the beginning, were influenced less by the currency question than by the policy of a protective tariff. In this they were, perhaps, wiser than they knew, for the cardinal fact that a protective tariff is needed in this country to maintain a sound currency was generally overlooked. Undeceived in 1893 by the legitimate fruition of the sort of tariff reform for which many had voted in 1892, under the promise of a "golden era of trade emancipation," the sturdy farmers, mechanics, and laborers turned to the Republican party in 1894, and saw in William McKinley the most conspicuous exponent of the policy they desired in the future. It did little good for those Republicans in the East, who, for political reasons, preferred another candidate, to exploit the theory that he was not a thorough advocate of gold. It is safe to say that no presidential candidate could secure a vote of respectable dimensions in this country if standing without qualification for an exclusive gold standard and nothing else. The word "gold"—as if alone it had saving qualities — was inserted in the St. Louis platform after an almost ridiculous struggle, but a renewal of efforts for international bimetallism was also demanded. While, however, the tariff and McKinley's personality were the dominating influences early in the campaign, the noise was made over the question of gold and silver. The more one side shouted for silver, the more the other shouted for gold, till at last the subject developed into the apparent issue. It was fortunate for the cause of bimetallism that it did so.

For the first time in twenty years, or since we began to importune for international bimetallism, Europe was given to understand that there was little hope for free coinage of silver here without free coinage abroad. With the inauguration of a policy better adapted to our economic conditions, the crisis which continually threatened the Treasury has passed, gold accumulates in its vaults, occasional exports excite no alarm, and business is asking for the very currency which but a little time ago Congress was asked to cancel for the salvation of our credit. This currency no longer acts like a chain pump on our gold reserve, but gold is being returned to secure the currency. This movement will become more marked when the revenues have again grown to exceed our expenditures, for the supply of the currency has been cut off, and for the needed expansion we must depend upon the national banks and the increase in our gold stock. For nearly twenty years the government of the United States carried on a limited coinage of silver to save itself from a threatening sentiment for unlimited coinage. It had repeatedly gone to international monetary conferences as a suppliant, always on the point of being forced by its people to undertake alone that for which it asked European co-operation. Europe has naturally waited while we absorbed most of our own production of silver in the expectation that we would settle its monetary troubles by absorbing more.

Even if we should unwisely continue to importune Europe in behalf of bimetallism, we, at least, stand in a more commanding position, and our only mistake can be made in surrendering it to satisfy those who argue that an American initiative is all that is needed to induce European states to adopt bimetallism, and that free coinage of silver would give us command of the Asiatic markets. The adoption of the silver standard by the United States, and that is what the unlimited coinage of silver by us alone means, is exactly what European creditor nations seek as a means of enabling them to maintain an appreciating gold standard. They have no fear of our monopolizing the Asiatic markets so long as they can compel the payment of deferred obligations in gold, or at a rate of exchange requiring silver nations to make up the difference in the value of silver and gold. They have never failed to appreciate the advantages of a gold standard, if other and especially the great debtor nations were kept upon a silver basis. Neither have they failed to appreciate the dangers of the situation if these productive debtors sought for gold.

But these debtor nations could not be kept in their seats. The movement for the gold standard once started must continue on in its inevitable course. If accidental conditions produce a discord in the coinage of the world, commerce will not forever brook it, and governments in the stress of making up their budgets will not rest content. So nations which have been pleading for the restoration of silver have one by one adopted the gold standard, or have become well advanced in the process.

The Austrian reform is nearly complete, our recent losses in gold having been to her great advantage. Russia has also profited by our losses, and, though loaded with debt, has adopted gold. Japan follows her victory over China, as Germany did hers over France, by establishing the coveted standard. Even the little republics of Costa Rica and San Salvador have recently joined the procession, and the South American states are showing a strong desire to fall in behind Chili, which adopted gold in 1895. The demands thus created, however, have not fallen entirely upon the United States. England has grown no richer in the yellow metal, though commanding so many sources of supply. The gold in the Austro-Hungarian bank now exceeds that in the Bank of England, and the Bank of France holds more than both, while the immense chest Russia had filled is regarded as anything but an offering to peace.

The natural conclusion from the general movement towards a gold standard is that governments are seeking advantages which they cannot find in adhering to silver. In their development they need capital, but the collection of taxes in silver for the payment of foreign obligations in gold, in view of the disparity in the value of the metals, imposes a burden on the government, though for all the purposes of internal trade and industry the silver standard, or even a basis of inconvertible paper, may have occasioned no apparent inconveniences among the people, may even have seemed to some a blessing.

There is a distinction to be carefully noted between the requirements of the government and those of the people governed. The native of India, for example, has found no fault with his depreciated rupee till recently. It is claimed that Japan has prospered greatly by its long use of silver, and in changing to a gold standard the government has been compelled to change its gold coins to correspond with the gold value of the silver coin previously the standard; the value of the gold in the gold yen having been reduced one-half. It is doubtful if the people would have tolerated the reverse operation.

The difficulty of at once raising the standard of value to which the people have become accustomed is evident from the experience of Russia. It was made known by imperial edict that a 5-rouble gold piece would, until further notice, be equal to 7 roubles and 50 copecks in paper currency, so that a check drawn on a Russian bank for 75 roubles might be considered paid should the holder receive 50 roubles in gold. But when the peasants were offered a 5-rouble gold piece in payment of a debt due them for 7 roubles and 50 copecks, they refused to accept it, pointing out that stamped upon it in plain Russian were the words "5 roubles." They naturally demanded to know why they were expected to believe that twice two and a half made 7 roubles and 50 copecks in money or anything else. As an indication of how easily such difficulties are overcome in Russia, it is reported that the government has recoined the same 5-rouble gold pieces and stamped on them "7 roubles, 50 copecks."

Japan and Russia, therefore, have attempted to adopt the gold standard on the basis of their previously depreciated currency. Such a method will not probably cause any inconvenience in internal transactions, as the engagements and contracts have been made on the silver or paper basis, but its operation in foreign transactions remains to be developed.

How, it may be asked, is the government of Japan to derive any benefit from the gold standard in the payment of foreign obligations in gold countries if the yen is still to be reckoned at its silver value? Must not the same amount of money, as related to the price of commodities, be raised in taxes to settle in gold abroad? Undoubtedly the amount required will be as great so long as silver falls no lower, but the Japanese have at least fixed a stable par of exchange with gold countries by making the standard gold instead of silver. If silver falls, the reduced gold yen will still be a fixed measure of value, and the silver currency, so long as the government redeems in gold, must take the place of a token currency. Moreover, the credit of Japan in gold countries will be strengthened. That is evidently the objective point. Foreign capital will be more readily obtained and on better terms.

The Japanese financiers are of a high order of intelligence and economic education, and they have the management of their currency in their own hands. If they have other motives in adopting the gold standard they are not plain. It is, however, implied in the following from the Japan *Weekly Mail* of March 6, 1897, that they are making no calculations upon the further decline of silver, and are actuated by motives of a different character:

"As we understand, Japan's change to gold monometallism is dictated chiefly by the conviction that silver has reached virtually its lowest point, and that its sterling price may be expected to appreciate largely within the next few years. Her financiers would, probably, decline to reckon the chances of precisely the opposite contingency. They are fully sensible of the great advantages that their country's industry and commerce have derived from the employment of a currency constantly depreciating in terms of the currency of the markets where they sell their commodities. But they think that they have drunk the depths of that well of prosperity and that the time has now come to guard themselves against the upward swing of the silver pendulum. In short, they have been made rich by silver that cheapened steadily in terms of gold, and now, thinking that the Occident inclines toward bimetallism, they want to be made richer by gold that cheapens steadily in terms of silver. It has been said that Japan is the child of fortune. If this new experiment succeeds, who can deny her right to the title?"

It would be unsafe to take this as representing the real opinion of the Japanese financiers, at least before making sure that the statement had not behind it a certain prejudice for the old silver standard, or for the doctrine of international bimetallism. Indeed, the same journal suggests that possibly a stronger reason for the step is that her financiers wish to place Japan within reach of the stores of cheap capital awaiting investment in the Occident. Her financiers have seen enough of Indian affairs to convince them of the difficulty of collecting taxes in silver to pay debts in gold at uncertain rates of exchange. Japan has started out to make herself a great maritime power, and this requires money.

If the world drifts along without the inauguration of an international policy as to monetary standards, the end of silver demonetization is not yet, nor is it safe to say, even with greatly increased gold production, that a scarcity of the yellow metal is an experience only of the past. The backward nations are coming forward rapidly. If they have prospered under a depreciating currency, they have also learned that such prosperity has its limits, and that, while it exists, its fruits must more and more be torn from the hands of the producers to satisfy the requirements of the budget. The people may proceed a long time in the belief that they are reaping a great profit from selling in gold countries, and they may submit frequently to new burdens of taxation, but the rulers perceive in this an element of grave danger. A poor harvest, or a sudden fall in exchange may create a deficit, and the government, before devising fresh taxation, must borrow. So, little by little, a foreign debt grows up, and the government appreciates that the time must inevitably come when all the possible compensations derived from increased production and exports, because of a depreciating standard, must be confiscated in taxation to satisfy the foreign creditor. How long will the people remain satisfied?

It is necessary to study this matter closely, for of late an opinion has grown up among discouraged bimetallists that, even if the free coinage of silver should result in a fall to a silver standard, it would only lead to greater prosperity in such a producing country as the United States. If this theory were sound we should hardly expect to find silver nations seeking to adopt the gold standard. The theory seems in a degree plausible, and therein lies its danger. Mexico may be taken as a country which has undoubtedly enjoyed a fair degree of prosperity of late years under a silver standard. It has been the great silver producer of the world, and so long as silver and gold maintained a tolerably stable relation, silver was the main article of export; even her own currency became contracted, so much silver was required to pay for imports. But as silver depreciated the production and export of other merchandise was stimulated, for the expense of producing, which was paid in silver, enabled producers to sell in gold countries at very lucrative prices when converted into silver at high rates of exchange. How this condition of things has developed the export of Mexican agricultural products is revealed by the fact that the total exports for several years up to 1869 were about $20,000,000; in the year 1872--73 they amounted to $31,594,000; in 1888–89 they swelled to $60,158,000; in 1891–92 to $75,467,000, and in 1892–93 to $87,509,000.

The fall in silver has also stimulated Mexican manufactures, because foreign manufactures have to be paid for in gold, and the rate of exchange is so high that it pays to manufacture at home. Some American manufacturing plants have actually been taken to Mexico. It is also claimed that, as every gold dollar is converted into two silver dollars when sent into Mexico, the investment of foreign capital in the country is encouraged, for when invested in producing commodities to be sold in gold countries, like coffee, for instance, the profits to investors is large.

If this were accepted as the whole story we might at once assume that a depreciating standard is a good thing, but Mexican financiers are beginning to realize that while the country has been enjoying a period of good government and prosperous production and trade, such a condition cannot last indefinitely.

The reduction of imports because foreign products almost duplicate their price when sold in silver, and because the constant fluctuation in exchange makes it uncertain what the value of commodities will be when the time for payment arrives, diminishes in proportion the revenue of the government which until recently was mainly derived from import duties. At the same time, national expenses have greatly increased, and part of the increase is due to increased payment in gold of interest on the national debt and such expenses of minor account as the salaries of consular and diplomatic officers. Import duties are already so high that they do not admit of further increase, and it has been found necessary to greatly increase the burden of direct taxation. Still, expenditures will often exceed revenue. Even if the people are prosperous, the government finds that it has nearly reached the point beyond which more taxation would at least be unpleasant.

Railroads are also badly affected, for, while collecting their fares and freights in silver, they must pay in gold the interest on their securities, and for such foreign articles as they need in their equipment. The result is a further burden on the production of the country.

M. Romero, the Mexican Minister to this country, in an article in the *North American Review* in 1895, was inclined to take the view that the advantages derived from the use of silver money fully compensated for, if they did not overcome, the disadvantages. "Notwithstanding all this," he added, "we would like to see silver commanding the same price as before it was demonetized in 1873, and we think the world has to come back sooner or later to bimetallism as the only way to have a more stable level of values and to avoid most of the financial troubles which the commercial nations of the world are now so keenly suffering." The inference is not obscure. If the advantages of a depreciating currency were so marked, why should silver countries wish to throw them away for the sake of seeing silver commanding its former price? Governments are not controlled by sentiment. They realize the fatal consequences of that prosperity which compels them to exact from the producing masses all that stimulated industry gives them. For a time a people may complacently pay over to the government money which seems to come easier than ever before, but the governments know that there must come a time when the deficits occasioned by the requirements of the creditor's appreciated currency cannot be so remedied with impunity. The practice leads to repudiation or revolution.

We need seek no better reason why Austria-Hungary, at great expense and labor, sought the gold standard when, ten years before, it could have resumed specie payments on a silver basis, the depreciation in silver having brought it to a par with the paper. It shows why Japan, after a prosperous season on a depreciating standard, availed herself of the earliest opportunity to adopt the gold standard, and Mexico would not hesitate if she could secure the gold. As yet it is impossible, for her exports are not yet sufficiently large to enable her to buy gold. Her time will come unless the present tendencies are checked.

No silver country is in such a plight as India, and her plight is England's concern. In studying her situation as compared with that of such countries as Mexico, due attention must be given to differences in political conditions, while bearing in mind also the distinction, already alluded to, between the government which makes the budget and the producing people who handle the currency. Mexico is a country of recently marked development under an independent government of the republican type. India, comprising nearly a fifth of the human race, is subject to a government of those whom we are pleased to call enlightened foreigners, with a small military force at hand. Commercial England regards it as her business to make money out of India. Patriotic Mexicans regard it as their business to make a peaceful and prosperous nation out of the Mexicans. Since the days of unsuccessful imperialism Mexico has developed herself under natural conditions as a republic. India has been developed as a dependency by money-making foreigners. The English governors in India have borrowed of English capitalists for the public improvements, which have greatly increased the material power of the Indian nation, but England's motive was commercial, not patriotic. Here were nearly three hundred millions of people to trade with, to buy English manufactures, to borrow English money, to pay interest on it, and to pay dividends on investments.

Under the conditions as to gold and silver during the past twenty years, the capitalist has demanded his interest in appreciating gold, while the native has paid his taxes in depreciating silver. The added compensation which a people producing on a depreciated basis has found in selling in countries on an appreciated basis has had the double effect of injuring the producers in England who deemed it their right to sell in India, and of enhancing the profits of the English capitalist and money-changer. Thus we can discover why the English producer has become an advocate of bimetallism while the banking and investing portion of the English people have clung desperately to gold monometallism. Even Christians are seldom unselfish.

For twenty years the fruition of Indian development has passed into the hands of the English capitalist, who has invested in India, and who has exacted his pound of flesh whether harvests were good or bad, in famine or in plenty. Little by little, as silver has declined in value in England, though not in India, the English governors, acting as the instruments for the payment of the debt to England, have found themselves settling into a difficulty. To make up for the depreciation of the legal tender of India in terms of the legal tender of England, they have imposed new taxes on the people of India. For a long time the imposition of import duties, so obnoxious to the English producer, who wished no restrictions upon his power to sell, was resisted, but recently it became necessary. So that now the government finds itself at that point where, unless exchange is kept stable and all improvements of the country stop, it must face a recurring deficit and the impossibility of laying more taxes without stripping the natives of the little wealth they have accumulated. The process has not been hindered by any squeamishness as to stripping them of the wealth they have recently produced.

In 1892, Lord Herschell's commission, after reviewing all the suggestions for increased taxation as a means to counterbalance the fall in exchange, concluded that the further imposition of direct taxes would be dangerous, while import duties would be distasteful to English traders. That source of relief was discarded, and the attempt to produce a monopoly value in the legal-tender currency of the natives adopted instead, as the least liable to excite their suspicions, but now it has been found necessary to impose the taxes as well as to monopolize the rupee.

The net amount obtained from the imposition of the salt, income, and custom taxes for the fiscal years 1894–95 is given as follows:

Salt tax, ...	Rs. 81,670,000
Income tax, ...	Rs. 17,780,000
Customs tax, ...	Rs. 36,800,000
Total, ...	Rs. 136,250,000

The average loss because of the depreciation of silver in remitting the home charges, that is, in paying the English creditor, has been about 130,000,000 rupees annually. In other words, but for the depreciation of silver these three forms of taxation might almost be dispensed with.[1]

The poverty of the Indian nation, perhaps, deserves a word in view of what silver advocates have said of its prosperity under a depreciating silver standard. Some impression of it may be gained from the fact that an income tax falling as low as on incomes of 500 rupees, and at the average rate of about $5\frac{3}{4}$ pence per pound, yields but about 17,780,000 rupees in a population of nearly 300,000,000. This might naturally be expected in a nation where the circulation per capita is less than six rupees in the coinage, of which the government holds a monopoly.

[1] Concerning the nature of these taxes, we may quote from a recent article in the *North American Review*, by Prof. A. S. Ghosh, of the Calcutta University. He says:

"In India salt is a government monopoly, as it was in France before the Revolution. The effect of the monopoly is to raise the price to the consumer some 2000 per cent. above the free market price. This is a heavy burden on the poorer classes, whose daily meal invariably consists of a handful of rice, or some other grain, flavored with a little salt. The government preserves its right to this monopoly by the most stringent laws, as was also done in France before the Revolution. The writer has personally met with a few cases where some famine-stricken people utilized a little salt scooped out of the sand on the seashore after the tide had receded, in order to cook some wild vegetables gathered from the jungle. For this crime a fine of two rupees was imposed by the magistrate, or a short term of imprisonment as an alternative — the latter being joyfully preferred by the delinquents as being, at least, a guarantee against starvation.

"*Income Tax.* — This is a tax on incomes from all sources at the rate of 4 pies in the rupee (*i. e.*, in the same proportion as 5*d.* in the pound) on incomes between 500 rupees and 2000 rupees per annum, and at 5 pies in the rupee (*i. e.*, as 6¼*d.* in the pound) on incomes of 2000 rupees and above. This tax is understood to be only a temporary measure, rendered necessary at present by the critical financial condition of the government. It presses very heavily on the lower middle classes because of its low incidence.

"*Customs.* — This is a duty on *all* imported goods at an average rate of 5 per cent. of their value — except certain commodities which come under sumptuary laws, and which are reckoned at a higher rate."

England's government of India has now simply settled down to the question of taxing this poverty-stricken population to the utmost to pay English creditors. Public improvements are out of the question. If any borrowing is done it must be to pay the interest on debts already incurred. That has been frequently resorted to even in times of Indian prosperity, and, of course, the burden has been thereby increased, while the magnitude of the ultimate collapse of such a policy is ever growing. The stability of exchange depends upon the degree of the blight on the currency. There is a limit beyond which even the most abject humanity will not go. Such people are sometimes the most dangerous when once aroused.

It has been recently assumed that the effort to raise exchange by creating a rupee vacuum has succeeded at last, but apparently the government does not care, or dare, to sell bills at the fixed rate. Even though the currency has been disastrously contracted, the sale of bills at 1*s.* 4*d.* would naturally result in further imports of silver, considering its low price, and such imports of silver though demanded for the good of the people, would not simply endanger the vacuum and the stability of exchange, but prevent the sale of council bills. They must be sold at a low rate in spite of the contraction.[1]

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[1] "Now that the mischief of closing the Indian mints has been done, and the people of India have suffered, some irreparably, and the result aimed at has been reached, viz., the shrinkage in the volume of the Indian currency, it passes all human understanding to know why the authorities still take less than the full legal value of the rupee (1*s.* 4*d.*) in the sale of India Council bills. During the first six months of this year the stringency of the Indian money market was so great that banks in India were refusing to give loans at 10 per cent., even on government securities, and, consequently, the authorities might have sold India Council bills to English bankers who had to make remittances to India at even a small premium above the legal rate of 1*s.* 4*d.* per rupee. But during all that time these bills were offered at an average rate of 1*s.* 2½*d.* per rupee, thereby conferring a clear profit of over 10 per cent. on English bankers as a free gift, at the cost of the famine-stricken people of India." — Prof. A. S. Ghosh, Calcutta University, *North American Review*, October, 1897.

Another famine has been decreed in this land of poverty-stricken millions, a part of the English empire. Heretofore during such seasons the natives could draw upon their little hoards for the bare necessities of life, or could take their silver ornaments to the mint and have them coined into the legal tender of the land. Every bangle of the Indian women had a value in time of distress. But now the mints are closed, and the native finds that his treasure has lost much of its value. To steady exchange, to aid the foreign government in satisfying the foreign creditor so as not to further tax a people already stripped of all they produced, enlightened England has put her foot on the currency of a people in her keeping, of a people whose empress is England's queen. This is the fact, which, under the stress of famine, the Indian people are beginning to realize for the first time. The immediate future of India will be worth watching. Events never fail in their logic.

Here is England's interest in silver. No other nation on the face of the earth is so vitally concerned, no other government is so seriously affected by the decline in the value of silver. This is one of the reasons why bimetallism thrives in England, notwithstanding the resistance of those who profit from the loans. Meanwhile, according to recent advices, the Lancashire industries are sinking lower and lower, a reduction in wages is demanded, and bimetallism is more and more becoming a test in parliamentary elections. Naturally, the government has stood ready to make concessions to secure open mints to silver in France and the United States. That would help the Indian government and home production and leave conservative finance satisfied.

But in the interest of international bimetallism this is what the United States should say to England: "We appreciate your delicate and exceptional situation. We have often asked you to enter with us into a bimetallic agreement; your own great colony of India has pleaded with you to do so; your once thriving manufacturers have interceded also. You have always declined lest it should imply a dissatisfaction with your standard of value. For years you have been willing, anxious, eager, that we should open our mints to silver. Your monometallic statesmen have surpassed our own silver advocates in predicting that we could ourselves alone establish a stable ratio between the metals. In your anxiety you have admitted nearly every claim that bimetallism has made, but have still declined to enter into a practical agreement with us. Germany has stood ready, if you would but lead the way, or, if not leading, would simply assent. Now, we have decided to wait till you are ready. France has already acquired a large stock of gold and can acquire it more easily than you. The United States will now proceed to acquire the precious metal. You are aware of our opportunities in that line if they are improved. We are the largest producers, and the gold from your North American possessions is coming to our mints. With the feelings of enlightened humanity we deplore the distress in famine-stricken India, and we have been raising a considerable sum for the relief of your subjects. The failure of crops in Europe we cannot but regard as a human calamity, but if Providence is kind to North America, uniformly gives us a good climate, and frequently is unkind to Europe and Asia, it is our fortune, not our fault. We can help you, for we have a large crop of cereals, and, of course, you will require a large quantity. The price of wheat will be about a dollar a bushel — other cereals accordingly — and we shall expect you to pay in gold, which must remain our standard of value till you are ready to co-operate with us to secure something better. We expect that the market will maintain this price for wheat at least three years, for one short crop in Europe and India means that it will require three years to again produce a comfortable available surplus. We have recently increased our tariff in the hopes of a larger revenue, which, we expect, will aid us in keeping what gold we secure and produce. We have stopped silver purchases, and the increasing business of our people will doubtless require the added gold in our currency. We notice that some is actually coming to us from Australia to settle balances, though this has usually gone to London. You remember the years 1880 to 1883, when European crops were short, when the rate of the Bank of England was kept inconveniently high, when your mint in the course of a whole year coined only as much gold as ours averaged every working day, while a surplus of bullion remained beyond their capacity. We should have kept that gold had we not by currency laws, which hurt us less than they helped you, made it easier for you to secure the gold you required here than elsewhere. We are not coining silver now, and we do not intend to till there is an international agreement for bimetallism under which your mint stands open to it and the Bank of England treats it as has the Bank of France. Our people by a large majority prefer bimetallism to a gold standard, not because we produce silver, for the value of our silver product is less than that of our gold product, and is insignificant beside the value of our farm products; but they have concluded to cease pleading for bimetallism and voting for free silver, and, while we should much prefer to treat with you at once for pure international bimetallism, we consider it best to assume for the present "an attitude of expectancy." To be sure, there is a great increase in the production of the yellow metal, but we hope to be able to take care of what is produced on this side, including your Northwest Territory, and the total increase is as yet, perhaps, no more marked than the increase in the number of nations stretching out their hands for it. If you prefer to send back some of our securities in exchange for cereals and cotton, and can induce your capitalists to part with them for such securities as India or your other colonies afford, we will willingly take them, for they will reduce just so much our necessary annual remittance in interest, and tend in the end to your larger remittances to us of gold. We say this in all kindness, and would much prefer not to say it at all or to seem to enter upon a commercial contest of this character, but our interests as a nation and as friends of bimetallism, we think, require it."

If we are a nation of believers in the virtue of genuine bimetallism, this, as I read history and the present conditions, would be the thing to say to England. There appears no more reason for the belief that Europe would follow us if we opened our mints to silver than there did ten or twenty years ago. If there were any chance of the passage of a free-silver bill in Congress to-day, neither England nor the Continental nations would move a step.

While this view has long been held by the wisest bimetallists here and abroad, recently a class have come to regard it as old-fashioned. At the last annual meeting of the English Bimetallic League at Manchester, in June, 1897, it was apparent that the United States were expected to take the initiative. Lord Aldenham (Henry Hucks Gibbs), while considering the feeling expressed by the unanimous vote in the Commons, and the promise of the Chancellor of the Exchequer to render all the assistance possible in a settlement of the question, as marked signs of progress, added that the object of bimetallism would be gained if the United States or France, or some other great commercial nation, would carry the matter through without England, and he thought the United States meant to do it if possible. That was his interpretation of the Wolcott Commission, which was appointed by President McKinley in April, agreeably to the demands of the Republican platform. This commission, consisting of Senator Wolcott, of Colorado, ex-Vice-President Stevenson, of Illinois, and General Paine, of Massachusetts, during the summer of 1897, carried on negotiations with the governments at London, Berlin, and Paris for the basis of another conference looking to a convention or agreement for the restoration of silver. Those who ridiculed the mission of these gentlemen underestimated the strength of bimetallism in Europe — or, at least, of the desire to have something done for silver — as much as the European bimetallists as well as monometallists overestimated the anxiety in this country to do something for silver. Notwithstanding our appearance at our old pastime of importuning Europe, Europe was waiting anxiously to be importuned, and was considerably less secure in her attitude of expectancy than heretofore.

The English Chancellor of the Exchequer had pledged himself to Parliament to do all in his power to bring about an agreement guaranteeing a stable power of exchange. The Commons made this practically a demand upon the government by unanimous vote. The Royal Commission appointed in 1893 to inquire again into the depression of agriculture issued during the summer a final report dealing solely with the evidence submitted for and against a change in the English monetary system as a remedy for depression. It was signed by ten of the fourteen commissioners, and among its conclusions was this:

> "That if an international arrangement were made for the opening to silver of the mints abroad and in India, and its restoration — either wholly or partially — to the position it filled prior to 1873, it would be of the greatest benefit to the agricultural industry, and that the English government should heartily co-operate with foreign powers in promoting a conference to bring about this result, and thereby give effect to the unanimous resolution in the House of Commons passed in February, 1895."

The French government, now composed of some strong members of the Bimetallic League, was quite ready to promise a full co-operation with the United States at the ratio of 15½ to 1. On this point, of course, the American commissioners could give no definite assurances. The supreme foolishness of the adoption of the ratio of 16 to 1 in 1878 ought to be plain now to even the silver men who were so largely responsible for it.

The propositions made to the English government were in the main as follows: The opening of the Indian mints to the free coinage of silver; the repeal of the order making the sovereign a legal tender in India; the placing of one-fifth of the bullion in the Issue Department of the Bank of England in silver; the raising of the silver legal tender from £5 to £10; the issue of £1 notes based upon silver; the retirement of the half-sovereign of gold and the substitution of paper therefor based upon silver; an agreement to coin annually a sum — not named — in silver or the purchase of a sum — not named — in silver annually; the opening of the English mints to the coinage of rupees and the British dollar, which shall be a legal tender in the Straits Settlements and other silver colonies, and in Great Britain up to the limit of the silver and legal-tender action by the colonies, and the coinage of silver in Egypt, and finally an agreement upon something having the general scope of the Huskisson plan.

Conferences were held at the Foreign Office on July 12 and 15 to discuss the proposals with the American envoys, the French Ambassador participating in the discussion. France announced her willingness to open her mints to unlimited free coinage of silver at a ratio of $15\frac{1}{2}$ to 1 if Great Britain would co-operate with her, as in the plan stated. Senator Wolcott announced that the United States government was inclined to accept this ratio, upon which France insisted.

Baron de Courcel, the French Ambassador, suggested £10,000,000 as the sum of the British annual purchase of silver to fill the blank in the proposals, and Senator Wolcott approved the suggestion. Sir Michael Hicks-Beach announced that the heads of the government of Great Britain were unanimous in their refusal to open the English mints to the free coinage of silver, but were disposed to co-operate in other ways.

This was very apparent. The English government, while disposed to go no further than necessary, was prepared to go further than ever before. The promptness with which the Bank of England signified its willingness to keep a fifth of its reserves in silver came as a surprise to many who had evidently forgotten that the bank had stood ready to do this for fifteen years in order to induce France and the United States to open their mints to silver.

The question of the reopening of the Indian mints was referred to the Indian government, which, on September 16, returned a long and elaborate argument culminating in a unanimous recommendation to refuse to entertain the suggestion. This was, perhaps, as much a surprise to the bimetallists of England, as was the willingness of the bank to hold silver in its reserves to the monometallists. But a government in India's desperate condition, with a frontier war and a famine on hand, might be expected to hold to the expedients in practice, no matter how unsatisfactory, unless abundant grounds for improvement in other directions were absolutely insured. Its advisers expressed this fear in their reply, and intimated that an assured basis for stable exchange must be provided before the opening of the mints could be considered. The financial advisers have always complained more of the instability of exchange than of the real decline in silver, and now that a higher degree of stability has been acquired by contracting the currency they are inclined to minimize the evils which may come from such a contraction, though the remedy they persist in may prove worse than the disease.

It is not altogether unlikely, moreover, that the action of the Indian government and the final endorsement by the home government may have been influenced by the bimetallic arguments already referred to concerning the desirability and the probability of American initiative. This sentiment is reflected in this country by such bimetallists as President Andrews, of Brown University, who recently said that if we would reopen our mints France was certain to follow.

France certainly will not follow unless we reopen our mints at the ratio of 15.50 to 1. She insists on this and always has. Bimetallism can never result from our "16 to 1 silverism."

While the unfavorable action of the Indian government destroyed the prospects of an immediate conference with the great powers, the United States commissioners did not renounce hope, but continued their efforts. President McKinley, in his message to the Fifty-fifth Congress, spoke of the gratifying action of France in joining this country in an attempt to bring about an agreement for a fixed ratio, and stated that our special envoys believe that the question may yet be solved by further negotiations.

In seeking bimetallism the question for us is not how far England will go for the sake of inducing the United States to reopen their mints, but how long England will continue in its present attitude if the United States stop begging and pleading and voting for free silver, and go to work earnestly, as Count von Mirbach expressed it, to secure and to keep gold.

The European nations do not fail to recognize the difficulties which such a policy in the United States would impose upon them. This is the reason for the recent movement in Austria for a commercial union against this country, a sentiment which was also reflected in a recent debate in the Budget Committee of the German Reichstag, when Dr. Hammacher urged the necessity of such a union of Continental powers. The situation is similar to that of 1882, when the "Central European Zollverein" was proposed, except that the United States are now more advantageously placed, having ceased the coinage of silver. The anxiety is shown in the recent course of the Bank of England in restricting its loans and actually borrowing from the open market. English bills have even been discounted for English houses in New York. Such expedients cannot avail for any length of time. Europe must take our cereals or reduce the efficiency of its people and breed a discontent which might seriously shake the thrones. For Europe to undertake to depend exclusively on the grain fields of Austria-Hungary, when American wheat is being sold on the Vienna market for Austria's own needs, and when Indian producers are being squeezed by a monopolized currency, would be suicidal. Europe would have a violent time in withholding bread from the people in order to hold its gold and expedients to postpone the settlement for our grain, such as seem to be practiced by the Bank of England, must only aggravate the settlement when it comes, unless the United States should foolishly throw away their opportunity. Europe will not cease to hope for such foolishness on our part, but when she finds that we mean to pursue the advantage which our rich heritage has given to us, there will be a monetary conference very different from any we have seen. We shall not be compelled to wait long if we let the currency alone and devote ourselves strictly to business. Herein lies the possibility of international bimetallism.

Unfortunately, those in this country who have had a sincere desire for the rehabilitation of silver have been its worst enemies, because of a failure to appreciate the conditions abroad, and the dangers of this form of indiscretion may not be entirely over yet. It is noticeable that this new idea of accomplishing bimetallism through the initiative of the United States began to develop among the silver men after the failure of the conference of 1892. Great stress has been laid on the apparent prosperity of countries on a silver basis. India, Japan, and Mexico have even been used as examples of what the silver standard can do. It has been claimed that on a silver basis we could secure the trade of Asia, and could at the same time compete better with Asiatic products in Europe. It was but a step from this to the theory that if we opened our mints England would, to save her Indian and Chinese trade, hasten to adopt bimetallism. Such is the "new fashioned" idea of the way to do it, and since the defeat of Bryan and the evidences of a remarkable increase in the production of gold the idea has extended to more judicious economists, disappointed, if not discouraged, at the long delay of the accomplishment of that doctrine in which they have such an enthusiastic faith.

To some the recent evidences of enormous gold production, the recent decline of silver to its lowest point, and the recent rise in the price of cereals appear as severe blows to the bimetallic cause. The scarcity of gold has been one of the strongest of arguments for the double standard, and the theory that, as wheat and cotton have followed silver in the downward course, silver was really the more constant measure of their value has been extensively held. But wheat has risen to a dollar and silver has dropped to 26*d*. In reality this is a blessing to the cause of bimetallism. It will tend to protect it from some of its alleged friends, to deprive our "silverism" of much of its strength, to prevent demagogues playing so successfully on the passions of the distressed farmer, and to make the free-silver propaganda less rampant in Congress.

Still, it is clear that the remarkable increase in the production of gold introduces a new element into the discussion. The annual production of the yellow metal is now greater than the value of gold and silver combined in the days of the California and Australian yield, when economists talked of demonetizing it; and, for 1897, it is estimated that the value of the product will exceed that of gold and silver combined for any year in history up to 1888. The possibilities of the Yukon are yet unknown. Gold is now being sifted out of the rich gravel, and the scientific theory is that these nuggets are but the wearing away from some mother lode, working in the course of ages into the valleys of the tributaries of the upper Yukon. An old California miner who has been three years in the region of the Yukon and spent 1896 on the Klondike says: " My advice to men who know about quartz mining, and have had experience as prospectors so that they know pay rock when they see it, is to hunt for the mother lode that has fed the placers of the Klondike region. The man who finds that and locates a claim will surely have almost solid masses of pure gold. King Solomon's mines of fiction won't compare with that lode. Why, if that lode is found and can be worked it will demonetize gold, as sure as gospel."

But there are noticeable uncertainties here. The lode may not be found. Geology tells us that at some time a milder climate prevailed north of the Arctic circle, and that the frozen north is a later chapter in the biography of the earth. The lode may be hidden under the eternal snows of the highlands of that region, to remain inaccessible till ages hence the warm breath of the tropics again eats its way towards the pole. The world's new production has been coming from the lands beyond the frontiers of civilization, and is now pushed to regions under the midnight sun.

But even if the production of gold rises to the value of $300,000,000 a year by the end of the century, as some are predicting, there is little probability that the question of demonetization would suggest itself. The present situation is very different from that of the fifties, when Chevalier sounded his warning; then but two governments on the face of the earth maintained an exclusive gold standard.

Now, for every increase of gold produced hands are stretched. Governments are waiting, and so far the increase has not affected general prices, but the continued relaxation in the demand for silver drives its price lower and lower in the market. He is not a dreamer who asks what would happen if, after all the nations have succeeded in climbing to a gold standard, the production of the metal should suddenly decline. It is a practical question, for gold once secured does not endure forever. The total stock of gold in the world is estimated at no more than the total production of this century. What has become of the treasure of fifty centuries before? What has become of that mighty treasure poured into Europe after the discovery of America, the elixir of the renaissance of the sixteenth century?

Providence works slowly and mysteriously, and, after all, monetary laws and conferences are but manifestations of the erring and finite. It may lift us all to the plane of the gold standard, only to close the doors to new supplies of the metal. Yet it will not fail humanity if there is a destiny marked out for it. Wonderfully have we extended the limits of our finite vision; still it is a narrow window. Stranger things have happened than the realization of the dreams of the old alchemists. Even now one of our scientists and a man of some reputation claims that he is making gold from silver, and that the assay offices are taking his product. The long debate over bimetallism may be only the talk in the anteroom, and science may throw open the door when, at last, after storming in vain, we sit ourselves down determined to make the best of our opportunities.

History reveals no reason why economists should stand appalled at the possibility of a doubling of the standard of value, whether brought about by science in resolving the two metals into one, or by England eventually accepting bimetallism for the sake of her commerce and India, or by the product of gold fields under the midnight sun. It is easy for the world to have too much paper money, but difficult for it to obtain too much of that made of a precious metal, a metal whose every ounce is true wealth.

The world's supply of gold and silver was doubled in the sixteenth century, and history records a renaissance. The product of gold was doubled in the middle of the present century, and history reveals something like another renaissance.

The economic changes in the fifty years since have brought us a social question. The capacity of the masses to produce and to consume has not gone hand in hand with their remarkably expanding capacity to produce. The capacity to consume has not declined; it simply has not kept pace in the development.

Opinions will certainly differ as to the cause. Another generation must tell the world who of us is right and who is wrong. The desirability of a healthy expansion of business on a money basis of true intrinsic value will not be denied, and if again doubling the standard of value would do this, would widen the opportunities of the millions having the capacity but not the means, infuse new and encouraging elements into the social body, throw down certain economic barriers which seem to restrain the innocent and the ambitious, and awaken new life in languishing industries, a new spirit in humanity, a new energy in a degenerating literature and art, history might one day call it another renaissance.

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The End

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