

‘THE DOLLAR OF THE DADDIES.’

(From the Houston Post, March, 1892.)

Such has been the very war-cry of the so-called “silver men” in politics. They claim continually that the standard silver dollar known as the “Bland dollar” is precisely the dollar of our daddies and that therefore they demand it. Now the meaning of this claim is, that the precedent of the Federal government, the example of its founders, and the weight of their wisdom and patriotism, justify the continued and unlimited coinage of this dollar, containing three hundred and seventy-one grains of pure silver. I shall show that this plea fathers, in form and name, but not in reality and worth, that is uncandid and false, that this coin is now the dollar of our were those wise old patriots here now, instead of fathering it they would most certainly reject it, from the force of the very principles by which they shaped the money policy of the country. The phrase is only a catch-word to juggle with, not an argument to reason from. Some explanation is needed to evince this.

It is true that our fathers adopted the “double standard” for the Federal coinage, and that, by the advice of an excellent financier, Mr. Albert Gallatin. The “single standard” makes both gold and silver money for the people and coins both for their use, just as truly as the double standard. The difference between the two plans is just this: the single standard makes silver coins “legal tender” for debts only to small amounts (say up to ten dollars (\$10), while for all larger debts gold coins alone are legal tender. The plan of the “double standard” makes the silver and gold coins both legal tender for debts of any amount, however large, at the option of debtors. That alone is the essential point of difference. The results which are designed and which follow in fact from the two plans are

these: The single standard gives the people both silver money and gold money to buy and sell with, just as the people prefer the one or the other, and indeed it provides the people as much silver money as they find it convenient to use in preference to gold; but it does not enable debtors to compel their creditors by force of law to take silver coins (except in very small amounts) as the forcible measure and standard of the values which they got from their creditors and which debtors are bound to return to them when pay day comes. The law confers that power only on gold coins: *that is all*. I repeat, the law of the single standard allows the people to enjoy either silver or gold coins as measures of value in trading with each other, just as they choose to agree together at the time; but the law refuses to empower debtors to force anything on their creditors as the fixed standard of values, to be receivable when pay day comes, except gold coins. Such and no more is the plan of the single standard in those great nations which have adopted it, Russia, Germany and Great Britain; and such was the whole extent of the much abused law of 1873 adopting the single standard for the United States. The designed and actual result of the double standard is that it enables all debtors to compel their creditors, by force of law, to take either silver or gold coins, as the standard of values received, at the debtor's option.

Every truly scientific writer and statesman recommends the single standard, in all countries: and *this for two reasons; one* is that the plan of double standard is always liable to become dishonest and mischievous unless it be corrected by a means very expensive and troublesome. *The other is* that this plan always tends to make silver money, or gold money, or both more scarce, and thus to deprive the people of the convenience of having plenty of both kinds in use. Whereas the single standard tends to keep them both in circulation and especially plenty of silver. So that the advocates of double standard and free coinage are exactly wrong in telling the people that their plan will keep more silver in circulation. This may look strange at first, but the following facts make it plain.

These metals are not only the materials of coinage, but, always articles of traffic in commerce. No laws and no power on earth can prevent this. As articles of traffic, they must

fluctuate in relative value under the well known law of supply and demand, just as iron, cotton, wheat, and tobacco fluctuate. If the annual crop of silver remains the same, while the general demand for it diminishes, its price must fall. If the demand remains as before and the crop increases the price must fall. If the annual crop increases faster than the demand the price must fall, but if the relation of supply and demand in the case of gold remains permanent while either of these changes happens to silver it must become cheaper relatively to gold. That is, if sixteen ounces of silver sufficed before to buy one ounce of gold in metal markets, it will now require more than sixteen ounces of silver. Or, a quantity of wheat which would before buy sixteen ounces of silver or one ounce of gold indifferently will now buy more than sixteen ounces of silver, and still only one ounce of gold.

If a government persists in the plan of the double standard after the silver in its dollar has thus come to be worth less than a dollar it begins to practice a wrong, and to unsettle its standard of values. As a rocking foundation is no real foundation at all for a house, so an unsettled standard is no standard. Such a coinage instead of regulating traffic in a wholesome manner tends to work confusion and disturbance in all business transactions. For instance, two citizens in the exercise of their rightful freedom have covenanted that the one shall give to the other certain goods to be valued at one thousand dollars and to be paid for by that number of these coins. But what does "dollar" mean? Clearly the government when undertaking to regulate that matter ought to give but one answer. To give two different ones is confusion. Does "dollar" mean twenty-three and one-fifth grains of pure gold? Or does it mean three hundred and seventy-one grains of pure silver? But these are now quite different values! One of the mischiefs always attending this confusion is: *That it starts circulation in currency itself*, besides inflaming speculation in all other kinds of goods bought and sold with currency. This is ever a curse and let it be noted that it is the small money lending class which always profits. In the end, it is the large borrowing class which always loses, when currency itself is speculated in. Especially is this true against the farmers. And the reason is perfectly simple and certain. It is the money

lending class which is always the most quickly informed of the shifts and fluctuations between the two currencies because it is their business to study them and they live just in the centers of action; while the farmers, scattered over the country and busy in their fields, are the last to find out what is coming. Moreover the money lending class is most able to produce changes and shifts in the currencies, which it is their business to handle in large quantities. Hence we see, that the politicians make two most absurd blunders when they tell the farmers that it is to their interest to have abundant "soft money" or silver money of inferior value; and that the Wall street men advocate a single standard and oppose free silver coinage of standard dollars from selfish greed. The self interest of the money lending class would lead them to desire another period of unequal currencies, for they know that they get rich fastest in such times, and the debtor class suffers most. And it is precisely the farming class which in the outcome always suffers by "soft money." Does the abundance of this seem for a time to raise the price of farm products? It is a miserable cheat; for when settling day comes, as come it must, the farmers always find that they have been paid for what they have to sell with cheap money and now have to pay what they owe in dear money. The farmers of the United States may be sure that Mr. Cleveland is their truest and best friend here. He is a learned, wise and honest man: let the farmers listen to him if they wish to know what is for their good.

This is proved by our recent history from 1862 to 1871 when the country had two different currencies, paper and metallic; then it was the famous gold room seethed every day like a caldron. It was then the foundations were laid for those colossal fortunes in the hands of a few, which all men now see to be so threatening to the rights and welfare of the people. It was then the grand impulse was given to that fatal process which, ever since, has been making the rich richer and the poor poorer. Let the experience of that time also teach the farmers the other truth; that in a time of "soft money" it is they who suffer, and it is the money lending class which gains. The period I have marked was a time of soft money. When the war between the States ended the Federal paper money quickly became less depreciated, so that one and a half dollars of it

were equal to one gold or silver dollar; and the paper money gradually appreciated. But it was soft money until the resumption of specie payments. Now who was it that got rich during that period? It was the bankers and commission merchants who lent advances to farmers, while the farmers got poorer and poorer. Indeed the lending class almost ate up the farming class bodily. That was the epoch when Richardson, of Jackson, Miss., from being a little commission merchant, became the largest cotton planter in the world, through the agency of his advances and crop mortgages. Let farmers learn by experience.

The silver shouters tell the farmers that the unlimited coinage of silver dollars of inferior value is the way to give them abundance of silver money; which I expressly deny. It is the very way to make money of both kinds scarcer. Again I appeal to stubborn facts. Under the Bland law, the United States has coined more than three hundred millions of these inferior silver dollars. Meantime Great Britain, in her wisdom, retains the single standard and limited coinage of silver. *But this very year the people of the United States are employing only \$1.90 per capita of silver money; while the people of Great Britain are employing \$2.85 per capita!* The rest of our silver coinage lies obstinately in the vaults of the treasury; the people will not take it out and handle it, though the government coaxes and almost bribes them to do so. Do these facts look strange? They are explained by a simple view of human nature. The people know in spite of the demagogues that these Bland dollars *are inferior* in commercial value, each one is worth, in fact, less than 75 cents. Now let an article which the people know to be inferior be offered for their use on two plans: Let the one plan be to offer it to their free option and say to them, "Here it is, it is an inferior article; you can use it if you choose wherever your convenience calls for it, or you can let it alone." The other plan says to the people, "This article, which you believe to be inferior, you shall be made to take as superior, even equal to the best, and if you take it when pay day comes, the law will compel you to pay back in the best and dearest." Every one who knows human nature knows that the first plan will circulate far more of that article than the second plan. Suppose it were an inferior grade

of butter, or flour, or cotton, cloth, or lard; let any grocer or housekeeper answer. Leave them free to settle at an inferior price for the inferior article according to their own judgment, and convenience will prompt them to use a good deal of it; but when you make a law that the inferior shall be priced as high as the best, everybody naturally resolves to have as little to do with it as possible. It is the same with the people's money.

The other consequence of our double standard with an inferior silver dollar as legal tender for all amounts is still more certain: it will ultimately drive away all the gold coin. The people have been hearing lately of "Gresham's law." This is a principle in the science of currence so called because that great man explained and proved it so well 300 years ago. It is this: Where the law makes two kinds of money to be currency of which one is worse than the other, the worse kind always tends to drive the better kind out of circulation and out of the hands of the people. So long as the quantity of the worse currency is quite limited the great inconvenience of having too little currency of either kind may check this natural tendency, keeping some of the better currency in circulation, temporarily. But the tendency is at work all the time, and when the quantity of the worst money is increased enough to fill the natural channels of trade all the good money goes away. This also is but nature and common sense. Let any man ask himself; suppose he were going to buy a \$10 coat with two kinds of money in his pocket, one kind commercially worth 25 per cent. more than the other, while the law empowered him to force the merchant to take 10 of either kind as \$10. He also knows that there is a money broker whom he can reach, who will give him twelve of the meaner dollars for ten of his better kind. What will he be inclined to do? Of course, he will keep back the better dollars and force the merchant to take the meaner ones; he gains \$2 by it. Such is exactly the position of all money dealers in financial centers. They find that they can make a Bland dollar, by virtue of bad law, buy a gold dollar's worth inside the United States, while outside it will pay only 75 cents. Of course then, whenever they have money to pay in Europe, India, China, or Australia, they are going to send gold money to pay it, while they keep the meaner silver money to put off on their fellow citizens. The tendency is as inevitable

as any other law of nature. Let free coinage go on and sooner or later the last American gold coin will go out of American circulation.

Facts prove this. Between 1792 and 1834 silver had cheapened a little in the commercial markets of the world. At the later date a gold eagle (\$10) sold for \$10.65 in silver. This was an appreciation of a little over six per cent.; the consequence was that all the gold coinage of the United States went entirely out of circulation among the people. There was nothing but silver, bank notes, and wretched shin plasters. One might as well have looked for feathers from angels' wings in the hands of the people as for the gold coins of their own government. Congress saw the necessity of restoring commercial equality of value between its silver dollars and its gold ones. It effected this by the law of 1834, which reduced the quantity of virgin metal in the gold eagle from 247 1-2 grains to 232 grains, or about six per cent. Then their gold money began to stay and circulate at home. Now if a difference of six per cent. in value sent all our gold coin out of circulation, what will a difference of 25 per cent. do? It must, for the stronger reason, banish all our gold. Circumstances may delay the flow; they cannot stop it finally. The tendency in this law of currency is as infallible as the tendency of rivers to run down hill. A dam across a stream may check the current until the pond is full: then it continues to run down hill as before.

I have now reached the place to signalize the dishonesty of the jockey "catch-word," the dollar of our daddies. This claim should mean, were it not a contemptible fraud, that the fathers of the government committed themselves for all time to a dollar of 371 grains, irrespective of fluctuations in the relative price of silver. But this is precisely what they never did. Their example to us was to make a silver dollar equal in commercial value to their gold dollar and to make whatever changes afterwards might be needed to keep them equal. Why did they put just 371 grains of pure silver into their standard dollar in 1792? See Hamilton, Jefferson and Gallatin. Because 15 ounces of silver would then buy 1 ounce of gold, at which ratio the 371 grains of silver exactly equaled in value the tenth part of 247 1-2 grains of gold allotted to the gold dollar. In 1834, when silver had fallen so that it took 16

ounces to buy an ounce of gold, the fathers recognized the need and duty of making a change in the coinage to equalize the two kinds. This they did by lightening the gold coin 6 per cent. If the silver men now are not trying to cheat the people, by this claim of the fathers' precedent, let them do what their fathers did, equalize the two kinds of dollars. If those fathers were here now they would effect this by putting one-fourth more silver into the standard dollar. Not by taking one-fourth of the gold out of the gold dollar. Because they would have sense enough to know that such a sudden and wide leap downwards in the value of both dollars would be ruin; it would be a gigantic theft upon the government and upon every creditor of the government, or of individual Americans throughout the world, and would make a financial convulsion which would strew the country with bankruptcies. The other consequence of a double standard, when the relative value of silver to gold has changed, is a moral one. If the government does not readjust its two kinds of dollars by recoinage, it becomes guilty of wickedness. This is the wickedness of using itself, and enabling the citizens to use, divers and false measures in buying and selling. The function of money is to be the instrument of exchanges between commodities. In doing this the money becomes the temporary measure of value. When the government makes two kinds of dollars, one more valuable by a fourth part than the other, and by law empowers the buyer to force the meaner sort of dollars on the seller, as equal to the better sort; this is precisely as though the law should authorize cloth merchants to keep two yard-sticks, one 36 inches long, to buy with, and one 27 inches long, to sell with, and force the people to call them both full yards. In dry goods trade this would be simple rascality: why is it not the same in currency? This is the wickedness forbidden in God's law. Deut. 25: "Thou shalt not have in thy bag divers weights, a great and a small. Thou shalt not have in thine house divers measures, a great and a small." Hence it is the imperious moral duty of every government which chooses the double standard to make and to keep all its kinds of dollars of equal, and of uniform and stable value, to the best of its ability. If it does not try to do this, it is a thief and an abettor of thieving in its citizens.

I have now described the two great evils which attend the

plan of the double standard when the relative value of the metals has changed. The only honest remedy is the recoinage of all the money which the government has made out of one or the other metal. But this remedy is terribly expensive and inconvenient. I will now explain this by supposing the remedy applied to the present "Bland dollars." Let us say there are now 300,000,000 of them. First, 104 grains of pure silver has to be put into every one of these dollars to make them honest. This would require about 64,000,000 ounces of silver; which would cost at this time about \$60,000,000 in gold. Who is to pay for this? The government, of course. It has no money except by taxing the people. That is, the hard pressed tax payers must buy it. The meaning of which is that, were this false coinage raised to 100 cents values now the people must be gouged sixty millions to pay for the blunders which Congress has perpetrated under the advice of these silver men. But this is not all. All the silver coins in the use of the people must be sent back to the mints, to be made over again and made honest. This will be several months' work. In the meantime what are the people to do for silver change? What a tremendous spasm in business we shall have here! At this point some thoughtless person is going to say, "This spasm can be avoided by calling back to the mints for recoinage only small installments at one time of the silver money in the people's hands." Nay, we are not out of the woods yet! The small installments of the full-weight, new coins must be thrown into circulation as fast as they are manufactured; else this plan does nothing. But take notice: the community now has two kinds of silver money, a better and a worse; and Gresham's law immediately begins to work against the better kind. The money brokers will take out of circulation the good new dollars, nearly as fast as the mint throws them in; so the agony will be prolonged. English history tells us how powerfully this influence obstructed the new coinage at the end of the seventeenth century, in spite of the honest administration of William and Mary and the transcendent talents of the mint-master, who was no other than Sir. I. Newton.

But if these things would be done in the green tree, what would be done in the dry? Suppose that we had the free coinage of silver into Bland dollars, which many clamor for! Gold

would be driven from us in all purchases and payments just as fast as the mints could coin the silver; and when the volume of the latter became large enough to relieve the check on gold exports, operated by the stringency of a deficient currency, the last of our gold would go. Who would be fool enough to pay gold for any purchase or debt when law enabled him to gain 25 per cent. by paying in silver? Let us suppose a debtor owing \$1,000, who has provided a thousand gold dollars, or goods equal thereto, wherewith to pay; he has only to use this gold instead of letting his creditors have it, to buy silver bullion and to send it to a mint where the United States will make it into Bland dollars for him, without even charging him the slight toll of a seignorage; and he wipes off his \$1,000 debt and has \$250 silver dollars left in his pocket; of course he will do this. Of course, every other debtor will do the same. Nobody will receive any gold for any purchase or debt. It will practically cease to be American money. Thoughtless people say, let us have free coinage of silver in order to have money plenty. It is the very way to make money scarce, for it will drive away all our gold, which will not only take out \$650,000,000 of American gold now existing, but it will dry up all that vaster volume of credits now doing money's work, founded on that gold.

But the silver men claim that silver is not really depreciated in the world's commercial market. They assert that the enormous depression on its price is the wicked work of the "gold bugs" in passing the law of the single standard in 1873, and of Germany in adopting the single standard, thus forcing France to do the same. They claim that if the United States will adopt free coinage, and especially if she could persuade the European nations to return to the double standard, the event would show it, and silver would mount up again to the good old price of 16 for 1. Sound financiers know that this is all idle and false. Silver will never return to its former relative value in a century, because its decline has not been due to any legislative acts in either Europe or America, but to an enormous increase of production and partial diminution of demand. In the first place, if the United States could persuade the European nations to come back to the double standard this would not increase the general demand for silver for cir-

ulation, but rather diminish it; for I have shown that the countries of the single standard circulate much more silver per capita than the United States, which has the double standard. In the next place, the United States never will persuade the European nations to adopt our bad system of currency. Their statesmen are not such fools. Their Parliaments are not cursed with "silver lobbies," where private producers of the silver crop have their hired agents to cause the government to "bull" the price of their special crop at the expense of all other honest producers. Some of those Parliaments may have "Houses of Peers"; but they are not infested with oligarchs carrying mining camps in their pockets as their rotten boroughs under the name and pretext of sovereign States. They may send commissioners to Paris and Berlin, highly paid at the people's expense, to ventilate their sophisms before the European financiers; it will result in nothing. Such commissioners have already been sent and they were heard with civil contempt, as they deserved.*

When we learn the simple facts as to the amazing change in the annual volume of the silver crop we see plainly enough why it has become and will remain much cheaper. New and very rich lodes of ore have been discovered like the famous Comstock mine. Chemistry has improved the methods of extracting the metal. Old mines have been reopened as railroads and industrial enterprises are extended. Twenty years ago the annual crop of the United States and territories was about nineteen millions of ounces. It is now one hundred and sixty-one millions. What else can result from this enormous increase in the crop than a marked decline in relative price? Last year the American crop of cotton increased from about seven and a quarter millions of bales to eight million and six hundred thousand. This knocks the price down from ten to eight cents per pound. Here the increase was less than one-sixth, and it made the price fall one-fifth. But the increase in the silver crop has been eight-fold, not seventeen per cent., but eight hundred per cent! "Oh, but," exclaim the silver men, "the area of commerce and civilization is rapidly increasing; and with it the demands for silver for currency and the arts."

*This prophecy is fulfilled by the failure of the recent Brussels conference.

I reply, so the uses of cotton and the world's market for cotton fabrics are annually extending. Has the area of commerce been extended eight hundred per cent. in twenty years? This at least would be necessary in order to absorb the eight-fold silver crop, if the other elements of demand remain as before. But they have not. The demand for silver has relatively declined in several respects. As to the arts: There are more people now than twenty years ago who think they are rich enough to use plate on their tables instead of earthenware? Yes, but the cheap process of electrotyping has been invented and the people use a hundred times as much of these wares. Again, the methods of traffic in India, China and Japan, with their six hundred millions of industrial people, are changing, so as to employ relatively less silver and more gold, and bank credits. The Chinese and Japanese have long employed silver as their chief money of commerce. But since the opening of their ports a large part of the trade has passed into the hands of Europeans, whose money of commerce is almost exclusively gold and bank credits. When India was governed by its native princes, the uncertainty and rapacity of their exactions under the name of taxes had formed an almost universal habit among the people of annually hoarding, secreting and burying their savings in the form of silver coins. But now the British have governed India for a generation. They are conquerors; but the Hindoos have had time to learn that if masters, they are wise and systematic masters. Official abuses are sternly punished. Assessments and taxes, if heavy, are regular. The people have learned that there is no occasion to secrete or bury their riches. The silver coins, which they are able to save, need no longer be buried in the cow yard, but can be carried to the savings bank, where they will earn some interest. Thus they are returned at once into the circulation. The result of this change has been the closing of a species of gulf into which an annual stream of millions of European and Spanish-American silver used to flow, to reappear no more for a life time. (Much, indeed, never reappeared, because the secret of the hiding places died with the owners). This stream is now turned back into circulation and speedily makes its presence felt in the Western world by reason of the close commercial relations between India and Europe and America.

For these and other reasons, it is evident that the old relation of supply and demand in the silver market is permanently changed. An ounce of gold will never again be bought for less than twenty ounces of silver. The best proof of this is that the fraudulent and unwise efforts of the Congress to "bull" the silver market by its coinage laws of 1878 and 1890 have been ridiculous failures. All they effected was a small spurt in the price of silver for a few weeks. It quickly dropped to its fixed price of about a dollar per ounce (of 480 grains.)* At this rate the standard dollar of 371 grains, is really worth 78 3-8 cents. It will never be worth more. All laws of Congress that it shall be, are as futile as a law that a pound of iron shall be worth a pound of copper, or as the pope's bull against the comet.

*The ounce of silver has since declined obstinately to 84 cents.