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ARTICLE VIII.

THE QUESTION OF THE FREE COINAGE OF
SILVER.

BY EDWARD W. BEMIS.

ALTHOUGH the subject of this article was selected at the request of the other editors, the writer desires to state that, because of his absence in the East while writing it, he does not know how far his views may be in harmony with those of the other editors, so that any fault that may be found with the positions here taken should be visited upon the writer only. It is not the aim, however, in this necessarily brief discussion to take any dogmatic stand upon questions that few are prepared to reason on at this time of political passion. Rather the aim will be to give some basis for independent judgment on the part of those that are still in doubt.

It is hardly necessary to say that, where the American people are almost equally divided, it is very unwise as well as unjust to use the harsh epithets that are in such common use in this campaign. It ought to be entirely possible for one to act on his honest convictions, whether favorable to gold or to silver, without being considered either a Wall street conspirator or an anarchist.

But, coming to the main issues, it is to be noted, in the first place, that, contrary to the expectations of a few weeks ago, the tariff is not the main question. If Mr. Bryan is elected, the need of more revenue will almost necessitate the increase of the tariff, until, at least, the slow process of change in the Supreme Court renders that body more favor-

able to an income tax than now. The increase of the tariff indeed, with Bryan as president, would, probably, not be along protectionist lines as much as if McKinley were elected. In the latter case, however, the free silver majority in the Senate is almost sure to prevent any tariff legislation, as in the last Congress, until some compromise is reached on the silver question.

Neither is the generally recognized incompetency of the Democratic party in Congress the past four years, nor the popular dislike of large bond issues in time of peace, as serious a matter as it would have been had not the Chicago convention exhibited a greater denunciation of all this than is usual even among Republicans. The Democratic plank upon the civil service reform, denouncing life tenure of office, seems as weak as the Republican demand for a restriction of immigration by an educational test seems strong. But popular interest centers about two portions of the Chicago platform,—the demand for free silver, and a series of demands for railroad legislation and different court decisions in taxation and labor cases which are all animated by one spirit, and may, to some extent, be classed together. It is only proposed, here, to consider free silver.

Those who read the writer's article in the April number of the BIBLIOTHECA SACRA will recall the evidence there presented of the need of more money, and of an international agreement as an excellent way to get it, if such an agreement could be secured. These two positions seemed, at the time, not to be accepted by our leading statesmen, our bankers, or our business men. It is, indeed, doubtful if they were then accepted. If they had been, we might have witnessed such efforts by the present administration as would have quieted the suspicions of the West that the East and the then dominant political forces of the country were really playing with the question, while actually desiring, with David A. Wells, Edward Atkinson, and Professor Laughlin, a sin-

gle gold standard. Now, however, both of the old political parties have not only indorsed the need of more money than the present single gold standard is able to give the world, but the Republican party, directly, and the Democratic party, through its present leaders, have indorsed the desirability of an international agreement, although the latter believe it cannot be secured.

On this point, it is to be feared they are nearer right than we have hitherto believed. Everything in the direction of international bimetallism seems to depend on England, and England is controlled on this subject by what President Walker calls "a square mile in London." The bankers and the creditor interests there represented think their gains are great from the fall in prices that is so unjust and ruinous to their debtors. A member of Salisbury's last cabinet has told the writer that Balfour's bimetallic views are still considered a mild heresy by the party. Professor Foxwell, a prominent English bimetalist, has recently written a Chicago correspondent in a similar vein. It is impossible, however, to tell how much of this English indifference is due to our own apparent apathy the past four years, as represented to Europe by the attitude of the Eastern press and by the administration at Washington.

Some prominent European bimetalists, in recent interviews, have expressed the idea that, if we seemed determined to have free coinage whether with or without European action, the financial leaders of Continental Europe, at least, might accept an invitation from us for coöperation, in order through international action to secure a rise in the value of silver sufficient to prevent any serious injury to our European creditors, if we should pay in silver such of our debts as are not gold contracts. This argument for Bryan's election would be strong, if it could be proved, but, of course, on such a subject, only conjecture is possible.

Just before his death, recently, Cernuschi, the father of in-

ternational bimetallism, wrote that, under free coinage at the ratio of 16 to 1, "The productive power of the United States would receive so enormous an impulse, and this development would have such a disastrous effect upon the economic and financial interests of England and the other European nations now governed by the gold standard, that it may be confidently predicted in advance that the course of events would force the adoption of international bimetallism as the only true solution even upon those who to-day deny the possibility or the efficacy of it." On the other hand, President Walker, the famous American economist, differs from the one just quoted, and from President Andrews, and recently wrote, "Though a bimetalist of the international type to the very center of my being, I have ever considered the efforts made by this country for itself alone to rehabilitate silver as prejudicial, equally to our own national interests and to the cause of true international bimetallism."

Dismissing, as equally uncertain, the claim of either party that its success would bring an international agreement for free coinage, although the agitation here must help in that direction, the question before the American people is, whether to vote for a practical continuance of gold monometallism or to open our mints to the free coinage of both metals at the ratio of 16 to 1, that is, stamping as one dollar 23.22 grains of gold, and also sixteen times as much silver, namely, 371.25 grains.

If we remain on the present gold basis, we have indeed to face several serious problems. Mr. Wharton Barker, editor of the able bimetallic weekly, at Philadelphia, *The American*, gives in his issue of August 1, an analysis of the price quotations of one hundred principal articles of American trade, as given in Bradstreet's. The startling fact appears that the general level of prices declined twenty-one per cent from April 1, 1893, to July 1, 1896. This means that seventy-nine cents will buy as much of the general commodities

of trade now as one dollar would in the spring of 1893. Put in another way, it requires twenty-six per cent more commodities to pay a given debt or command a given quantity of money than it did a little over three years ago. This is merely another way of saying that the 100-cent dollar of 1893 has become a 126-cent dollar. Every debt of three years ago has been just as much expanded as if a man borrowed one hundred yards of cloth, and in three years, and before he was ready to pay the debt, the yard stick had grown twenty-six per cent.

Equally true is it that, if seventy-nine cents will buy as much now as one dollar would in 1893, a 79-cent dollar would be a perfectly fair and just means of payment for all debts contracted three years ago.

Since American prices have been, in part, depressed by the political uncertainty and the fright of investors, it is well to see the movement of prices in Europe. Here we have the investigations of Mr. Sauerbeck, printed by the Royal Statistical Society of London, and generally recognized as thoroughly reliable and scientific. His figures of the prices of the forty-five leading articles of European trade show that these prices in July, 1896, were only 82.2 per cent of those in 1891. This is not so great a fall as here, but is such that an 82.2-cent dollar now would be a full equivalent in purchasing power of a 100-cent dollar in 1891. That is, measuring European changes in American money, any debt contracted in 1891 in what, for simplicity, we may call a 100-cent dollar, must now be paid in a 121.6-cent dollar.

Similarly, a debt contracted in England in 1880 must now be repaid with 48.3 per cent more of general commodities than the debt was worth when contracted. The fall in interest does not seem to have kept pace with the fall in prices. The evils to the manufacturer of a falling market, while apparently as great here as abroad, are not so clearly recognized here as among the large business men of Lancashire.

In all this, reference is only had to the wholesale prices in which manufacturers, farmers, and other producers are paid. There is some reason for thinking that retail prices of these articles, as well as railroad and street car fares, gas, taxes, etc., have not proportionately fallen to the consumer.

Having spoken of the great decline in prices during the past three years, it is well to notice, probably, that four-fifths of all debts are more than three years old. This is certainly true of bonds. As to mortgages, the census merely gives the average age of those still existing, and not the average length of time from the first borrowing of money on a farm until its final payment. The partial payments on all farm mortgages in force in 1890 had amounted to less than one-eighth of their value, although they had then been in force an average of about four and one-half years. It is but natural that the farmer, when a debtor, should see no dishonesty in a restoration of the prices of three to six years ago, such as free coinage might ultimately bring. There is no use in minimizing, as many do, the evils of the existing situation. As President Walker has written: "The very writers who, during the inflation period of the United States, urged with the greatest earnestness the evils of a rapid increase of the money supply, teaching that it disturbed the standard of value, altered the distribution of wealth, perverted the course of industry, promoted speculation, generated dishonesty, and, in every conceivable way, did mischief to the body politic and economic, tell us that the money function is of so little consequence, commercially, industrially, and socially that contraction is of no account whatsoever."

But there are three vital questions to be considered: What would be the value of silver and the height of wages, under free coinage, and what would be the effect on business of uncertainty as to the results?

Our present silver dollar remains on a parity with gold,

although the bullion value of the silver is only fifty-three cents. There has never been any redemption of silver in gold, and yet parity was maintained even before the statement, in a law of Congress in 1890, that it was the policy of the government to keep all our money on a parity. The true reason for this maintenance of parity must be the limitation in the quantity of silver that is coined. With the removal of any limits on the quantity, it seems to the writer likely that the purchasing power of the silver dollar would become much less than it is now. The silver mines would greatly increase their output in response to the new demand, but at greater cost than now. It is to be presumed that the silver mines now produce all they can make any profit on at the present price. Therefore, the increased output, under free coinage, can only come from an increase in the value of silver bullion above its present price, that is, above the value of fifty-three cents for the metal in the dollar. That this value would rise to a parity with the gold dollar, at least for any great length of time, without international action, seems to the writer unlikely. The two metals would probably part company. Much of our gold would gradually find its way to Europe. The money demand for the metal in this country being largely removed, its value would be slightly cheapened. Gold prices might, therefore, rise a little, and so render the payment of even gold debts somewhat easier. Silver never fell in value, as compared with commodities, according to Sauerbeck's tables, until 1892, when further legislation against silver was threatened in India and here, a threat which was carried out the next year. Since 1894, silver has been rising again, as compared with commodities. We may, therefore, expect that, with the increased demand for silver which free coinage would bring, silver prices would not be rising prices at all, after the inevitable rise of the first few years. But it is these first few years which most feel forced to consider very largely at present.

To be sure, a rise of the silver in the dollar to merely sixty cents would work substantial justice for all debts of twenty years' standing, since prices have fallen forty per cent in that time; but most debts are not that old, and more harm and injustice than the opposite would come from trying to right the wrongs of twenty years ago.

We may say, perhaps, that the so-called 53-cent dollar would become, under free coinage, a 75-cent dollar. This, joined to the fact that the gold dollar would, itself, be slightly cheapened, might involve an ultimate inflation of thirty per cent, when bank credits resumed their normal volume. In view of the course of prices since 1892, such an inflation might properly be called a just restoration, although severe upon recent creditors. But, beside the evil of uncertainty as to the course of prices under free coinage, great weight attaches to the widespread and sincere fear that a strong element of repudiation attaches to this demand for free coinage. It seems much harder for people to see that legislation might have prevented much of the fall in prices by retaining free coinage years ago, and was, therefore, culpable for not doing so, than it is to see that legislative raising of prices through free coinage would injure many recent creditors. The latter course is thought by many to be more dishonest than the facts appear to warrant. But so strong is this popular belief, and so great the shock to business that the suggestion of free coinage makes, that hesitation over a sudden leap in that direction is natural. Speculation upon the frequent changing ratio of the two metals, under independent free coinage, also threatens some evils.

It is almost certain that wages, under free coinage, would not rise as fast as prices, although, after the experiment had worked itself out to its logical conclusion and the increase in money had raised prices, business would, probably, increase on a rising market, and the large number of those now unemployed would diminish. This, however, may not prove

very consoling to those now at work. The writer, however, has met many workmen who are willing to risk a virtual fall of their own wages measured in purchasing power, because of their interest in the problem of the unemployed and in the other features of the Chicago platform.

A panic, under free coinage, is feared by many. If the ratio of 16 to 1 prevails, general commodities will rise in price in terms of money, and money will fall in value in terms of commodities, thus rendering it unwise for any one now to sell that which would rise, commodities and stocks, and to buy that which would fall. Yet the expectation that many will be foolish enough to do this, and that others will be so cramped by inability to borrow, during this business uncertainty, as to sacrifice their property, is leading many to lock up all the gold they can get with which to speculate or protect themselves. Also, every one must admit that a money, whether gold or silver, whose value is dependent from month to month on the accidents of mining and of the demand for the arts, for hoarding, and speculation, is not a very scientific money. When we trust each other more, we may have a money whose volume can be regulated from week to week so as to maintain the same general level of prices as would be revealed by a committee of such experts as Sauerbeck. That, of course, is not in debate now.

If the gold standard is to be preserved, however, two difficulties confront us. One is that we must contract our money volume through legislation as it is now being contracted through hoarding. Only in this way can we prevent, for any length of time, the exportation of gold and the necessity for further bond issues. The mere increase of revenue will not effect this, unless there is a large surplus locked up, and thus the currency is contracted in that way. Naturally, such a contraction would be very unpopular, if not politically impossible of attainment.

The other difficulty is the increasing absorption of gold

in the arts and by Russia and Austria. Of the average yearly output, 1886-95 inclusive, of \$137,000,000, the latter two countries absorbed an average of \$56,000,000. The Orient took about \$11,000,000, and the arts, to say nothing of abrasion and other losses, took nearly, if not quite, every cent of the remaining \$70,000,000. In 1895, Russia and Austria locked up, or at least absorbed, \$112,928,339 of the total output that year of about \$203,000,000. In the first six months of the current year, out of a total gold output of, perhaps, \$110,000,000, Russia and Austria took \$81,479,251, and the arts must have exhausted the entire balance. We can understand how a prominent New England banker could boast to a friend of the writer's, a little before the popular bond issue, that he was one of a syndicate of bankers that had secured a corner on \$200,000,000 of gold, or all the gold in sight outside the United States treasury, though popular suspicion and the near approach of the presidential campaign led to the dissolving of the corner.

To sum up: Dismissing international bimetallism as a very uncertain quantity, whichever party wins, the maintenance of the gold standard will temporarily ease the present acute and panicky conditions, but cannot prevent a continued disastrous though gradual fall in prices, unless Russia and the arts greatly lessen their demand for gold, or the mining of the latter very greatly increases in amount, as explained in part here and in the April issue, which ought to be read in connection with this. On the other hand, free coinage, at the proposed ratio, may have the moral effect of dishonesty and the material effect of upsetting business, for a time, at least, more because our business men believe that such would be the result than because there would be any real dishonesty in the payment of debts in a money as valuable as that in which most of them were contracted. We have the uncertainty as to how great a rise in prices would occur under free coinage, with the natural evils which this

uncertainty brings. The fact that all prices would not be affected equally, and that wages would hardly rise as fast as prices, though the number employed might increase after the rise of prices began, are also to be carefully considered. Over against this must be balanced the advantage, not only to the farmer, but to the business man, that would finally come in the check to the *régime* of falling prices that has been in sad contrast, since 1873, with the *régime* of steadily rising gold prices that prevailed from 1849 to 1873, when the relative increase of invention and of business was as great as now.

Space forbids a treatment of the injury to our European trade that might result from the so-called destruction of the par of exchange between this country and Europe under free coinage. On the other hand, no attention is here given to the relief to our exporters of wheat, if the rise in silver took away, as it would, some of the bounty that the present low price of silver gives to silver countries.

It hardly seems possible that a free coinage bill can be carried through Congress with the existing fright among business men, without material compromise, at least on the ratio and other points of importance. It is far better, however, that every man should know the best that may be said of his opponent's position rather than to imbibe dogmatism and denunciation. In that spirit, and in as judicial a manner as possible, some of the strongest positions of both the gold and silver men have here been presented, without any attempt to cast a deciding vote between them.