THE QUESTION OF SILVER, COMPRISING A BRIEF SUMMARY OF LEGISLATION IN THE UNITED STATES, TOGETHER WITH A PRACTICAL ANALYSIS OF THE PRESENT SITUATION, AND OF THE ARGUMENTS OF THE ADVOCATES OF UNLIMITED SILVER COINAGE

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The Question of Silver, Comprising a Brief Summary of Legislation in the United States, Together with a Practical Analysis of the Present Situation, and of the Arguments of the Advocates of Unlimited Silver Coinage by Louis R. Ehrich

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LOUIS R. EHRICH

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Trieste

TO THE READER.

THE first of the following Papers, in response to a special invitation, was read before "The Monday Evening Club,"—a literary society composed of gentlemen connected with The First Congregational Church of this city, —on December 8th, 1891. Thirty-five gentlemen were present. After the reading of the Paper, a motion condemning the "Free and unlimited coinage of Silver" was carried unanimously; followed by a motion requesting the publication of the Paper. It was accordingly published in the *Colorado Springs Gazette* of December 13th, 1891.

The second Paper, which is a "Reply to a reply," offers its own explanation of its originating cause.

That, in this year of grace 1892, a movement like "Free and unlimited Silver coinage," regardless of international co-operation, is believed to command a majority in both Houses of Congress, shows what the inertia of

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the thinking conservative fraction of the American people can, and may yet, lead to. There should be no delay in distributing, as widely as possible, whatever literature will educate the public as to the character, the principles, and the history of Money.

LOUIS R. EHRICH.

COLORADO SPRINGS, COLORADO,
Jan 28th, 1892.

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THE QUESTION OF SILVER.

THE history of civilization has a gold and silver lining. From early antiquity, man has recognized that the best instruments for mediums of exchange and for measures of value are gold and silver. As tersely expressed by an eminent geologist: "Indestructible, uncreatable, readily divisible, easily coined, widely distributed, but nowhere abundant, they have been proved by long experience unique in their adaptation to the wants of society as representatives of value and as circulating media."

It would be a fascinating study to trace the influence of the precious metals upon civilization and to show how the rise and fall in the production of gold and silver has variously affected the well-being of man. For this, time is lacking, and we shall be compelled to confine our attention to the movements and influences of gold and silver in the Nine

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teenth century, giving more particular study to the financial history of our own country.

The Constitution of the United States, framed in 1787, contains the following provisions: Congress shall have power "to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures." (Sec. 8, Art. I). "No state shall coin money; emit bills of credit; make anything but gold and silver coin a tender in payment of debts." (Sec. 10, Art. I.)

Five years before, Robert Morris and Thomas Jefferson had agitated the establishment of an American mint. It is interesting that Morris, who was "the superintendent of finance," was a monometallist. He advocated the use of silver alone, because, as he said, gold and silver could not be used as a standard on account of the variation in the ratio of the two metals. The subject was discussed for several years until, in 1791, Alexander Hamilton brought in his "report on the establishment of a mint." Differing from Morris, he emphatically argued, that if a single standard were to be adopted, owing to its greater stability, the metal should be gold; but that, for fear of abridging the quantity of the circulating medium, he favored the double standard. The question was as to the ratio to be established between gold and silver.

There was a difference of opinion on this subject, but Hamilton concluded that the commercial ratio, based on American values, was 1 to 15; that is, that an ounce of gold was worth fifteen times as much as an ounce of silver. The recommendations of Hamilton were accepted by Congress with slight modifications. The Act of 1792 declared that the gold dollar should consist of 24.75 grains of pure gold, that the silver dollar should consist of fifteen times as many grains, namely 371.25 grains of pure silver, that there should be free and unlimited coinage of either metal, and that either gold or silver coins, as issued from the United States mint, should be a legal tender. In Washington's sixth annual address, issued 1794, I find the following allusion:

> "The mint of the United States has entered upon the coinage of the precious metals, and considerable sums of defective coins and bullion have been lodged with the director by individuals. There is a pleasing prospect that the institution will, at no remote day, realize the expectation which was originally formed of its utility."

Our most reliable experts agree that in the year 1793 the commercial ratio of gold to silver was just about 1:15. But from that very year silver, relatively to gold, began to cheapen. In 1795 it was about 15½:1. In 1799, about 15¾:1. For the forty years from 1793 to 1833 it oscillated up and down, but it never again rose to the ratio of 15.1. The country was sparsely populated, intercommunication was slow and irregular, there were neither railroads nor steam-ships—the demand for metallic money was very great—and yet before long, there came into operation the effect of the simple law known as Gresham's law, named after Sir Thomas Gresham, a very successful London merchant who founded "The Royal Exchange" the year after Shakespeare was born. Gresham's law is that "bad money drives out good money." This law is as simple and as inevitable as the fact that if ninety-nine cents will pay debts just as well as 100 cents, people will, as soon as they have discovered the fact, pay only the ninety-nine cents; or, if merchants find that fifteen ounces will satisfy their customers for a pound avoirdupois just as well as sixteen ounces, they will naturally, if the law justifies and protects them, deal out only the fifteen ounces. Gresham's law may also be stated thus: If two metals are legal tender, are coined at a fixed ratio and both are entitled to free coinage, if there is any variation in value, only the cheaper metal will circulate.

Early in the century, Gresham's law began to exert its influence on the American coined metals. On the average gold was worth 3 per cent. more, as to silver, than the value stamped on the gold coin. Gold began to disappear certainly as early as 1810. It has occurred to me whether the fact that no silver dollars were coined after 1805 did not result from the observation of the gradual disappearance of gold and the hope that by making silver dollars more scarce their value might relatively rise. At all events, the fact stands that about 1819 the circulation of gold coin was almost completely extinguished in the United States. In 1814 the gold coinage of the United States mint was $77,000. In 1815 it was $3,000. In 1816 it was *nil.*

Various suggestions were made in Congress. In 1831 Mr. Campbell P. White made the following sound statement:

> "There are inherent and incurable defects in the system which regulates the standard of value in both gold and silver; its instability as a measure of contracts and mutability as the practical currency of a nation, are serious imperfections; whilst impossibility of maintaining both metals in concurrent, simultaneous or promiscuous circulation, appears to be clearly ascertained."

In a report made the following year he writes: