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A PAPER READ BEFORE THE PHILADELPHIA SOCIAL SCIENCE  
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BY THOMAS BALCH



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## PRELIMINARY NOTE.

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In the following paper on *Free Coinage and a Self-Adjusting Ratio*, Mr. Thomas Balch, of the Philadelphia Bar, who for a long time, without regard to the rise and fall of political parties, was a close and careful student of monetary questions, and who enjoyed a long and intimate friendship with Michel Chevalier and knew many other students of economic and monetary matters, such as Henry C. Carey, George Walker and Henri Cernuschi—maintained the advantages of opening the mints freely both to gold and to silver. Mr. Balch was fully cognizant of that unwritten, but infallible monetary law—the Law of Oresme, Copernicus and Gresham—that when two moneys of unequal value are in circulation side by side, the cheaper or poorer will drive the dearer out of circulation. He was thoroughly familiar with the statement of that law by Nicole Oresme, Bishop of Lisieux in Normandy in 1366 for Charles the Fifth of France, surnamed *the Wise*, by Copernicus of Thorn in 1526 for Sigismund the First of Poland, and by Sir Thomas Gresham in the middle of the sixteenth century for Elizabeth of England. Mr. Balch wished to have gold and silver pieces marked with the weight of metal they contained, and to leave the ratio of exchange between the two metals to be settled by the unwritten

law of supply and demand, and not by legal enactment. He did not believe in the ratio of  $15\frac{1}{2}$  to 1, nor of 16 to 1, nor of any other hard and fast ratio prescribed by legislation, but only in the commercial ratio whatever it might happen to be at the time. He maintained that the ratio between the two metals always had varied and always would vary, but that if the metals were left to themselves, they would promptly adjust their ratio of exchange, and that the variation between them, unhampered by legislative meddling, would be reduced to a minimum. With a total absence of partisan bias, but only with a desire to arrive at a proper solution of a difficult and complex monetary question, Mr. Balch's last piece of work before his death (March 29th, 1877), was to begin the translation of Ludwig Bamberger's *Reichsgold*, considered by many competent judges the ablest argument written up to that time for the single-gold standard.

T. W. B.

PHILADELPHIA, January 2nd, 1908.



## FREE COINAGE AND A SELF-ADJUSTING RATIO.

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“Le premier devoir des législateurs désormais est de simplifier en abrogeant toutes les lois antérieures dont le maintien complique la jurisprudence \* \* \* surtout en matière de monnaie.

“JOSEPH GARNIER,  
“*Senateur.*”

Are we to use both silver and gold as money, or are we to persist in rejecting one of these metals? is a subject which is daily getting a greater hold of the public mind. Our more intelligent citizens are beginning to realize how necessary is judicious legislation concerning this vital matter, and to think that though the Presidency may be a more imminent question, yet the currency is more abiding.

### I.

At the meeting of this Association at Saratoga last September, I endeavored, in the debate which followed the essay, to maintain gold and silver money as against gold alone, and argued that the aggregate of the two metals had never exceeded the wants of man, nor could do more than answer to the world's increasing commerce and industrial production, and pointed out the vast usefulness of Silver to France in the payment of the War Fine. Our Secretary has kindly asked me to speak to the subject to-day. I confess, I approach it with much diffidence. There is so much to say concerning it. It is so far-reaching in its effects, for money

is the most powerful engine which that complex mechanism called Modern Society wields for its own development or its own destruction.

Moreover, the interest manifested is not merely national, it is international. Sir George Campbell, in his address to the British Association<sup>1</sup> truly said: "the subject was bristling with controversies, both theoretical and practical." The last debate in the French Senate and the law thereupon passed, the communication of the Belgian Minister of Finance and the action of the Chambers, the report of the Dutch Commission and the provisional legislation in Holland, the new measures which the Germans propose with regard to silver, the report to the British House of Commons, (a monument of the zeal, industry and sagacity of the committee,) our own Congressional "Silver Commission," and the House Bill now before the Senate, the numerous pamphlets which come fast and thick in Europe as well as here, are pregnant proofs of how widespread are the difficulties, the disorders, the sufferings which prevail in so many civilized countries.<sup>2</sup> No one questions to-day that the present monetary situation is due to the disturbances in the currency, yet to commence an "investigation of the currency," sadly says Professor Price in his latest work, "is to enter a region which may be justly described as Chaos."<sup>3</sup>

But the investigation must be made. Individual and social welfare, national, commercial, industrial and financial interests depend upon a healthy and abundant mon-

<sup>1</sup> Athenaeum, Sept. 16, 1876.

<sup>2</sup> See an excellent article in the April, 1875, *Penn Monthly*, by Mr. John Welsh, President of the Philadelphia Board of Trade.

<sup>3</sup> *Currency and Banking*, 1876.



etary supply. Every good citizen, from both selfish and unselfish motives, desires to have the subject elucidated and discreetly dealt with. To arrive at a remedy for present evils, the problem must be clearly stated and logically discussed in a thoughtful and dispassionate spirit. What need of heat or temper? If a study of the currency is already repulsive by reason of its "unendurable jargon,"<sup>4</sup> will it be rendered more attractive by introducing into its vocabulary some of those amenities unhappily too common with us? It is to be regretted when a periodical, generally guarded in its tone, denounces the advocates of bimetallic money as "Silver Swindlers." The same periodical lately upheld our act of 1873 by an argument that reminded one of the old Greek sophism of the crocodile, but it was no answer to the article to call its author "a Goldbug."

Yet, as every one should contribute, though in never so small a way, to the correcter understanding of this matter, I venture to say something about one phase of the subject as a question of applied political economy.

The facts or *status* I take to be, that the ratio between gold and silver has lately been violently disturbed; that this violent disturbance, whether due to an increased production of silver, or to its demonetization by Germany, or to its diminished consumption in India, or to all three partially, caused the panic of 1873, from which resulted the actual, social, commercial and industrial disorders and distress.

If this be true, then the problem for us, who are considering this matter not merely as economists, but as students of Social Science, may be thus formulated:

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<sup>4</sup> Professor Price.

How can these two metals be held to a normal ratio, in equilibrio, with the maximum of benefit and service to mankind, with the minimum of variation or other detrimental influences?

And of this problem three solutions have been proposed or partially adopted:

I. Single money, with an international gold unit and subsidiary silver coinage: monometallism.

II. Silver and gold money, everywhere convertible at a fixed legal ratio, adjusted and maintained by International Conventions or co-operative legislation; bi-metallism.

III. Silver and gold money, but in pieces stamped for weight and fineness, exchangeable at their market values; the self-adjusting ratio.

## II.

Before looking into the facts or the problem with a view to considering the solution, one point may as well be disposed of, the *moral* view of the question.

At a meeting of the American Association for the Advancement of Science, held in Buffalo, in August last, a report was read by President Barnard, of Columbia College, the concluding portion of which is to be found in the *Buffalo Courier* of August 29, 1876. In this paper President Barnard sharply dismissed Silver as a money, because it degrades the value of the coinage in the countries where it is so used. The report declared against Double-Money for the following curious reason. "In conclusion, the committee could only add that the existence of a double standard in coinage at any time and anywhere has been a consequence of a *provision of Nature, quite accidental, according to which*

*two metals, and only two, possess the properties which fit them, or heretofore fitted them both to be standards of value.*"<sup>5</sup>

Most of us have doubtless supposed that nothing in nature was "quite accidental." The Evolutionists maintain that by virtue of stringent and austere laws, man, who holds his head so high and esteems himself a little lower than the angels, started from the protoplasm in the slime and ooze of dim and distant ages. The Pantheists teach that "God is in all, and that all is in God,"

"Wie Natur im Vielgebilde  
Einen Gott mir offenbart,"

whilst the Christian has been told that even the hairs of his head are numbered, and that not a sparrow falls to the ground without the knowledge of the Creator. Yet this singular doctrine—that the two great instruments of human association and civilization, have, by a "*quite accidental*" provision of nature, the properties of money—this doctrine was cordially greeted by the philosophers who met at Buffalo.

Fortunately for mankind, the committee "reserved to themselves the privilege of going more fully into the subject at a future meeting, should not the question which it involves, \* \* \* be in the meantime satisfactorily disposed of."

We may therefore reasonably expect to see President Barnard "go more fully into the subject," and dispose of it to the great relief of mankind. Those, however, who believe there is nothing "*quite accidental*" in nature, will probably think that the new

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<sup>5</sup> *Buffalo Courier*, Aug. 29, 1876. The Italics are mine.

supplies of Silver are intended for a similar work and on a grander scale than that wrought by Gold a quarter of a century ago. Mr. Léon Faucher qualified the abundance of gold in the then condition of affairs as absolutely providential.<sup>6</sup> The *London Times*, in a remarkable article, said with great force and truth of the discoveries of gold,<sup>7</sup> "like everything which happens naturally, that is, independent of human contrivance, they can have no result other than that of contributing to the march of civilization."

Owing to these supplies, the burthen of great public debts was eased to the tax-paying classes, production and commerce were developed in proportions absolutely amazing. In France,<sup>8</sup> the foreign commerce in 1852 was 30 (thirty) milliards, and in 1872, 72 milliards=140 p. c. What home-industry, what exchange of products, what social movement, what happiness are in these figures! In some countries the prosperity was even greater.<sup>9</sup>

May we not reasonably ask: has not Silver come from the same hand and for a kindred purpose? Not as a curse, but as a boon to stimulate human aspirations, to further the solidity of nations, perhaps to develop the *Civitas Christiana*, that dream of so many great and pious men?<sup>10</sup>

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<sup>6</sup> *The Precious Metals*, translated by Thomson Hankey, Jr., 2d Ed. London, 1853.

<sup>7</sup> *The Times*, June 25, 1852.

<sup>8</sup> Mr. B. Neumann, *Economiste Française*, quoted by Laveleye.

<sup>9</sup> *La Monnaie Bimétallique*, par Emile de Laveleye, Bruxelles, 1876.

<sup>10</sup> Zwingli, Grotius.

## III.

A brief outline of the relations between Man and Money as they grew up naturally, and of the modifications introduced by legislation, will be perhaps the best way of getting at the consecutive facts by which we were brought to our present plight.

Money grew out of man's need of some common medium of exchange. It was in a great part the result of the division of labor. In course of time the experience of the larger portion of the human race led men to abandon all other commodities, and agree upon gold and silver as the two whose qualities rendered them most suitable for this common medium. Further experience taught man that it was desirable to cut these metals into pieces of a certain *weight*, and to stamp upon them this weight. Hence the mark, the pound, the livre.<sup>11</sup> These pieces took the generic name of *coin*, from the wedge-shape of the instrument (*cuneus-coigne*), used in stamping them. The importance of having these weights accurate, and certified so to be by proper authority, was such that the duty was generally confided to the sovereign; and thus we have the Spanish *real*, meaning *royal* as well as *exact*. This right of coinage was claimed for centuries as a prerogative of the crown, but in later times, since that most noble doctrine of the right of a people to govern itself and direct its political acts according to the National Conscience, enunciated by St. Augustine and

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<sup>11</sup>In 1867, June 27, Mr. Chevalier urged a return to this old practice, "of giving money its *true* significance, and exact weight, a pound, a mark." It is a part of the metric system. In this he is followed by Mr. Joseph Garnier. See *Journal des Economistes*, October and November, 1876.

proclaimed by the States-General of Holland, has become a part of the political law of Nations, this duty of coinage has been vested in the State; not as a prerogative, but as a trust for the benefit of the whole people. As these pieces were stamped at Rome in the temple of Juno Moneta, and as the Latin race was dominant in Europe, they took the name of *money*, and the operation became known in the English tongue as minting.

We must further remember that gold was the first metal used, as far as is known, by all the various branches of the human race. The veriest savage could find it in the washings of the rivers, as the word *Guinea* sufficiently indicates, and prized it for its glitter as well as a means of purchase, without being conscious of the qualities which made more advanced peoples esteem it as one of the precious metals. A visit to the Ethnological Museum at Copenhagen is very instructive as to the gradual growth of its use and importance when, and as, a tribe emerged from primitive barbarism. The workmanship sufficiently attests the rudeness of that prehistoric period, "when Pan to Mosen lent his pagan horn," but to which tradition has given the name of the "Golden Age."

Silver, on the other hand, did not and could not come into use until these tribes had so far advanced in civilization as to have become miners, mechanics and traders. Silver is seldom found near the earth's surface, but must be got from the rocks in which it is imbedded by skill and tools, must be crushed, smelted and refined. Its use as money was due to the commercial races of the past, the Phœnicians, the Athenians, the Carthaginians. Once, however, introduced into the economy of human existence, it was rapidly and widely utilized. Its very denomination of sterling is

derived from *Esterling* merchants, who brought it from eastern lands. That great statesman, made a *livre* of it his monetary unit. It has undoubtedly more largely than gold served as money in the transactions of mankind.<sup>12</sup> It is to-day the money or means of barter of communities and nations comprising a much greater number of souls than those who use gold. As far as known, through nearly all the past ages, among all peoples, the two metals held and performed more or less in common the functions of money; and where but one of them was the recognized measure of valuation it was silver which down to the early part of the present century was preferred. "I am reasonable," said Front-de-Boeuf to Isaac of York, "if silver is scant, I will take gold at the rate of a mark of gold to six pounds of silver," rather than roast you alive.

#### IV.

Nor must we lose sight of the fact, that money is thus the accepted *price* of any given object because it has its own *intrinsic* value, which is determined by the bulk and fineness of the piece of metal itself. This intrinsic value determines for what other objects it can for this reason be exchanged. It is not only a means of barter, but it is also an *equivalent*, as was long ago pointed out by Aristotle, and in its transfer from hand to hand, represents any object whatsoever that it will buy. During the "Dark Ages," the Jews, who perhaps of all nations have most trafficked in money, upheld and promulgated the idea that wealth is identical with money. They hoarded it accordingly, but found it unsafe amid the persecutions that beset them from all sides to trans-

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<sup>12</sup> *House of Commons Report*. Appendix. Ernest Seyd puts (p. 7)—population in 1871 using gold at 85,720,000—using gold and silver, at 139,200,000—using silver alone at 841 millions. *L'argent*, in French is both Money and Silver.

port any considerable sum of it to and fro. They thereupon devised the safer and less costly plan of storing it with some trusty co-religionist, and then using this hoard from time to time as occasion required, by a letter addressed to the individual in whose custody the money was left. This "wagon through the air," as Adam Smith called the *letter of credit*, soon became a potent agent.

Commerce and civilization, acting and re-acting on each other, fostering and developing the nations by their benign influences, created greater wants and more diversified occupations, and with these a necessity for more perfect instruments of exchange, bank deposits, bank notes and checks.<sup>13</sup> These are not *money*. Their part in business transactions is so varied and complicated as to "escape precise analysis,"<sup>14</sup> but their usefulness has so incorporated them with all our transactions, that they are now comprised within the generic term of *Currency*, which is thus made to embrace paper tokens as well as metallic money. This usefulness is based upon the idea, that these paper tokens can be converted at the will of the holder into coin, corresponding in amount to the sum called for by the bill of exchange, the bank note, or the check.<sup>15</sup>

## V.

From the foregoing succinct history of the natural relations which grew up between Man and Money, we ascertain:—

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<sup>13</sup> Some interesting observations as to the "superior convenience" of Paper tokens, from Mr. Charles Gairdner, are to be found in the Appendix to Prof. Price's *Principles of Currency*, 241.

<sup>14</sup> Lord Ashburton.

<sup>15</sup> Lord Ashburton enumerates them at length: "*The Financial and Commercial Crisis Considered*," by Lord Ashburton, London, 1847.



I. That the true value of coins was in their *weight of pure metal*, and not in their size or denomination.

II. That *minting* was only the process of stamping them so as to certify this weight.

Wicked rulers used this power of minting for debasing or "raising" the coin. The miseries thus caused and the crimes committed are some of the saddest and darkest pages in the annals of the human race. It is not necessary to recall the wrongs, nor the legislation, the edicts, the decrees, the laws resorted to as authority or as a plea for them. Four centuries ago there was a lack of the precious metals in Europe. Civilization was on the decline, for States waste away if the circulation be impoverished. Suddenly the condition of the world was changed by the discovery of America. There was a fabulous inflow, first of gold and then of silver, into Europe. It is sufficient for our purpose to remember that "the consequences upon the movements of mankind were more palpably beneficial than those of any other recorded physical event."<sup>16</sup>

Not the least momentous result was the amazing development of intellectual activity. In every department of mental life great masters instructed their fellow creatures. The tendency was towards a more exact analysis even in the domain of abstract thought. Political science was made more systematic. The functions, attributes, powers and duties of the State were closely examined. Of all the treatises put forth in this department of Social Science, that which most nearly concerns us was the letter of the illustrious John Locke (November, 1691) to Lord Keeper Somers. Moved by the de-

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<sup>16</sup> London *Times*, June 25, 1852.



preciated and wretched condition of the coinage, Locke proposed a reform. How he dealt with the other matters involved is not germane to our present purpose. What he said about Silver it behooves us to know, for the dictum which he enunciated became the doctrine of an economic school, and has had much to do with the weal and woe of these latter days.

Said Locke:<sup>17</sup> "Silver therefore, and Silver alone, is the measure of commerce. Two metals, as gold and silver, cannot be the measure of commerce, both together, in any country; because the measure of commerce must be perpetually the same, invariable, and keeping the same proportion of value in all its parts. But so only one metal does, or can do of itself: so silver is to silver, and gold to gold. An ounce of silver is always of equal value to an ounce of silver, and an ounce of gold to an ounce of gold; and two ounces of the one, or the other, of double the value to an ounce of the same. But gold and silver change their value one to another: for supposing them to be in value as sixteen to one now, perhaps the next month it may be as fifteen and three-quarters, or fifteen and seven-eighths to one. And we may as well make a measure of a yard, whose parts lengthen and shrink, as a measure of trade and materials, that have not always a settled, invariable value to one another."

"One metal, therefore, alone can be the money of account and contract, and the measure of commerce in any country. The fittest for this use of all others is Silver, for many reasons, which need not here be mentioned. It is enough that the world has agreed in it,

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<sup>17</sup> "*Further Considerations concerning Raising the Value of Money*," Works of John Locke, Eighth Edition, London, 1777.

and made it their common money: and as the Indians rightly call it, measure. All other metals, gold as well as lead, are but commodities.”

As far as my reading goes, this extract from Locke gives most forcibly and clearly the argument for using one metal and one only as money, and that Silver was the only money of account at that time, recognized by all the world.

In point of fact, the monetary mechanism of the world when Locke wrote this was: Silver the accepted measure of valuation, gold received as auxiliary money: thus accepted, not by virtue of human legislation, but by virtue of great economic laws, potent for good, swift to vengeance. Left free to themselves, the two metals adjusted their ratio of the one to the other with such flexibility yet with such steadiness, as to have furnished a basis for well-considered, though unwise legislation,<sup>18</sup> when in 1803 the French law of the seventh of Germinal, year XI., revising the coinage, was passed.

From the time when Charlemagne (800) adopted the livre as a monetary unit, the coin bearing that title was considered to have the position and to exercise the functions bestowed upon it by that great ruler. It had, however, so often been tampered with and debased, that it had ceased to be an instrument of valuation. By the law of Germinal, the ratio of fifteen and a half of silver to one of gold was established, and continues in force to the present day. The proposed law was accompanied by reports which show that their authors, whilst attempting to fix a temporary legal ratio with

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<sup>18</sup> See the *Rapports* made to the French Chambers, and cited further on.

silver as the unchanging unit,<sup>19</sup> clearly understood that the relation between gold and silver was more or less fluctuating.<sup>20</sup> They traced the price from 1492, when it was at the ratio of ten and a half of silver to one of gold, and the Minister, Gaudin, stated that the ratio of (15½) fifteen and a half to one, between the two metals had been arrived at by careful examination of the quotations, during a number of years, of gold and silver, left free to themselves as above stated, in Holland, Spain, and Great Britain.

In 1831, Mr. Gallatin called attention to the comparative steadiness of the relative value thus fixed by legislation for more than sixty years in a country where both metals were accepted without distinction in payment of debts, and further, it was noticed lately by an eminent French economist<sup>21</sup> that the abundance of Californian and Australian gold did not long disturb this ratio twenty-five years ago.

But this steadiness may be fairly ascribed to Free Coinage and the monetary situation of the world, which permitted the two metals, through the operations of the world's general commerce, to regulate their own relations.<sup>22</sup> The effects of this fixed legal ratio were therefore not immediately visible, but when the time came,

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<sup>19</sup> That it was not intended to be permanent, see the *Journal des Economistes*, October, 1876, p. 53; note *Traité d'Economie politique*, etc., 7th Ed. p. 709, xxii.

<sup>20</sup> In the law proposed An. VI., was a provision that the value of the gold coin should not be declared, but left to be settled by commerce, and every six months the National Treasury should proclaim the rate at which gold would be taken in official payments for that period.

<sup>21</sup> Mr. Paul Coq, in *Journal des Economistes*, November, 1876.

<sup>22</sup> England used Gold; France, both metals; Germany and India used Silver. Coinage of 9/10 (nine-tenths) was free.

economic law proved paramount to human law. In 1867, the French Commission stated that "Gold was driving Silver out of France, that five-franc pieces were scarcely ever seen, and the whole forty-three millions, issued January 1, 1856, had been purchased and exported." The Commissioners sagaciously added: "Silver is preferred to-day, but it may change by reason of the discovery of vast silver mines, or a reflux of silver from the East."

## VI.

In the new nation, America, where Locke was much studied, its early economists advocated an absolute standard of value. The Acts of Congress of 1792, coining the dollar with three hundred and seventy-one and a quarter grains of pure silver, was supposed to "have irrevocably fixed that quantity as the dollar of account, and as the permanent standard of value, according to which all contracts must be performed."<sup>23</sup>

But the ratio adopted in America was so far defective as to drive gold coin from the country, just as silver was driven out of France.

Mr. Gallatin urged "an alleviation in the mint regulations for the purpose of bringing gold into circulation." The rate adopted had its origin, he said, "in a mistake; and we are sacrificing reality to a pure shadow, when for the sake of an abstraction \* \* \* we promote the total exclusion of gold from circulation." The error was recognized, but the legislation leaned too far the other way.

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<sup>23</sup> *Considerations as to the Currency*, by Albert Gallatin, Philadelphia, 1831, p. 62.

In June, 1834, the ratio was reduced 16 to 1. Silver promptly quitted America. It went to France,<sup>24</sup> was coined into five-franc pieces, exchanged for gold, which came back to America to buy Silver over again. The silver dollar vanished.<sup>25</sup>

This was the first great legislative blow at Silver. Regardless of our real interests, Congress sacrificed the metal itself to gain a temporary benefit in the importation of Gold. The law debased the *metal* by augmenting the weight of the metal in the coin.<sup>26</sup>

In England, Locke found a co-adjutor in Newton, who reduced the guinea from 22 shillings to 21, or rather 20 $\frac{7}{8}$ . The metals responded to the legislation, and Silver slowly but steadily quitted England.<sup>27</sup> The wars with France led to a suspension of specie payments. During this period of suspension, the first Lord Liver-

<sup>24</sup> January, 1837, the standard of the silver coin was increased to nine-tenths fineness, but the amount of pure silver and the ratio remained the same.

<sup>25</sup> To supply its loss, gold dollars were coined. Act March 3, 1849. They were a failure: they did not circulate. The ratio of 16 was retained in all of these acts. Gold and silver coin were legal tender until the act of 1873. Mr. McCullough says in his address before the Bankers' Association, (*Bank Mag.* 1876,) that even quarter eagles were not used. Such was the report of the Bank of France as to 5 and 10 franc pieces.

<sup>26</sup> *House of Com. Rep.* Ernest Seyd makes severe criticisms of the American legislation, in coining the "Trade Dollar." "A more mischievous and wanton proceeding than the coinage of this piece \* \* \* cannot well be imagined." *The Fall in Silver*, by Ernest Seyd, 1876. But Mr. Seyd has here fallen into an error. The "Trade Dollar" is merely the "small bar" of which Mr. Hooper spoke. (See further on.) It was for China and the East, and did not affect the status here. It was the law of 1834 to which Mr. Seyd's observations should have been directed. George Walker follows Mr. Seyd.

<sup>27</sup> 1695-1727; as far back as I can trace the exodus of silver from England, seems to have set in in Newton's day, about 1716; but the matter is obscure.

pool addressed a Letter to the King (May 7, 1805), in which he pointed out, as Locke had done in 1691, the defective state of the silver coinage, and argued in favor of gold as the money of the realm, and silver as subsidiary coin. Lord Ashburton<sup>28</sup> characterizes "as very foolish" the principal reason given by Lord Liverpool, "that the richest country should have the most expensive metal for its money." M. Chevalier criticises the unfair (though not intentionally so) way in which Lord Liverpool estimates the "variations which gold and silver commodities had undergone." "One could hardly succeed in finding a device better calculated to persuade the mystified reader that silver alone undergoes any variations, and that gold, by some inexplicable privilege, escapes all appreciable alterations.

Whether or not the Letter to the King was foolish or specious, it had ultimately the effect of provoking legislation. In 1816 a committee of the Privy-Council made a report on the Coinage, and recommended that, whilst there should be no change in the fineness of either the gold or the silver coins, gold should be made the sole standard of value, and silver should be converted into a token-coinage, and thus prevent the exportation of silver. They also recommended that no change be made in the weight of the gold coins, but that (66) sixty-six shillings, instead of sixty, should be coined from the Pound Troy. This is the legislation of England at the present time; and to it, more than one careful writer has traced her subsequent political and social disturbances.<sup>29</sup>

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<sup>28</sup> *The Financial and Commercial Crisis Considered*, by Lord Ashburton, 1847.

<sup>29</sup> *Is a Double Currency advisable in England?* London, 1876. "One result of which quickly showed itself, and that was an increase

Several years ago Mr. Carey pointed out how the holders of the Dutch debt obtained the demonetization of gold.<sup>30</sup> Their greed and influence triumphed over the opposition of the tax-payers. The Minister of Finance yielded. In 1847 the pernicious law for adopting single silver money was presented to the Chamber. The Minister stated one of the moving causes to be, that the important colonies held by Holland used silver only. The law was passed. The loss entailed upon the country was prodigious. Mr. Leon Faucher deprecated this legislation; Mr. Chevalier applauded it. "Some of the most enlightened States in Europe and America," he said, "demonetized *gold*." The Dutch statesmen confidently hoped that foreign gold would circulate as unminted auxiliary money. They were quickly undeceived. July 31, 1850, the Dutch government began to receive gold at par; October 15, it was two and a half per cent. discount on the market; Dec. 15, it had fallen to four per cent., and finally the difference between silver and gold was more than seven. Under the load imposed by this law have the honest, hardworking Dutch people suffered ever since, and truly onerous have been their grievances. The government appointed a commission to examine into the causes and report upon the best means of rectifying existing legislation. The report in favor of gold was rejected by the Chamber, March, 1874; but June, 1875, a law was passed to stop the coinage of silver for six months and allowing of a ten-florin gold piece of 6.040 grammes, as nearly as

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in the cost of living. This of course unsettled the minds of our laboring population." The same result in Germany has caused the Government to reconsider the amount of Silver to be coined.

<sup>30</sup> *Principes de la Science*, par H. C. Carey, ii. 354.



possible the exact weight of twenty-five francs; in point of fact restoring in an undeclared fashion the bimetallic money, a step towards leaving the metals to themselves.<sup>31</sup>

## VII.

I have thus endeavored to give an outline of the monetary situation as it was until within the last six years, and I think the conclusion may be fairly drawn that so long as the two metals were left to themselves, and so long as England was the only country in which Silver was not recognized as money, whilst the greatest part of mankind used that metal in preference to Gold, and the minting of both the metals was free, the ratio between them was self-adjusting, and without a monetary crisis. The metals obeyed their instincts, and fled before local oppression or interference. Legislation drove Silver from one country and Gold from another, thereby demonstrating the unwisdom of attempting to control economic movements by arbitrary rules, "which publick approbation hath not made laws."<sup>32</sup>

In 1848 the Revolution swept over Europe. Political disorders produced industrial disasters. Peace was restored in France: but the story does not concern our problem. The Liberal uprising in Germany and Hungary yielded to the bayonet. In the midst of the political troubles Gold was discovered in California and Australia. The event did not seriously affect Germany,

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<sup>31</sup> *Adres der Nederlandsche Maatschappij ter Befordering van Nijverheid aan Zyne Majesteit den Koning.* Haarlem, July, 1876. *Byblad v. d. Neder. Staats Courant*, 1876-7. Muntwetten 55 en 57; 16, 17, 18, 19. *Gewijzigd ontwerp van Wet tot regeling v. het Nederl. Muntwezen.* Also letters from Amsterdam, 11th and 19th November, 1876.

<sup>32</sup> Hooker, *Eccles. Pol.* i. 1, 10.

chiefly because Silver was the money of legal tender, and paper was used in trade. England was most disturbed because she had Gold only.

In France it was otherwise. Its double money was in fact based on the silver franc.<sup>33</sup> This and free coinage relieved it from any serious effects of the influx of gold, but the subject was discussed with great vivacity. The Bimetallists had at that moment for their chief, Mr. Léon Faucher<sup>34</sup> who deprecated any change in a monetary system consecrated by time and experience; whilst the most brilliant advocate of the demonetization of gold was Mr. Michel Chevalier,<sup>35</sup> who contended, that the vicious employment of both silver and gold in France was the "parachute" which averted "a greater and more precipitate fall in gold." In comparatively a short time, and before what was subsequently called the "Gold-Scare" had produced any positive effect—except in Holland, which country as we have seen demonetized gold—the monetary perturbations, being left to the action of natural economic laws throughout the world, duly righted themselves. The fall in gold and the rise in silver, being spread over the aggregate mass of both metals were scarcely felt and were soon readjusted.<sup>36</sup>

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<sup>33</sup> See *Journal des Economistes* Cit. Sup., and Mr. Chevalier's "*Fall in Gold*."

<sup>34</sup> "*The Precious Metals*" by Léon Faucher, translated by Thomson Hankey, Jr., 2d edition, London, 1858.

<sup>35</sup> "*The Precious Metals*," by M. Chevalier, translated by Forbes Campbell, London, 1852.

"*The Fall in the Price of Gold*," by Mr. Michel Chevalier, translated by Richard Cobden, London, 1859.

<sup>36</sup> See the remarkable *Money Article* in the *London Times*, dated June 25, 1852.

In 1867, during the Universal Exposition, an International Conference was held at Paris, at which were present Commissioners, from nearly all parts of the globe. Prince Napoleon (Jerome) presided over it with dignity and intelligence. There were seven meetings between the 17th of June and the 6th of July. The main question was the possibility of minting an international coin, another idea thrown out by Locke, which its advocates on the Commission said, should be struck of gold. The conferences were fruitless so far as this object was concerned.

Though "failing to accomplish the object for which it was convened, the conference gave an impulse to the theory of gold as the only legal tender."<sup>37</sup> Mr. Chevalier was among those who presented their views to the Commission. He contended that there ought to be a return to the old practice of giving money its true significance, an exact weight: the livre, the pound, the mark. He abandoned silver because there is "no chance of a silver standard being adopted. The English are very determined to have gold and nothing but gold."<sup>38</sup> His adhesion to the dictum of Locke induced him to accept gold, although he had previously demonstrated it to be the less desirable metal for the basis of the world's coinage.<sup>39</sup>

The mischievous effects of this Paris conference were felt in various directions. In France an Inquest was appointed, which began its sessions in December, 1869,

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<sup>37</sup> Lord Beaconsfield.

<sup>38</sup> *Journal des Debats*, quoted in the London Economist, July, 1876. *Reports U. S. Commrs. to Paris Exposition*, Washington, 1870, ii. 280.

<sup>39</sup> *Fall of Gold, Precious Metals*, cited above.

and ended July 29, 1870. The war was declared before it terminated its sittings, and thus the Report, one of the ablest documents we have on financial questions, did not receive the consideration to which it was entitled. When the war was over, France was occupied with the liberation of her territory and the payment of her War Fine. Both were happily accomplished in the incredibly short space of twenty-seven months, with the maximum of benefit and the minimum of loss. It was the most stupendous financial operation in the history of man. How this was done, what part each of the metals played, has been told with rare skill and fidelity by the late Mr. Wolowski. The gold used, he tells us, was but little more than four hundred millions of francs, whilst "Silver performed four-fifths of the work."<sup>40</sup> But here again we find that the monetary situation of the world was such as to permit a free adjustment between the metals; the Latin Union being the only bar thereto. The consumption of silver in India and the East,<sup>41</sup> Germany, Russia, the United States, and other countries with paper; France bimetallic; England with gold; coinage free; combined to produce a situation by which, though the interests of separate nations had been prejudiced by monetary legislation, yet the finance, and with it the commerce and industry of the world at large, suffered no serious detriment.

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<sup>40</sup> *The French War Fine*, translated in the *Banker's Magazine*, 1875, by Thomas Balch.

<sup>41</sup> Mr. W. Nassau Lees (*Drain of Silver to the East and the Currency of India*, London, 1864.) puts the possible demand for Silver in Asia at from four to five hundred millions sterling.

## VIII.

If I have thus far told the story of monetary legislation as clearly as it should be told, it must be apparent that it is with this matter of money as it is with some other great social problems: the less that governments meddle, the better. At the Paris Exposition no less than thirty-five different standards of gold and silver, and eighteen different monetary systems, were represented. The yearning for some international unit of value in view of such facts seems quite natural, but it was rather surprising to those who were not wedded to any special theory, that the silver franc or dollar of five francs or of four groschen, was not selected, when so large a portion of the world's commerce already used such a coin, and by it the two metals were made part of the metric system.<sup>42</sup> But England opposed it, and if we understand correctly the Master of the Mint and Mr. Rivers Wilson, the opposition was due to the existence of an arbitrary ratio. The influx of gold had changed, as the English Commissioners thought, not only the ratio, but also the stock of the two metals.<sup>43</sup> The French war followed soon after, and then the payment of the great War Fine. Germany thereupon demonetized silver.

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<sup>42</sup> Ernest Seyd, *Fall in Silver*, 1875, p. 89, 90, points out the great utility of such a coin, not only in the relations of England with India, but of England and India with other nations. This India Silver question is producing corresponding investigations in England and elsewhere. Already two excellent pamphlets have lately appeared—*India and the Silver Question*, by Stephen Williamson, of Liverpool, and *Three Letters on the Silver Question*, by Samuel Smith, President of the Liverpool Chamber of Commerce.

<sup>43</sup> They stated that there were 340 millions gold in excess of the proportion of 15½ to 1. Also gold in 1846 was two to one, in 1867 it was three to one.

*U. S. Com. Report*, (*ante cit.*) Washington, 1870, p. 270.

Of this act and its consequences we will presently speak.

But first a few words about the legislation at Washington, of which a brief history is very instructive. January 9, 1872, Mr. Kelley, of Pennsylvania, reported a bill to revise and codify the laws relating to mints and coinage. He stated that it was prepared with great care and had originated in the Treasury Department. In the debate upon this bill the nickel business and the salary questions were much discussed. The only important statements were those of Mr. Hooper, that Silver was worth three per cent. as compared with gold, and *that it was better to coin silver in bars for the convenience of commerce.*<sup>44</sup> May 27, 1872, Mr. Hooper, of Massachusetts, introduced a *substitute* for the *Bill on Mints and Coinage*, and moved that the rules be suspended, and the substitute passed. The clerk began to read the substitute.

*Mr. Brooks* asked if that was the original bill? to which the Speaker replied: No, that it was the substitute.

*Mr. Brooks* said that as there was to be no debate, both the original bill and the substitute ought to be read.

*The Speaker* said that the original bill could not be read; either the substitute must be passed or none at all.

*Mr. Brooks.* How can we choose unless both are read?

*The Speaker.* The gentleman can vote aye or no on the substitute.

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<sup>44</sup>The Italics are mine. The "Trade Dollars" were coined, and they are only "small bars" rounded off: the first attempt to escape from a bad theory of legislation.

*Mr. Brooks.* I vote no, when I do not know what is going on.

Mr. Hooper was then interrogated about some unimportant matters, and thereupon *without the substitute being read*, the rules were suspended<sup>45</sup> and the substitute was passed by a vote of 110 ayes to 13 noes.

January 19, 1873, this substitute was called up in the Senate by Mr. Sherman. Some trifling conversations about salaries and the recoinage of abraded gold, concerning which Senator Sherman stated that he had letters from Professor Barnard, the director of the Mint, and the Comptroller of the Currency. This *unread* substitute was thereupon passed. And this is the legislation which President Barnard eulogizes as "wise and intelligent."

It has been well said that such legislation is like the pestilence which walketh in darkness.<sup>46</sup> "The Act of 1873" said Senator Bogy, in his speech, 20th April, 1876, "was passed without discussion in or out of Congress." The law of June 22d, 1874, was, he says, "put into the Revised Statutes" surreptitiously. Now that a return to specie payments seems probable, one part of our people is aghast at the situation. To-day, every debtor finds that if the country does return to specie payment, his debt has been frightfully augmented, by his being compelled to pay in a metal whose diminished supply has already enhanced its value. The increased

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<sup>45</sup> Congressional Record.

<sup>46</sup> *The Currency; showing how a fixed price of gold subjects England to loss abroad and to convulsions at home.* By W. Cargile, Esq. 2d Ed. London, 1847.

"The blow is invisible. \* \* \* It is like the pestilence which has already done its work before it is seen. Every man becomes the enemy of his fellow. Each class looks on the other as its oppressor, because the source of the evil is unseen."

demand for gold for Germany and the United States will further raise its price to the greater injury of the debtor, whilst the creditor classes discover that this "wise and intelligent" legislation has added correspondingly to the value of their securities. Such legislation disintegrates society by the unseen wrongs which it inflicts, for it must be remembered that this weight thus added to every debt, means just so many more days of toil, just so much more sweat of the brow, wrung from the laboring classes to the unearned profit of the creditor.

Moreover this legislation may possibly raise a serious question as to the powers of the respective States of the Union. I shall not dwell upon this point, which will probably make its appearance in due season. What may be done about the House bill now pending before the Senate can not be well conjectured. One thing may be safely predicted of the bill, that its ratio of 16 to 1 will drive out the silver which we are now producing, and thus embarrass still more our wretched financial situation. Able men, amongst them two<sup>47</sup> members of this Association, have promptly exposed the pernicious effect of re-establishing this ratio. Let us hope, and I think we have reason to expect, that the bill will not pass, and the error will not be repeated; but that the obnoxious laws will be amended and replaced by others looking more to the real welfare of the country. The clashing of the scientific with the unscientific provisions of the act must be redressed, but not by reviving old errors, revived simply because they heretofore existed. The legislation which calls into existence the trade dol-

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<sup>47</sup> See *New York Tribune*, January 2, 1877, Mr. Walker's letter, and *Bankers' Magazine*, January, 1877, for an article from Mr. Horton.



lars and at the same time demonetizes silver, is not to be cured by a law equally mischievous.

## IX.

To pass to the action of Germany. The French War Fine yielded such vast sums that the country was dazed. Delbruck, Camphausen, Bamberger, Kapp, Michaelis, Soetbeer and the theoreticians prevailed.<sup>48</sup> The conservative statesmen were overpowered. Moritz Mohl led the opposition. In the beginning it was thought that the law (Dec. 4, 1871) could be so shaped as to allow of a gradual demonetization of silver. This error speedily made itself apparent. Intoxicated by her success in war, it was thought that money could be regulated "in the bayonet fashion."<sup>49</sup> Germany sold silver recklessly. To her legislation and conduct mankind owes the monetary crisis, followed by the financial, commercial and industrial disorders, the end whereof no man can as yet foresee. The panic which began in 1873 can not be fairly attributed to the increased production of Silver, because in 1867 the whole amount of silver produced in the world was 10.845 millions sterling; in 1868, 10.045; in 1869, 9½; in 1870, 10.315; in 1871, 10.315; in 1872,

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<sup>48</sup> See: The legislation and political action of Germany critically examined by Mr. Wolowski, *The French War-Fine*, Bankers' Magazine, 1875. Mr. McCullough asserts in his address above mentioned, that the German legislation was "the work of Prince Bismarck." I can quite authoritatively deny this unjust imputation on the statesmanship of the great Chancellor. There is no speech or other utterance of his to countenance the statement. I was so informed in Berlin, in 1873; but to make sure of it I had the Debates examined. Besides which, I have before me a letter from a member of the German Parliament lately received, and in answer to my question he says positively, "*Bismarck took no part in the transaction.*" The debate was conducted as stated in the text.

<sup>49</sup> *Fall in the Price of Silver*, by Ernest Seyd, London, 1876, p. 95.

the year before the panic set it, it was 12.210. It cannot be possible that the addition of 1 9/10 of a million more of silver to the vast stock of the two metals in the world should have occasioned such frightful disorders. The India bills could have had nothing to do with it, for the heavy sales of the Home Office were \$51 8/10 millions in 1874, and \$81 5/10 millions in 1875. Up to 1874 the average was \$39 millions a year. But the panic set in at the end of August, 1873. To German legislation, therefore, and to it alone, *cause causans*, is due the vast human suffering, ruin and misery of the last three years. With a less phlegmatic and more excitable people, the consequences would have been even more terrible.<sup>50</sup> But the Germans participated in the malign results of their own legislation. In one day there were twenty-eight failures and two suicides at the Berlin Bourse, according to the telegram—April 2, 1875—to the London journals. FROCTUS BELLI<sup>51</sup> depicted the misery which prevailed. The money-changers and certain credit-classes were enriched, but the peasant and the workman were impoverished. Every man living on a salary or by the fruits of his labor found his income diminished. Amongst the honest, patient, industrious German peoples, a proletariat began to grow up. The government, dismayed at its own handiwork, has lately proposed a bill for the coinage of an increased amount of debased silver.<sup>52</sup> Of this legislation, it may

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<sup>50</sup> See *Silver and Gold*, translated from the *Frankfurt Mercur*, by the writer for the *Financial Chronicle* of New York, Dec. 23, 1876.

<sup>51</sup> An article in the *Berlin National Zeitung*, March, 1875.

<sup>52</sup> See this bill, the opposition to it critically examined and the arguments against the bill refuted, in *Silver and Gold*, above cited. Mr. Bamberger maintains, in his brilliant but specious argument, *Reichsgold*, of which I shall shortly offer a translation to those in-



be safely asserted that it will in no respect improve the situation in Germany. Instead of her thalers, which before the recent legislation had a recognized bullion-value all over the world, she will find herself loaded down with 600 million marks of bullion, which have no circulation outside of her own domains, and which can only be exported at a heavy loss.

X.

I have thus endeavored to present a short, impartial sketch of the relations of Man with the Two Metals, how these relations naturally grew up, and what they have been made by legislation. As far as I can interpret the phenomena thus disclosed, the deductions fairly to be made are,

I. That gold and silver are the two, and the only two metals thus far known, to which the Creator has given those attributes, physical, chemical, æsthetic, economic, which fit them for the money required by man in his social development.

II. That the two metals have varied, do now and will always vary in their relation; that the primal variations, caused by the greater production of one to the other, are naturally and promptly adjusted, when the metals are left to themselves.

III. That all attempts by legislation "to make either of them do the work of both,"<sup>53</sup> or to control the primal variations by establishing a fixed legal rate between them, have produced secondary variations, have been futile, and have rendered the resistance of eco-

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terested in this question, that the exportability of a coin is a test of its home value.

<sup>53</sup>Mr. Goschen to Mr. George Walker, letter read at Saratoga, September, 1876.

conomic laws more serious, thereby intensifying monetary disturbances and converting monetary perturbations into financial convulsions.<sup>54</sup>

In point of fact, national legislation has proved bitterly unsuccessful. "That great Leviathan, which we call the Commonwealth or State,<sup>55</sup> whose business is *salus populi*," seems thus far to have sadly misunderstood its behest as to Gold and Silver. We are, therefore, face to face with the international problem and its proposed solutions. We can see our way more clearly now than during the excitement which obtained a few months ago. Errors and doubts are fading before facts and figures. The "sweet uses of adversity" drove men and peoples into peering through the mists and haze of the panic. Some unexpected facts became clearly visible. The "Apostacy about Gold" is passing away.<sup>56</sup> The fears of over-production of silver in America, or non-consumption by India and the East are diminished if not dissipated, and with good reason, as may be seen in the figures given by the House of Commons Committee.

The whole production of the two metals, 1852-1875, was a little more than £814 millions, of which gold was a fraction more than 572, and silver a fraction less than 242 millions. Of this 242 millions India and China absorbed nearly 200, leaving only 42 for the rest of the world to consume in 25 years; less than  $1\frac{3}{4}$  millions per annum.<sup>57</sup> Or in another way: 1849

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<sup>54</sup> Lord Beaconsfield, Nov. 19, 1873.

<sup>55</sup> Hobbes, Preface.

<sup>56</sup> I use Professor Price's words, but apply them to a different error.

<sup>57</sup> *Appendix H. C. R.* Ernest Seyd.

to 1875, 27 years, the whole gold production was 2,762 (nearly) millions dollars, 1,574 millions dollars silver—an excess of almost 1,200 millions dollars in favor of gold.<sup>58</sup> The “Silver-Panic” has of late abated as sensibly as the “Gold-Scare” did a quarter of a century ago (silver is now selling in London at 57 p. to the oz. or thereabouts), and if we could but get rid of the coercive legislation which prevents a free action of the law of supply and demand between the two metals, mankind would soon be relieved of “the destruction which walketh by noonday,” and the monetary circulation of the world would be restored to its healthy and life-giving power.

It will be readily understood from the foregoing observations that the solution commended to the attention of this Association is the third:

“Silver and gold money, Free coinage in pieces stamped for weight and fineness, exchangeable at their market values, and thus to make the ratio self-adjusting.”

This solution is the only one that seems free from objections, except such as will rectify themselves after a short experience. It is simple and scientific. It “follows Nature,” who taught Man his earliest and best relations with the metals, and relieves them from the aberrations produced by arbitrary and perverted legislation. We have seen that 15½ did not keep five franc pieces in France, nor 16 prevent dollars quitting America. The metals thus coined have all the normal qualities which the common money of account should possess. In this form they would have elasticity, abundance and utilization of supply. The minimum of variation be-

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<sup>58</sup> *Appendix*, Edward Young.

tween them would be obtained. The "parachute" of Mr. Chevalier<sup>59</sup> would be spread to its widest, and any fall would be most quickly arrested. The "reservoirs" of Mr. Jevons<sup>60</sup> would reach most speedily their common level and by a natural and not an artificial conduit. Such a coinage requires neither co-operative legislation nor Mint-Conventions, with their susceptibilities and difficulties. In fact, it seems to be that solution which yields the greatest benefit to mankind with the least variation or detriment: a metallic mechanism with the least possible friction and the greatest amount of force, of steadiness and celerity.

Nor is this idea wholly unsupported by experience and by authority. A large part of the built-up portion of the City of Philadelphia is subject to perpetual ground-rents, some of them nearly two centuries old, where payment is stipulated in Silver dollars, of fixed penny-weights and grains; and the payment or its equivalent has always been in force.

The "Trade-Dollar" has failed to fulfill the expectations of those who introduced it as coin, for the Chinese merchant taps it, tests it, weighs it and finally takes it as so many grains of silver, but not as a piece of money with a fixed value, but the demand for it proves that it does its work.

Mr. Cobden hints at this system in his preface,<sup>61</sup> to his translation of Mr. Chevalier's work, and suggests that "the relative values of Gold and Silver could be published by the Bank of England periodically under the authority of law." It was presented by Mr. Che-

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<sup>59</sup> *The Fall in Gold.*

<sup>60</sup> *Money and the Mechanism of Exchange*, by W. Stanley Jevons.

<sup>61</sup> *Fall in Gold.*

valier as the most philosophic, most natural and least fluctuating method of minting the two metals. It was the plan of the French Institute, was presented to the Corps Legislatif An. III., and again An. VI., and was the original *projet de loi* sent from the Conseil d'Etat, and was modified into the law of Germinal.

Nor are these all. Very lately, Mr. Joseph Garnier,<sup>62</sup> Senator, member of the Institute, submitted a Bill to the French Senate, embodying this system of coinage; and, as presented in the bill, it has the merits of symmetry, simplicity, and perspicuity. France, who has not vexed the human race by obnoxious monetary legislation, has assumed the hegemony of a sorely needed and grateful reform.

We were the first to strike an ungrateful blow at our own silver production. We imitated the English legislation, so disastrous to ourselves and our fellow creatures. It is true, that being a non-specie paying nation for many years past, we have done but little evil as yet. Let us hasten to follow and uphold the movement in France. I believe I am not wrong in saying that the President of this Association, so well known in both hemispheres for his contributions to Economic Science, proposes ere long to offer for our consideration, a practical mode of so doing.

Henri Cernuschi, before whose vigorous attacks, and those of Ernest Seyd and Emile de Laveleye, monometallism has lost its aggressive attitude, and is now on the defensive, candidly declares the necessity of imposing the ratio  $15\frac{1}{2}$  by the mechanism of International Conventions. But the operations of the German

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<sup>62</sup> *Journal des Economistes*. Oct., 1876.

Mint Convention were most unsatisfactory. The experience of the Latin Union is such as to deter any one from taking it as an example. How are such treaties to be framed? and by whom? If these uncertain and complicated treaties could be had, are they as desirable as coins of weight, which require no such adventitious assistance? All heavy bullion transactions are now made by weight. Mint certificates are gradually creeping into use. They will grow just as the Letter of Credit has done, for they and coins of weight are based on the nature of the metals, whose monetary value remains the same, no matter what may be the production.

Whilst penning these last lines (4 Jan., 1877), I received from Mr. Cernuschi, whose presence we have reason to expect to-day, an extract from the *Siecle* of 16 Dec., 1876. In it, he quotes approvingly Lord Lytton's<sup>63</sup> recognition of the economic axiom, that money is automatic, because money is the product of Nature and not of the State, and then proceeds to demonstrate, "that no matter what shape the metal takes, whether bars, coins, wares, or jewelry, its intrinsic value remains the same. The paying power of a particular piece of metal is in proportion to the mass in existence; the paying power is increased if the mass is diminished, the paying power is diminished when the mass is increased; but these movements in no respect touch the economic law: *that with Free Coinage, minted and unminted metal have identically the same value.*"<sup>64</sup>

"Unless this law is admitted to be an axiom," says

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<sup>63</sup> The present Governor-General of India.

<sup>64</sup> The italics are mine. This was the principle upheld by Mirabeau, *Speech of 27th Sept.*, 1790, and which underlies the French law of Germinal. The error of that law is in fixing a positive ratio.



Mr. Cernuschi in conclusion, "the discussion of an universal 15½ cannot be attempted."

These observations are a precious contribution to the argument which I have ventured to lay before this Association. They strengthen the appeal I make to you and all who desire a sound metallic mechanism, to return to Man's earliest and best relations with the Metals: to have done with obstructive legislation, and with "old wrongs redressed, old doubts removed;" to open a freer, wider sphere of action to money. And as the letter of credit, "the wagon through the air," which effected so easily and safely a change of ownership in two different masses of money in troublous as well as peaceful times, and in places far apart, has been developed into the Clearing House Certificate, which settles vast local transactions without the transfer of either money or currency; so the simple Mint-certificate may in future become an instrument of association equally effective for the transfer of international masses of bullion with the least possible displacement. With a metallic mechanism thus constituted the gifts of Providence may be best used for the progress and welfare of the human race.

Some days after the first reading of this paper, the *Public Ledger* of Philadelphia (Jan. 19) had an article speaking of the proposition for the United States to agree by treaty with Great Britain upon a gold dollar, five of which shall be equal to a pound sterling. Congress laid the resolution on the table, and the *London Times* opposed it because "monetary disturbances beyond description would arise." Whilst I fully concur in the observations of the Nestor who pens the financial articles of the *Ledger* as to the "vast labor saved

to the trade of the two countries" by a *trade coin of weight*, yet I cannot see that a treaty is necessary, nor that such a trade coin can be struck of gold.<sup>65</sup>

I will not repeat the arguments as to the inefficiency and cumbrousness of Mint Treaties, nor how the parties speedily find themselves hampered by the movements of commerce, nor will I dwell upon the infinite readjustments which scaling the dollar even so lightly as one-third of one per cent., and modifying the English sovereign would produce, nor quote authorities like the *London Economist* to show that the supply of gold would not permit it, because I find that there is a solution more practical, creating no disturbance, and ready to hand.

When one reflects over the story of exchange between Great Britain and the United States, one is rather surprised at the flexibility with which money adapts itself to circumstances. Until lately all the exchanges between the United States and England, and through England with nearly all the world, were conducted on the basis of an imaginary dollar, of 4 shillings 6 pence, authorized by an Act of the Confederate Congress, 1786. This dollar was never coined, nor was the law re-enacted by Congress after the union. On the contrary, the Act of 1792 provided for a different dollar. The computations rendered necessary by this anomalous unit grew so burthensome as our transactions increased, that lately a dollar of four shillings has been invented to take the place as the unit of exchange. Now this financial phantom is by

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<sup>65</sup> This morning's (Jan. 21) journals tell us, that for the first time the San Francisco Mint has coined no gold for the month because of the demand for trade dollars.

consent, without a treaty or without the coin in existence or even authorized by statute, this new imaginary dollar is the unit of our international calculations at London.

Why then should we not convert this phantom dollar into a useful monetary agent? If minted like the trade dollar, not as a coin, but as silver of weight, binding us to the metric system, it will soon be by force of economic law the unit of the English speaking peoples and countries, and thus silver may once more become, to use the words of Locke, "the instrument and measure of commerce in all the civilized and trading parts of the world."

THOMAS BALCH.



































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