BREAKERS AHEAD.

CAUSE OF THE PRESENT CRISIS.

FALLING PRICES AND BUSINESS STAGNATION ACCOUNTED FOR.

NO CONNECTION WHATEVER BETWEEN THE DISEASE AND THE REMEDY WHICH THE SILVER QUACKS PRESCRIBE. AN ANALYSIS OF THE SITUATION.

By DAVID A. WELLS.

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When Mr. Webster rose in his place in the Senate of the United States—January 26, 1830—to reply to Mr. Hayne, of South Carolina, and made what is now admitted to be the most celebrated speech ever delivered in this country on the character of our political system as a government, he prefaced it with the following exordium :

"When the mariner has been tossed for many days in thick weather and on an unknown sea, he naturally avails himself of the first pause in the storm to take his latitude and ascertain how far the elements have driven him from his true course. Let us imitate his prudence, and before we float further on the waves of debate refer to the point from which we departed, that we may at least be able to conjecture where we now are."

What advice could be more applicable to the present situation of the country? What could be more prudent and desirable, "before we float further on the waves of a debate" that antagonizes the interests of the people of a common country, and threatens the stability of its common government, than that we refer to the points from which we have drifted, that we may at least be able to conjecture where we are now?

ANALYSIS OF THE SITUATION.

Unquestionably the first or starting point in this inquiry is the recognition of the existence among the masses of an almost universal feeling of grievance and discontent. The second point, equally unquestionable, is that this feeling of grievance and discontent is mainly referable to a comparatively recent and universal fall in the prices of the products of labor—i. e., commodities—and stagnation of business, and a limitation of the sphere of employment for labor, which are always the consequences of falling markets.

The third point in order of importance for consideration is the cause or occasion of these remarkable price phenomena ; and until a consistent, clear and truthful answer is found, and accepted, it is of little use to speculate how the above-mentioned grievances and discontents can be remedied.

A very general and popular assumption and assertion on the part of many who claim to speak with authority and on the basis of a thorough investigation of this subject is that it has been occasioned by what is called the "demonetization" or intentional restriction of the use of silver for money, or as a medium of exchange.

The following are illustrations of utterances and assertions of this character:

The only issue of the campaign is silver. The tariff is such a secondary issue the people are not thinking about it. The trouble is not there. They want prosperity. They want to get rid of paralysis of business. The Democratic party has decided that the trouble lies in the financial system, and that the remedy is the remonetization of silver.—Arthur Sewall, Populist candidate for Vice-President, Bath, Me., July 31, 1896.

We propose to stop this fall of prices of farms and of farm products. How? By issuing two 50-cent dollars for one of gold.—Reported speech of George F. Williams, of Massachusetts, to the farmers of Vermont.

The Platform of the Chicago Convention declares "that the act of 1873 demonetizing silver without the knowledge or approval of the American people has resulted in the appreciation of gold and a corresponding fall in the prices of commodities produced by the people."

But they (the bimetallists) . . . are agreed that only a prompt return to bimetallism can check the appreciation of gold and stop the disastrous fall in prices.—Wharton Barker, July 1, 1896.

Disaster has come year by year under the single gold standard. With falling prices over the world, investment and enterprise have been paralyzed.—G. G. Vest, United States Senate, July 3, 1896.

If I understand the position of Mr. Reed, General Walker, Mr. Lodge and the Republican party correctly, it is this: They believe, as we do, that the situation of the country is disastrous in the extreme; they believe that the cause of our disasters is largely if not wholly due to a contraction of the currency caused by the demonetization of silver, and they have pledged themselves to try to correct this great evil by an international agreement to restore silver to its old place.—Speech of Brooks Adams, Esq., Boston, August 12, 1896.

Now for these assumptions and assertions there is not the slightest warrant, or a scintilla of confirmatory evidence. Mere assertions, however, in support of this statement will not do, and a demand for the most absolute proof is legitimate. If it cannot be given to the fullest and most unanswerable extent, let the jury of the great American Republic, without rising from their seats, give a verdict for the defendant.

THE PHENOMENAL FALL IN PRICES.

The proof is multiple in its nature. In the first place, this phenomenal fall of prices has been universal. It has manifested itself in all countries, whatever may be their medium of exchange—copper, silver, gold, cocoanuts, pigs or bananas, the two latter being currency in some of the South Pacific islands. The Esquimaus of Greenland, although they probably have no such word as "money" or "currency" in their language, have experienced it, because they have found out that the men who come to them in ships will not give as many coats or knives in exchange for their peculiar products as they formerly would. The Indians who gather Peruvian bark (cinchona) in the forests of South America cannot get as much as 25 per cent. of what they received twenty years ago in payment for the products of their labor. The cultivators and dealers in opium in India did not receive in 1895 for the sale of their products—mainly to the Chinese—as much by many million dollars as they did ten or fifteen years ago. If the present low price of wheat is a grievance to the American farmers, it is equally so to the Russian peasants, the Indian ryots, the growers in Argentina and Manitoba and the Austro-Hungarian producers. For the price of wheat, making allowances for variations in the cost of transportation to the great cereal market of the world, namely, Liverpool, is fixed by its price in that market, and is always the same to all competitive producers.

THE EXTENT AND CHARACTERISTICS OF THE FALL IN PRICES.

It is obvious, therefore, that the phenomenal fall of prices under consideration could not have proceeded from any local agency. The determining cause, whatever it may have been, has also not acted uniformly. In the case of a majority of the commodities that constitute the bulk of the world's trade and commerce, the average decline in price during the last twenty or twenty-five years—or since 1873—as calculated both in the United States and Europe with the utmost care from reliable data, has been from 30 to 40 per cent. Since 1891 cotton, wheat, iron, copper, wool, hides, leather and petroleum have touched the lowest prices of the century. A comparatively few articles have exhibited no tendency to decline in price, but rather the reverse. In the case of labor, the average rate of wages, or the share of product which the laborer receives, has in all civilized countries greatly increased since 1870, and has undoubtedly been greater than during any previous period in the world's history. The average rate of wages in the United States was highest in 1890, and the average rate paid to-day in this country is higher than that of any other.

A NEW PHASE OF POPULAR INSANITY.

As to the cause of this phenomenal decline in the world's prices there is a marked diversity of opinion. And in prosecuting an investigation concerning it, the inquirer will first find himself confronted with a remarkable mental rather than a material phenomenon, which seems to find an analogy and antetype in the so-called dancing madness of the Middle Ages, when many people felt obliged to dance in order to secure their salvation, namely, the "craze," as it may be legitimately termed, that has lately characterized the people of the United States in attributing all their recent or present experience of trouble and discontent to something which has befallen silver. That there is nothing exaggerated or unwarranted in this statement, is proven by the fact that nothing like it exists in any other country. There is much present disquietude among the masses of England and Scotland, but the price of silver is not popularly regarded as a factor in it. The grievances of Ireland still remain unredressed, but no Irish Member of Parliament is on record as proposing that things may be made better for his people by altering the relation of silver to the present currency that circulates in Ireland or in the United Kingdom. There is no lack of discontent among the agriculturists of Germany, but their movements for relief are centered in obtaining higher protective duties on the imports of wheat and meat from Russia and the United States, and increased bounties on the production and export of beet sugar In Austria-Hungary the predominating theme of popular interest is the relation of the State to the Jews, and not silver. In the Dominion of Canada, so alike in many respects to the United States, the interest of its people in respect to silver is mainly limited to an apprehension of evil from unwise legislation on the subject by its powerful neighbor. In short, there is not a country in the world, except the United States, where its people are even so much as dreaming of changing the existing personnel of their Governments by reason of anything which it may or may not do in respect to silver.

THE PRESENT POSITION OF BIMETALLISM.

There is a good deal of talk about bimetallism. But bimetallism is one thing and free coinage of silver another and very different thing. The former has for its object an agreement among the great commercial nations as to a common money value basis in which the commerce of the world shall be carried on. Free coinage, as advocated in the United States, has for its object the carrying on of the trade and commerce of a single country on a money basis that none of the other great commercial nations will adopt, or for a moment tolerate; and which, if adopted by the United States, will practically exclude her from the roll of great commercial nations.

Interest in the so-called bimetallism is also rapidly dying out, and will never be again what it has been, because governments are beginning to recognize that the relative future value of gold and silver when used as money is going to be determined and varied by the merchants of the world and not by legislation; and the merchants of the world are not desirous of doing anything in the matter, because they recognize that under the existing state of things the commerce of the world—domestic and international—is rapidy increasing and is greater at the present time than during any period of the world's history.

UNWARRANTED SUPPOSITIONS AS TO THE FALL OF PRICES.

APPRECIATION OF GOLD THEORY.

Granting, as every intelligent person must, that the recent universal decline in prices cannot be due to any local agency, but must be attributed to some universal influence, it is claimed that such an influence is to be found in an appreciation in the value or purchasing power of gold, owing to its limited and insufficient supply; and also that this decline in prices followed the so-called demonetization of silver in some countries, and closing of the mints of other countries to its coinage. The appreciation of gold (helped by an alleged enforced scarcity of silver) and a decline in price seem, therefore, to stand to each other in the relation of cause and effect, and the cause of the advocates of silver has accordingly at the outset much of plausibility. But plausibility is not proof, nor assumption truth, as is strikingly illustrated by the claim of the Rev. Jasper, pastor of the first colored church in Richmond, Va., that "the sun do move," and the earth "do stand still," and who has more of seeming facts in support of his faith than can be adduced by the advocates of the gold appreciation theory. For cannot everybody with eyes see the sun move up every morning in the east and move down every evening in the west? And if the earth moves nineteen miles every second, as the astronomer bugs tell us, would not every movable thing fly off its surface, as mud does from a revolving carriage wheel? And as nothing does fly off, is it not certain that the earth stands still? Investigation in the case of the Rev. Jasper and the advocates of the gold appreciation theory will, however, lead to different conclusions. It is to be noted in the first place that the advocates of the latter theory, in stating what they assert to be the truth, never express themselves other than generally. In all that has been written or spoken in support of the gold theory on either side of the Atlantic—from President Andrews, of Brown University: "Coin" Harvey, General Walker, Frederick Williams and Senator Peffer, down to that silly Englishman, Moreton Frewen—no one has ever been able to name a single commodity that has notably declined in prices within the last thirty years, and satisfactorily proved, or even attempted to prove, that such decline was due to the appreciation of gold. And the reason for such default is that it cannot be done.

On the other hand, not a single commodity that has notably declined in price within this time can be named, in respect to which clear, abundant and specific evidence cannot be adduced in proof that this declinc has been due to decreased cost of production or distribution, or to changes in supply and demand occasioned by wholly fortuitous circumstances. Nobody, furthermore, has ever risen to explain the motive which has impelled the honest sellers of merchandise all over the world during the last twenty-five years to take lower prices for their goods, in the face of an unexampled abundance of capital and remarkably low rates of interest, except for one or both of two reasons: excess of supply, or diminished demand. Has any one ever attempted to explain how it has happened that during the recent period of the fall of prices the world's stock of money, and especially of silver, has been constantly increasing? The following question, put by Professor Lexis, the German economist, to those who contend that there has been an appreciation in the intrinsic value of money has, furthermore, never been answered, namely: How is it possible that the United States, which from 1878 to 1893 issued more silver money, or silver covered notes, than all the countries of Europe had issued in a like period previous to 1893; that coins annually and mainly from the product of its own mines a large amount of gold—$43,933,000 in 1895; that maintains a circulation of 346,000,000 of legal tenders (greenbacks), issued for the purpose of collecting a forced loan for the prosecution of the war; that specially and artificially regulates the price in its own markets of not a few of the great commodities of the world by a tariff—How has it been possible that the United States, with a de facto double standard and its excess of media of circulation, has experienced as great or greater depreciation of prices than is alleged to have taken place in Europe by a maintenance of the gold standard? Is it not plain that a phenomenal decline of prices in two parts of the world, with entirely different monetary conditions, must have had other causes than a demonetization of silver in the United States, which took place (if it ever did) a comparatively short time ago (repeal of Sherman act in 1893), and which has not prevented nearly $600,000,000 of silver credit money from circulating in the country at its full nominal value? That the price of labor measured in gold has not declined but increased in a marked degree everywhere in the civilized world during the last quarter of a century has been already commented on. Hence if the purchasing power of gold has increased during this period, a given amount of it would have purchased more labor and not less; or, what is the same thing, wages would have fallen, which they have not done. Measured by the price of labor, gold has unquestionably depreciated; and recent careful examinations indicate that the ratio of its decline has been from 100 in 1873 to 83 in 1893, Measured also by the decline in the rate of interest on such established gold paying securities as British consols, the ratio has been from 100 in 1870 to 75 in 1896. Can anybody suggest a better measure for testing this issue?

Has any one ever endeavored to explain how an appreciation of gold has reduced the cost of railroad and water transportation to the extent of more than 75 per cent. within the last twenty years, although the wages of employes have notably advanced during the same period? If, on the other hand, these reductions were caused by the suppression of the free coinage of silver, will not a reversion of policy enable the railroads to advance their freight rates and rob the people, as will be claimed, by exacting 50 per cent. more than at present? And will not some supplementary provisions to the free coinage act be necessary to prevent their so doing?

TRUE CAUSE OF THE DECLINE IN PRICES.

But if the opinions popularly entertained respecting the universal decline in prices are not warranted, the question next naturally arises: What has been the true cause? All who have thoroughly and without prejudice studied the subject are agreed that it is to be found in the following facts: That man within the last thirty or forty years has attained such a greater control over the forces of nature, and has so compassed their use, that he has been able to do far more work in a given time and produce far more product, measured by quantity in ratio to given amount of labor, than ever before. How great has been the average increase or saving in the world's work of production or distribution cannot perhaps be accurately stated. But few investigators place it at less than 40 per cent., and in some great branches of industry it has certainly amounted to 70 or 80 per cent. Taking a majority of other than hand-made commodities into consideration, the saving of labor within the last thirty years has probably been equal to at least 40 per cent. in producing any given article. We have here, therefore, a natural, sufficient and non-disputable cause of the remarkable decline in prices under consideration, and also for the continuance of such decline; for prices are still falling, and the only assignable and probable reason why the decline experienced has not been greater is, that decreased cost has occasioned increased demand and consumption, which to a considerable extent has antagonized the natural tendency to decline.

This decline in prices admits of many examples of complete demonstration and illustration in respect to cause; namely, increased production by reason of improved methods or new conditions, which have resulted in decreased cost, a supply in excess of current market demand, and continuous decline in market prices. In other words, the price of any commodity is fixed simply and solely by the proportion of such articles as are produced and consumed, and prices cannot be and are not fixed in any other way.

Take, first, the market decline in the price of wheat, which typifies more than any other one product the grievance of the American farmer. The cause of this decline is the indisputable fact that more wheat has been, and is still produced, not, perhaps, more than the world wants, but more than it is willing to buy. The average annual wheat crop of the United States in the four years, 1869-72, was 244,187,000 bushels. Since 1890 the average crop has been about 570,000,000 bushels. In 1873 there was practically no wheat exported from India. In 1892 India exported 56,566,000 bushels. In 1889 the Argentine States of South America were not named as a factor to the smallest extent in the world's wheat supply. To-day they are among its greatest sources of supply, and of their surplus product exported in 1894 60,000,000 bushels. A few years ago there were but few reapers and harvesters for wheat in Russia, and hardly a grain elevator in connection with storage and delivery buildings. To-day Russia is rapidly introducing improved agricultural machinery, with the result that its annual wheat product has increased from 168,545,000 bushels in 1891 to 300,000,000 in 1894. There has also been a very marked increase in recent years in the wheat crops of Austria-Hungary and of Spain. It is impossible, therefore, to resist the conclusion that the production of wheat in the world has been increasing much faster than the necessities of the world's wheat-eaters; and that the increased production has been in the countries where wheat is produced at the least cost. In addition to these conditions, we have now the announcement that the surplus of agricultural products in Australia available for export, is in excess of the demands of the people of the United Kingdom for consumption.

The increase in the average of the annual cotton crop in the United States in the years from 1871-72 to 1889-90 was more than 100 per cent., while the increase in the population of the country during the same period was about 56 per cent. During the same period it is certain that the world's consumption of cotton did not keep up its own production. The legitimate sequel of this has been that midland cotton that sold in 1880 for 11.5 cents per pound, sells now (August, 1896) for 7⅛ cents.

A UNIVERSAL DECLINE.

Similar illustrations of what has happened to the world's products might be multiplied to almost any extent; but space will admit of but few additional citations. In 1858 the metal aluminum sold for $90 per pound. Its present market value is less than 50 cents. Copper kettles which sold in 1860 for $2.50 can now be bought for 75 cents, and this homely example illustrates the great decline which has taken place in the price of copper since

1880, i. e., from 25 cents to 10 and 11 cents in 1896, which has been mainly due to the extraordinary productiveness of American mines and new methods of mining and smelting. Pig iron sold for $50 per ton in 1873. The same grade can now be bought for $11. Between 1873 and 1892 the increase in the production of pig iron in the United States was 342 per cent. Recognized authorities state that since 1890 the world's wool clip has increased 155 per cent. Careful analysis has shown that the decrease in price in recent years of the four great raw materials of the world's industries—iron, wheat, cotton and wool—in consequence of over-supply of each of them in excess of current demand, has materially affected the market price of products (in the way of decline) whose average annual value is not less than 2,000,000,000 of gold dollars.

Again, the price of money, representing capital, has continually declined since 1871 in all gold-standard countries, in almost as great a degree as agricultural or manufactured products, and to the great detriment of a large number of good people who own a small capital invested in securities, besides carrying on some business or profession, and on the combined incomes from which they depend for a living.

In 1877 an investment of $10,000 could be relied upon for an annual income of $600. To-day the same amount of money, invested with equal security, cannot be made to yield more than $400 per annum. And for this result, which may be fairly regarded in the light of a depreciation of all property, the conceded increase in the amount of the world's capital seeking investment is clearly accountable. In contravention of this conclusion, it is asserted that "money cannot command as big interest as formerly, as borrowers are too poor in collateral to bid for it." But the fact is, that the rates of interest are lowest in those countries—like England and France—where good collaterals are most abundant.

Land unquestionably in recent years has also declined in value, due in a certain and correct sense to overproduction. The fixed acreage of the United States has not increased; but the tillable acreage has been enormously enlarged. Every railroad that has been built at the West has brought millions of acres in competition with the lands of the older States and of other countries. It is the competitive supply of cereal and animal products of the American farmer that has lowered the price of land and nearly starved the English agriculturist.

HOW PRACTICAL BUSINESS MEN REASON ABOUT THE SITUATION.

It is most interesting and instructive in this connection to note how business men generally throughout the world, though not given to much reading of economic or fiscal treatises, have instinctively, as it were, recognized the axiom that the price of any article or commodity is fixed simply and solely by the quantity proportions of such articles produced and consumed. Or, in other words, by supply and demand; and have endeavored to regulate their material interests in accordance with it. Of recent illustrations of this the following are most instructive:

The business of manufacturing whiskey in the United States has for some time past been in a most deplorable condition; and the average of its market-price, exclusive of taxes, has been reported as below the cost of production. There is no difference of opinion on the part of distillers that the sole cause of this state of things is an overproduction of whiskey; and that there can be no possible improvement in their business until the present surplus stock, amounting to many millions of gallons in the United States bonded warehouses, has passed into consumption, which will require a period of many months. Under such circumstances what have the American distillers decided to do? To obtain relief from some radical change in the coinage and use of silver? The idea does not seem to have been even so much as thought of; but all are of one mind, that it was expedient to entirely suspend distilling for a lengthened period—at least eighteen months; and it was claimed that unless this was done the present low market price of existing stocks would continue to depreciate. And in accordance with this view of the situation nearly all the large distillers in the United States have suspended operations.

In like manner the cotton manufacturers of the United States, recognizing that an accumulation of many millions of unsold yards of their fabrics was depressing the market price of the same below the cost of production, have, within a recent period, largely suspended their production.

Bicycles can be bought for about one-half the price that was charged for them a year ago. Can anybody doubt that such a result has been due to a glutted market? Does anybody think that former prices can be restored by increasing our currency?

Ask an Indian or Chinese merchant if the great decline which has taken place in recent years in the price of opium has been occasioned by any change in the money with which it is bought and sold; and if his natural politeness did not prevent, he would laugh in your face, and tell you that it was due to the circumstance that the Chinese had gone into the business and were producing nearly all the opium they required for themselves.

The American wheat-grower may as well recognize first as last that the prices of wheat will not advance anywhere in the world unless there is substantially a complete failure in the crop of one or more of the great wheat-producing countries. To represent to him that he is likely to obtain an increased price for his wheat by any change in the currency of his country is simply speculative nonsense. Senator Stewart hit it exactly when he told the American farmers in 1874, "Your wheat will be measured by the same standard—gold—in Illinois as it is in Liverpool, and any man can figure it. It is idle to talk about compromising on any other measure of value; the world will not accept it." If he produces, as he does, an amount in excess of domestic consumption, the surplus must be sold abroad, or not sold at all. If not sold out of the country and allowed to remain at home, the producer of wheat will be smothered, as it were, in his own grease. The use of a debased currency as a medium of domestic exchange may augment the nominal price of wheat in the United States, but not the price for which its producer sells his surplus abroad, which fixes the price for the whole crop. If he imagines for one moment that he is going to be richer for thus marking up its domestic price, he will be in the same box as the Scotch storekeeper who made himself wealthy by adding up the year of Our Lord in his estimate of annual profit.

SOMETHING THAT THE WORLD HAS NOT YET FULLY REALIZED.

The fact of it is that the world is confronted with the most remarkable phenomenon that has ever characterized its civilization, and has not yet fully recognized its importance, the least so, apparently, in the United States. A phenomenon sequential and in harmony with the assertion recently made by the eminent French chemist and economist, M. Berthelot, in an address before an association of European scientists, that practically more has been done for the development of man during the last three-quarters of a century than during the preceding 6,000 years. President Andrews, of Brown University, who regards free coinage in the light of a panecea for all evils, has caught glimses of the situation when he expresses the opinion that "The money question at the present time is the greatest question of civilization." But he has not sense enough to distinguish an effect from a cause, and so takes rank with an untutored Indian, who connects the death of his chief with an eclipse of the moon. Mr. McKinley, in his letter of acceptance, approximates to a clearer view when he says: "There is nothing connected with our money to account for this sudden aggravated industrial change."

There is, however, no mystery involved in this strange state of things. Its cause can be definitely traced, but the full sphere of its ultimate influence, although our recent experience is large and impressive, cannot as yet be predicted. If the ultimate result, as seems likely, is to be that mankind in general is to obtain a larger share of the essentials of a good livelihood with much less of physical effort, it cannot be other than immensely beneficial. But the transition period, still in progress, will surely be, as it already has been, disastrous to many interests. If the labor of one man will produce as much of a commodity in a given time as formerly required the labor of two or more men, then it is clear that the sphere of opportunity to labor has been greatly contracted. And that is exactly what has taken place. The bad results of this have, to a certain extent, been obviated by the increased demand for many new articles—especially of the artistic order; many new industrial appliances, higher grades of fabrics, larger consumption of certain commodities—as fruit—consequent on cheap and rapid transportation and the like. But there is no certainty how long these remedial influences will continue. Any man earning fair wages in any industrial employment will, therefore, if he understands his own interests, hesitate about demanding higher wages, or vacating his situation at the demand of some "walking delegate," when other men are waiting and anxious to take every place vacated. In conformity with this view, we have the established fact that the percentage of strikes won during the last ten years—1885-95—has steadily decreased.

THE CRUCIFIXION OF LABOR.

If labor has been crucified in recent years, it is labor that has done it! If a crown of thorns has been placed upon its brow, it is the hand of labor that has woven and placed it there. The metaphorical figure of a gold cross, although fanciful and stimulative to the imagination, is not warranted by any analogy or semblance of a reality. It finds its closest antetype in a Chinese idea that there is something supernatural behind every evil, in the nature of a dragon, that can only be scared away by loud halloaing and the beating of tom-toms. Its popular acceptance as a symbolism of reality fortifies the remark of that prince of showmen, the late P. T. Barnum, "that the American people like nothing better than to be adroitly humbugged." If labor, typified by all the material forces of nature (as it should be), is a giant, and has been crucified, the cross upon which it has been extended must be also gigantic. Consider the materials that have entered into its construction. For the foundation take first the Bessemer steel rail, which, reduced in price from $158 per ton in 1868 to $18 in 1895, has mainly enabled the Pennsylvania Railroad to reduce its cost of transporting freight from 3.76 cents per ton per mile to about half a cent per mile, thereby greatly helping to increase and cheapen the area of land available for agricultural production and competition. On this place blocks of granite and marble cut with machinery, almost as readily and cheaply as wood is cut by a knife, thereby economizing more labor. For the superstructure place the agricultural machinery, which has made the labor of one man on the great wheat fields of Dakota equal to 5,000 bushels of wheat; then the machinery for excavating soil and blasting rock, which has displaced more than 30 per cent. of former labor; then the machinery for the manufacture of boots and shoes, which has displaced labor in important departments to the extent of 80 per cent.; then the improved cotton machinery, by which the labor of one man can fully clothe 1,600 Chinamen; then the sewing-machine, the steam drill, the typesetting machine which has thrown thousands of printers out of their accustomed vocation; then the machinery for the manufacture of wall paper, where the displacement of labor in proportion to production is stated to have been in the ratio of one hundred men to one man. And in like manner the construction of the cross on which labor has been crucified can be indefinitely extended. Does anybody now desire to tear down and demolish this cross? If it can be done, there is no question that opportunities for employment will be greatly increased. Can it, however, be done? Can it be done by any legislation respecting the use of the metal silver as a medium of exchange? If it can, then the feat will find its only miraculous parallel and antetype in the throwing down of the walls of Jericho by the blowing of rams' horns. If it can, the result will be a turning back of the world's recent record of civilization.

ORIGIN OF THE SILVER CRAZE IN THE UNITED STATES.

It is desirable at this point to go back and trace out the origin of the present remarkable excitement in the United States about silver. The one man more responsible for it than any other is Mr. John P. Jones, present United States Senator from Nevada, by birth one of that race (Britishers) to which popular opinion in the United States is wont to attribute everything hostile to this country; a man, however, of unquestionably great ability. At his first entrance into public life, in 1873, Mr. Jones, with his present colleague, Senator Stewart, was an uncompromising friend of the gold standard, and declaimed in the Senate in favor of gold, as "the custodian of commerce," "the most potent agent of commerce," "common denominator of values." He also claimed and was probably entitled to the credit of having been mainly influential in inducing President Grant to veto in 1874 a bill for the inflation of greenbacks; and spoke of having made the necessity of so doing to the President "as plain as a goat's tail going up a hill." In a debate in Congress in 1874 Senator Stewart said:

"I do not care how much you discuss it, or how many resolutions you pass, they do not make any difference; you must come to the same conclusion that all other people have—that gold is recognized as the universal standard of value. It is the measure that must be used. It is the measure by which wealth must be tested; and whether it be pennies or millions matters not, it is the measure that must test all wealth."

About the same time these gentlemen, in connection with the other Pacific Coast Senators, passed an amendment in the Senate making gold coinage free. Mr. Jones was also at the time an ultra free-trader, and more than once bantered the writer with not being sufficiently progressive in this direction. Subsequently Mr. Jones experienced a change of heart, and became—as did Senator Stewart—an opponent of the gold standard and an ultra protectionist. How was this remarkable change of sentiment to be accounted for? Men of brains and education who have adopted creeds in religion or opinions in economic matters on principle, do not all at once completely reverse their opinions and adopt those diametrically opposite without some powerful motives.

The explanation in the case of Mr. Jones and his business associates does not seem to be attended with any difficulty. They had become largely interested in the mineral resources of their State, especially silver mining, and were reported to have accumulated great wealth from their investments. As a shrewd business man, he naturally looked out sharply for his business interests. He early saw, what others failed so promptly to see, that the production of silver in the world—and especially in the United States—through improved methods of mining, refining and transportation of ores, was rapidly increasing. He doubtless foresaw what the world now knows, that the world's product of silver, which was 61,000,000 ounces in 1873. would become 165,000,000 ounces in 1895; that its market value of $1.30 per ounce in 1873 (reckoned in gold) would dwindle to 65 cents in 1895. What it now costs to produce silver no one accurately knows. The celebrated "Broken Hill" mines of Australia yielded last year—1895—over 10,000,000 ounces of silver at a total reported cost of about 40 cents per ounce; and good authorities report that some of the American mines turn out millions of ounces at the present time at an equally low figure. With such an aspect of the future, it did not require any great measure of business sagacity on the part of Mr. Jones and his silver-mining associates to foresee that this prospective great increase in the production of silver would impair its market or bullion value, and diminish the profits of mining, and that something must be done to avert such a contingency. As the world had then, as it has now, a sufficient supply of all the silver it needed in the arts or as an instrumentality of exchange, any attempt to make its use more extensive did not seem feasible. An imposition of heavy protective duties on the import of silver was also not available, because the country was an exporter rather than an importer of silver.

A CLEVER SCHEME.

They accordingly hit upon the following ingenious plan—that the Treasury of the United States should be required to buy so much of the surplus produced by the mines of Mr. Jones and his associates as would tend to maintain the price of silver and consequently their enormous profits, or at least prevent any further decline in them. They therefore induced Congress to require the Government to buy at least two million dollars ($2,000,000) worth of silver bullion each and every month, the total production of all the silver mines in the United States being at that time about three millions per month. The Government consequently at once made a market for about two-thirds of all the product of this industry, and under this act the Treasury did buy $378,165,000. This device to keep up the price of silver did not, however, work as its originators expected it would at the time it was put into operation, and for the reason that the world's annual output at the time of its enactment—namely, 73,476,000 ounces, with an average value of 1.152 per ounce, had reached 120,213,000 ounces per annum in 1889, while its price had fallen to .93 per ounce. The device was accordingly reconstructed, and in 1890 the United States Treasury was required to buy 4,500,000 ounces per month, and under this law, which was repealed in 1893, the Government purchased 168,647,682 fine ounces of silver at a cost of $155,930,000. In virtue of these two acts the United States Treasury purchased 496,984,889 fine ounces of silver at an expenditure of $508,993,974, and of this large amount $513,000,000 remained in the vaults of the Treasury on the 1st of September, 1896, entailing a burden of taxation on the people of the United States of at least $15,000,000 per annum, to say nothing of the loss on its purchase-price if the vaults of the Treasury should be opened and its store of silver be allowed to flow out for sale at current bullion prices (which might be as low as 25 cents in gold) per ounce.

The attention of the people of the United States has not been sufficiently directed to the character of these measures. They were indisputably an application of the protective principle in a most offensive, costly and unpractical form; one which no intelligent advocate of protection would countenance. It was an interference with the principle of industrial freedom that no civilized nation, not sanctioning human slavery, has ever attempted to exercise. It was an unprecedented departure of the Government from the sphere of purpose for which it was instituted, namely, by buying and withholding from the market the largest portion of the product of one industry, with the object of increasing the price of its unsold remainder to a multitude of consumers and enchancing the profits to a small number of producers. And yet those former distinguished advocates of free trade, Messrs. Vest, Jones (of Arkansas), Blackburn and Mills, have walked into the trap and closed deliberately forever (it is to be hoped) the door after them. For no audience of American citizens who are free traders from principle ought ever hereafter to give to any one of them a respectful hearing.

If the principle of the purchase and hoarding of a portion of the industrial produce of the country with a view to raising its price and so benefiting its producers is correct, why was it only made applicable to the comparatively small but notoriously profitable industry of silver mining, the managers of which are reported to be millionaires? Why is it not made applicable to other commodities, the producers of which had far greater claims for National consideration than silver—cotton and wheat for example, in comparison with the annual production of which that of silver is insignificant. A small rise in the price of these commodities or even a guarantee against the unusual decline in their prices, would have benefited a much larger number of needy producers. Copper leads silver in the value of its annual product by about seven millions; building stone by four millions, coal by over one hundred millions; while potatoes, which have recently hardly commanded a price sufficient to pay for digging, exceed silver in the value of their annual production by more than ten millions. The Government in days past has done a great deal to maintain the domestic prices of pig-iron, the annual product of which is worth very much more than our domestic product of silver; but the advocates of protection never proposed to buy pigs of iron and stack them up unused in the vaults of the Treasury for the sake of benefiting the iron industry. The entire market value of the silver product of the country is not sufficient to pay the legal interest on the total value of its other mineral products.

QUESTION AND ANSWER.

When the question was familiarly put by the writer to Senator Jones, shortly after his remarkable economic conversion, why he had changed from an ultra-free-trader to an ultra-protectionist, his answer was: "Don't you see it, David? How could I ask the Government to regularly purchase our product of silver and refuse to give the iron manufacturer in Pennsylvania the tariff protection which he needs to maintain his prices? Let Congress discontinue the purchase of our silver and you will see how ultra a free-trader I will soon again become." And the threat is evidently in the process of consummation, when the advocates of free coinage in the Senate—including Senator Jones—announce that no revision of the tariff in the interest of protection shall pass Congress which does not provide for free coinage of silver.

The above two devices for the benefit of the millionaire mine owners having completely failed, they have now devised a third, more subtle and ingenious, which has captivated and beguiled no small part of the American people—namely, the so-called free coinage of silver, with the legal-tender attachment. Under such a policy—once adopted—they could force the public to buy, at an artificial and extravagant price, not a part, but the whole of their annual product of silver. For they could take it—costing 30 or 40 cents per ounce—to the mint and have it coined, and then virtually sell the resulting coin to the public at the rate of 100 cents per ounce for the liquidation of debts and the payment of wages.

It is difficult, therefore, in the face of such indisputable facts, to resist the conclusion that this whole silver agitation, which, as before shown, is not manifesting itself in any like degree in any other country, is the result of a rascally conspiracy of the silver-mining magnates of the West and certain politicians whose aspirations are centred in the attainment of office and spoils. The exactions of the former further to increase their great fortunes have already cost the Government and the people of the United States thousands of millions of dollars. If no silver mines had ever been discovered in this country, or, if discovered, the Government had bought and closed them up, there never would have been any silver agitation in the country.

Have there ever been such selfish and unpatriotic schemes palmed off in modern times on the people of any country? Ought not every sensible American citizen that has given, or is still giving, aid and countenance to such a scheme, to blush for the disgrace and loss which it has entailed upon his beloved country and its Government?

THE GREAT AND ALL-IMPORTANT QUESTION BEFORE THE COUNTRY.

The great and all-important question at present before the country is not what shall be done with silver, the craze concerning which has been founded on a wicked and selfish device of the American silver mine owners, and which finds no parallel in history except the "George Law" scheme in France in 1716, which proposed to enrich everybody by the issue of paper currency based on the predicated profits of a company for trading with the East and West Indies, and which resulted in immense losses to the people of France and a complete wrecking of the finances of the State. It is not the appreciation of gold; it is not bimetallism and international conferences and agreements on the subject, which are less likely than ever to take place, because the world is beginning to recognize that its merchants will never accord, except to a most limited extent, to the money metals any basis for exchange other than the market price of the bullion they contain; and also because the trade and commerce of the world is increasing, is likely to continue to increase, and is now greater than ever before without the so-called bimetallism. It is how shall the people of the United States find a market for the surplus products of their industries, which surplus, through their ingenuity, and natural resources, is comparatively larger than in any other country, and is sure to increase. The surplus must be sold abroad, or not sold at all. Three-fourths of such surplus is the product of the farm, of which $628,000,000 (gold valuation) was sold in foreign markets in 1894. No increase of protective duties on grain, cotton, meats and the like will appreciably help the American farmer, and their adoption elsewhere can only hurt him. The American producers—especially the American farmer—must be prepared to meet the competitive prices of the producers of other countries or go out of international business. The first step in the way of improving the business condition of the country is to discover and remove all artificial obstacles which obstruct trade which it is in the power of legislation to deal with and remove.

AN HONEST FREE COINAGE ARRANGEMENT.

The greatest obstacle at present in the way of business betterment is the position of silver and its assumed relation to prices and the currency; and this of all obstacles is the easiest to remove if the American people will only trust to their common-sense and abandon unwarranted prejudices. But how? Answer: By free coinage of both gold and silver. What then, it may be asked, do you propose as a remedy, more of the hair of the same dog that has bitten us? Yes and no. Let it be lawful for every one to bring any amount of gold or silver to the mints. Let them, at reimbursement of the slight expense of coining, be put in the form of existing coins. Let each coin bear on its face the Government certificate of its true weight and fineness. Then each would circulate and be full payment when tendered in settlement of purchases, debts and contracts, at its market value. What more can be rightfully asked? What would be the condition of the world's business if it were attempted to transact it on any other basis? If silver has been demonetized it will be remonetized and have every privilege extended to it that has ever been given to gold. If more than the existing amount of silver at any one time in circulation is needed, it can be speedily increased to any extent without further action of the Government.

But this proposition is not likely to be accepted, and the demand will be that each coin issued by the Government shall have attached to it the legal-tender quality. But let every intelligent American citizen, before he gives final judgment on this point, acquaint himself fully with the meaning of legal-tender. Going back to the Middle Ages, we find it had its origin with the early English and French kings, who debased their coins of gold and silver, and then, in order to compel their unwilling subjects to take them at an artificial and wrongful value and thus rob them, attached the legal-tender quality. Thus, born in fraud, it has continued, with very few exceptions, to be a fraud; and any man who advocates the retention of the legal-tender quality to enforce the circulation of money and its use in the payment of debts in a ratio less than its market or true value, makes himself a party to fraud. The only exception to its fraudulent use is a proper provision of law, that, when in buying and selling commodities or services, no stipulation has been made in respect to payments, the Government may properly name, for the purpose of avoiding disputes, something which shall be a legal tender; and when token or subsidiary money is used for convenience in the settlement of small transactions, it shall be legal tender in making payments to a very limited extent—say, $10. In short, the tendency to the world's experience with money is that the duty of Government in respect to coinage shall be confined simply to weighing and stamping. Silver will then continue to be in great and constant demand for subsidiary use and coinage: and the experience of Canada, Scotland and Germany has shown how the people of the United States can have and use with safety all the paper instrumentalities of exchange that they want or need.

ANOTHER GREAT OBSTACLE THAT BLOCKS THE WAY OF THE NATION'S PROSPERITY.

The removal of a second great obstacle in the way of business betterment in the United States will be effected by a better popular recognition than now prevails respecting the nature and functions of money. Notwithstanding the vast amount of writing and talking on the subject, the great mass of the American people do not understand this subject, and a brief word may be here pertinent, even if the writer may expose himself by more talking to a charge of conceit and egotism.

All trade and commerce is the exchange of products or services, and no exchange in the sense of buying or selling is ever perfected except by the giving or paying an equivalent in products or services. Unless all conclusions based on economic experiences are false, unless we are entirely mistaken in supposing that men in their individual capacity and in their capacity as nations, are always seeking the most satisfaction with the least labor, we must assume that men and countries produce and sell their goods and services to one another for the most they can get in other goods or services, regardless of the kind of money their neighbors or themselves use. A silver currency does not give any additional strength to the Hindoo ryot; nor does it increase the fertility of his soil, or add to the number of inches of his rainfall; nor does a gold currency detract in any way from the capacity and resources of his rival, the American farmer, nor does the difference in their respective currencies affect the judgment of the buyer of wheat in Liverpool. Is any single factor in the elements of production and transportation by which alone the terms of competition are settled, changed by the currencies of the several countries or the mutations thereof? No mutations were ever more sudden or violent than those of the currency of the United States during the Civil War. They were not without their effects; but the effects were not of a kind to change the terms of competition in international trade.

A promise to pay is not payment; neither is it true money. It is a medium for facilitating exchanges, subserving a like purpose as grease on machinery, or as wheelbarrows, carts, boats, railroads and ships, though in a greater degree. As a medium of exchange it owes its efficiency to two qualities. It must have credit behind it and the provision of legal tender. What is credit? An assumption on the part of the seller that the buyer is both willing and able to pay with what constitutes real payment. What is legal tender? As before shown, it is a legal provision that the creditor shall accept a method of payment whether he will or not. True money is always a commodity, or real property, and its tender will always be accepted in payment of a debt, to the extent of its recognized market value—the true test for all commodity prices.

But some may say if these conclusions are warranted and true, then the Federal Government during the war was practically without money, and that is a reductio ad absurdum. Let us all pull our critics and ourselves out of this pit. Apart from the true money—gold and silver—which the Government derived from its duties on imports and applied to the payment of interest on its bonds and for the payment of war material from other countries, it never did have any money. What would have become of the bloodstained, battle-scarred greenbacks if the Federal Government had not won its cause and preserved the Union? We find a definite answer in what happened to the Confederate paper money. At the outset, when the success of the Confederate cause seemed probable, its value was considerable. When the fall of the Confederacy was certain the value between a true dollar and the Confederate promise to pay a dollar was as 1 to 5,000. If the cause of the Union had not triumphed, the much-lauded greenback would not be worth the paper it was printed on. If the war had been prosecuted on the basis of sound money, as it might have been, then if the Union and Federal Government had been utterly ruined the value of the true money would not have been impaired in the slightest degree.

ONE CERTAIN RESULT OF POPULAR FREE COINAGE.

A word in conclusion on the present speculative question as to what would happen to the United States in the event of free coinage with the legal-tender provision. There is nothing that more signally marks the inferiority of a country than a debased currency, and no country can grow rich in competition with other countries by reason of such inferiority. There is not a silver country in the world in which the laboring man does not receive a much lower rate of wages than in any gold country. Any impairment of the instrumentalities for effecting exchange impairs trade and business. If wagons were substituted in place of railroad cars for the transportation of wheat, not a bushel of wheat could be sold out of the country; for the cost of transporting wheat by wagons over good roads for a distance of 125 miles would entirely exhaust its value at the point of its production. The impairment of our currency as a medium of exchange by the creation of doubt as to its value in the settlement of contracts of debts, and the cost of insurance against possible loss to buyers, would operate in a like manner. When the entire business of the country—domestic and foreign—is taken into account, a difference of fractions of cents would, in the aggregate, represent millions of dollars. A difference of a few cents in the price of a bushel of wheat may mean profit or loss to a whole year's crop. Certainly this is not the time to try currency experiments.

There is nothing more nonsensical than the plea put forth by advocates of an enlarged silver coinage, that the volume of money determines prices and the activity in trade determines the volume of money that can be properly used. Trade creates money. Money does not itself create trade. Credit in trade is as valuable as cash, and is much cheaper. The best proof of the absolute truth of these assertions is to be found in the fact that although the volume of currency in the United States has been increasing ever since the alleged demonetization of silver—from $752,000,000 in 1873 to $1,601,000,000 in 1895, or from $17.16 per capita in 1875 to $22.93 in 1895—prices all this time have been generally declining; or this other fact, that while during the last twenty-five years the volume of trade—domestic and foreign—of Great Britain has greatly increased, its volume of money has not increased to any appreciable amount.

CONCLUSION.

The following words spoken by the Hon. Thomas F. Bayard in the Senate of the United States during the financial panic of 1873, have much that is pertinent to the present embarrassed and disturbed condition of the country: "I do not think," he said, "that it is in the power of any man or party instantly to relieve the country from the financial embarrassments that are now upon us. Time must work relief. Wise laws will greatly assist and hasten the returning prosperity, which, when it comes back, should rest upon a sound basis. That is all that wise laws can be expected to do. You cannot suddenly make a nation prosperous, or cure the ills of extravagant, corrupt, or reckless administration. All you can do is to get the Nation upon a path of economy and honesty, then gradually prosperity may come again."

Norwich, Conn., September 4, 1896. DAVID A. WELLS.

[*From the New York Tribune of September 7th, 1896*].