HISTORY OF THE GOLD STANDARD.

[Address by Mr. Horace White, Editor of The New York Evening Post, at the National Currency Convention, Omaha, Neb., September 15th, 1898.]

(Concluded).

meet its obligations, or if it could be coerced when it is not willing. But we have seen that in a most critical time the government was neither prudent nor willing, and that it could not be coerced.

SECOND $50,000,000 BOND ISSUE.

The $58,000,000 paid in by the banks carried the government along for six months. In August, 1894, the gold reserve was down to $52,000,000, and although the balance of trade was largely in our favor, gold was going out of the country rapidly. Foreigners who had capital invested here were calling it home as fast as they could. They had become thoroughly frightened by the prospect of depreciation of the currency. The deficit was running on, and the gold was running out. Secretary Carlisle again procured $15,000,000 gold from the banks in exchange for legal-tender notes, but that was a mere trifle. Another sale of bonds became necessary, and it was forced upon the New York city banks in the month of November to the amount of $50,000,000, which realized $58,000,000.

This second loan, far from allaying the excitement, increased it. The public, on both sides of the water, were now thoroughly alarmed. They believed that the government would not be able to continue payments long, and so they rushed to the Treasury to get gold while the supply lasted. They began to draw it out by the presentation of notes, at the rate of $1,000,000 per day. It soon rose to $3,000,000 per day. By the 1st of February, 1895, the reserve was down to the lowest point it had ever reached, being a little more than $40,000,000. It was commonly expected that the Treasury would suspend within a day or two, and while everybody was waiting with bated breath for that event, news came from Washington that the president had made an arrangement with a syndicate of American and foreign bankers to provide the Treasury with 3,500,000 ounces of gold coin, equal to $65,117,500; that at least one-half of this gold should be brought from Europe at the rate of 300,000 ounces per month, and that the syndicate should "exert all financial influence and make all legitimate efforts to protect the Treasury of the United States against the withdrawals of gold pending the complete performance of this contract." The bond deliveries were to be made pari passu with the payments, and the terms of the contract allowed six months for its entire fulfillment. This signified that besides replenishing the Treasury the syndicate had undertaken to stop the export of gold for six months, or to use all their financial powers to that end. This was a very strange undertaking, but the public believed that the syndicate could do it.

THE BOND SYNDICATE TRANSACTION.

I believe that the secret history of the transaction is something like this. The president was told that another sale of bonds by advertisement, supposing that it could be effected at all, would require at least two weeks' public notice, and that, meantime, the Treasury would have suspended payments with all the frightful consequences implied thereby. The assistant treasurer in New York had, in fact, notified the secretary that he could not hold out more than two days longer as things were then going. President Cleveland did not believe that he had legal authority to sell bonds in any other way than in pursuance of public advertisement and competing bids, and he so announced to all who talked with him. Just as the last conference on the subject was on the point of breaking up somebody drew attention to a clause of the revised statutes which reads as follows:

"The secretary of the treasury may purchase coin with any bonds or notes of the United States authorized by law, at such rates and upon such terms as he may deem most advantageous to the public interest."

This law had been passed in 1862 during the Civil War. It had been reenacted as a part of the revised statutes in 1874. So there could be no doubt of its continued validity. The secretary of the treasury—as good a lawyer perhaps as the country contains—was as much surprised as anybody when this statute was placed before his eyes. He was not long in coming to the conclusion that public advertisement of bonds was not an absolute requirement, and that he had full authority to execute such a contract as he deemed advantageous to the public interests. Nevertheless the attorney-general was called in, and when his opinion was found to coincide with that of Mr. Carlisle, the president declared that his scruples were removed and that the bond syndicate's proposal might be accepted. The proposal was an alternative one. A 3 per cent bond would be taken at par if made payable in gold; otherwise the rate would be 3¾ per cent. As congress declined the former offer the latter was accepted. There was much objurgation among public men and editors who desired that the government should suspend payments, and also among those who did not so desire, but who hoped, for partisan reasons, to bring discredit upon the Cleveland administration. But we will leave those bygones to take care of themselves.

The bond syndicate managed to protect the Treasury and prevent the withdrawal of gold from it during the term of their contract. They even contributed $20,000,000 in gold in exchange for legal-tender notes, after the termination of their contract, but the drain upon the Treasury was soon resumed, although not in any large amount until December, 1895, when President Cleveland sent his Venezuela message to congress. A panic ensued, the exportation of gold was resumed on a large scale, and a new issue of bonds became necessary. This time the amount was $100,000,000 and the sale was effected in January, 1896. The amount realized was $111,166,232.

NET CASH RESULTS OF GREENBACKISM.

Thus, in the short space of two years the government increased its bonded debt by the sum of $262,315,400, in order to keep good its promise to redeem its legal-tender notes. It had previously issued $100,000,000 of 4 per cents for the same purpose. As the greenbacks are only $346,000,000 in amount, it appears that the government has incurred an interest-bearing debt on account of them $16,000,000 larger then the whole sum outstanding, and still owes them, besides throwing the whole business of the country into blind staggers in the operation. If the trouble had been merely a shortage of revenue, congress would have applied the remedy promptly. It was precisely because the currency question, and the standard of value, and party interests were involved in it that members of congress would do nothing except embarrass the executive, bandy words with each other, and let the treasury go to smash.

Now let us see what has been the net cost of the greenbacks to the government, since specie payments were resumed in 1879. If at that time the government had issued $346,000,000 of 5 per cent ten-year bonds at par, as it might easily have done, and had redeemed the greenbacks with the proceeds, it would have paid in interest up to their maturity the sum of $173,000,000. The principal of the bonds being the same as that of the greenbacks, and both being debts of the government, the one balances the other. Now let us see what the government has actually paid or obligated itself to pay.

Interest on $100,000,000 at 4 per cent for thirty years,	$120,000,000
On $50,000,000 at 5 % for 10 years	25,000,000
On $50,000,000 at 5 % for 9 years	22,500,000
On $62,315,400 at 4 % for 30 years	74,778,480
On $100,000,000 for 30 years,	120,000,000
	$362,278,480
Deduct interest on $346,000,000 as above	173,000,000
Net loss on greenbacks	$189,278,480

But that is not the entire balance against greenbackism. The principal of the bonded debt incurred on account of them is $362,000,000, or $16,000,000 larger than their entire sum, which, added to