

State Historical Society  
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# WEALTH OF THE WORLD MAKERS

IN THE SWEAT OF THY FACE THOU EAT BREAD IF ANY WILL NOT WORK NEITHER LET HIM EAT

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## GERMAN SILVER MEN.

Declaration of the Bi-metallist Members of the German Silver Commission.

TRANSLATED BY E. B. ANDREWS.

Appendix to the Record of the Twenty-First Session—By German Thinkers and Scholars of Note.

Reprint from The Review of Reviews

[The following document, no part of which has heretofore found its way into our newspapers or into any English translation, is regarded by President Andrews as one of the most telling and weighty summaries of the case for bi-metallism that has ever been made. Its authors are German authorities and scholars of high standing and great learning, and it will have many points of interest for American students of the monetary problem.—EDITOR OF THE REVIEW OF REVIEWS.]

The undersigned, members of the German Silver Commission, believe themselves compelled to draw from the course of the commissioner's proceedings the following conclusions:

### INCREASED PURCHASING POWER OF GOLD.

1. We consider it proved by science and experience, and partly, in fact, by the admissions of prominent adherents of the sole-gold standard, that the power of gold to purchase goods has risen since the general extension of the gold standard (1873) is still rising today, and must continue to rise.

Our grounds for this belief are:

1. The rise in the purchasing power of gold, that is, the general fall in the price level of commodities, was predicted by the well-known monetary writers, Wolowski and Ernst Seyd, in 1868, before the introduction of the gold standard. This prophecy was repeated later by E. de Laveleye and Carey. Even Dr. Lamberger said, in the session of the Reichstag May 20, 1873, according to the stenographic report: "On the contrary, gentlemen, I fully agree with one of the speakers who have preceded me, that a greater demand for gold will result from our gold policy and the similar policies adopted by other countries. Gold will then rise, and a consequence of our currency reform will be that prices with us, if we once go over to the gold standard, will decline." Robert Giffen, recognized as one of the best authorities of the gold-standard party, declared in 1888: "If events are the touchstones of prophecies, no prophecy was ever more certain than the increased dearness of gold. That the fall of prices throughout a compass so general as that in which we now see it falling is to be referred to an elevation in the purchasing power of gold is generally, and I might almost say universally, admitted."

2. The attempt to refer this lowering in the general level of prices to other causes, lying outside the coinage system, for instance, to cheapening and improvement in means of communication, to the perfecting of processes and machines for the production of goods, etc., must be considered a failure, for the reason that the same causes were present in the same strength during the twenty-year period before 1873, though at that time there was observable a gradual elevation in the prices of goods in general; while, since 1873. That is since the beginning of the fall in the gold price of silver through the introduction of the gold standard in Germany, a sharp and permanent lowering in general prices has come in.

Moreover, the industrial development referred to is at present specially strong in the lands having the silver standard, yet without inducing any fall of prices there. This is a direct proof that silver has not lost in value, but merely gone down in its gold price, and that, therefore, the fact which confronts us is simply an elevation in the value of gold.

3. The objection that many things, as city rents, securities, and, most of all, wages, have increased in price is without weight, because in all these things powerful special factors have been influencing prices. City rents must advance so long as the population of the country continues to be drained away into the larger towns, evoking a permanent increase in the demand for houses. Securities advance in accordance with the increase in the purchasing power of the income which they yield. The prostration of the

productive industry lessens the demand for capital for productive purposes and increases the demand for those securities whose interest is certain to be paid. Wages rise with the elevation of the standard of life in the different classes of the population, although the full satisfaction of the demand thus originated is made possible by the bad industrial position of employers. The social bitterness proceeding from this unsatisfied demand is mostly a result of the pressure with which a bad coinage system afflicts the entire life of industry.

### RESULTING EVILS.

II. The advance in the purchasing power of gold, proved in our judgment beyond refutation, brought about by the disuse of full silver money and the adoption of a gold standard, has demonstrably produced the following industrial evils:

1. An incessantly heavier and heavier burden is falling on the debtor in favor of the creditor. In respect to this Archbishop Walsh, of Dublin, remarks: "A great part of the capital employed in the business of our land has passed into the hands of creditors who have neither toiled nor spun, but hold securities and mortgages. The discouragement caused by this state of things is very deep. After it has continued a number of years a sense of hopelessness masters the entire business world; all desire to undertake business enterprises is paralyzed; a multitude of establishments are closed; the laborer is forced out of work; and laborers as well as the whole middle class of the population are made to feel that a great misfortune has come over them. The result, in fact, reaches still further; a crowd of people who were once well-to-do in business have now become recipients of alms."

2. This injury to the debtor must at last involve the creditor, since the debtor is becoming unable to pay.

3. A set-back to German agriculture is manifest, referable, on the one hand, to the necessity of selling a constantly increasing amount of depreciated agricultural products in order to pay wages, interest, rent, leases, taxes; and, on the other hand, to the increased power of competition on the part of other countries, silver countries, that is, and countries on a money basis of depreciated paper. In proportion as their silver or paper losses in power to buy gold, these countries enjoying in effect a high export premium, are able to throw their native products upon the world's markets at prices far beneath what it costs German farmers to produce them, so plunging these latter in deep distress.

4. The demonetization of silver is also working a more and more visible injury to German manufacturing industry:

(a.) On account of the ever-lessening ability of the farmer class to purchase manufactured products.

(b.) On account of the decreases in exports to silver lands and of the consequent recoil upon the home market of the articles hitherto exported thither.

(c.) On account of the competition offered by the rapidly developing manufacturing plants of silver lands, favored by the low cost of production there and by the premium upon exportation therefrom produced by the fall in the gold price of silver.

Unless means are taken to prevent, it will not be long before the manufactured products of the silver countries will find the German market. To import Indian yarn into Germany is already a paying operation.

5. A suppression of the desire to engage in industry is the natural result of falling prices. Instead of being applied to undertakings that are for the people's economic advantage, capital seeks investment in securities considered certain to pay interest. Lower rates of interest result. In order not to suffer from this, uncertain foreign securities are purchased, occasioning a heavy loss of German capital, especially bad for small investors.

6. Capital cannot permanently keep clear of the injuries which debtors suffer, nor can it remain unaffected by the falling off of production. Obligations made payable in gold lead to the bankruptcy of individuals, as well as of States (Greece, Portugal, Argentina.)

7. Constantly increasing difficulty begets countries which are financially involved by having gold debts to pay. Instead of being able to reduce their finances to order, they are confronted with an increasing agio upon gold, and also, corresponding to this, with an in-

crease of the premium upon the products which they export. This exportation, moreover, is to the disadvantage of the manufacturers and the agriculturists of the lands having the gold standard.

8. There results a permanent injury and exhaustion of Germany's silver mining industry, which cannot be normally carried on at the present prices of silver. But as silver mining ceases there also ceases in great part the production of copper, lead, zinc, etc. In this way many millions are yearly lost to the income of the German nation; many thousands of laborers are deprived of bread; entire districts of Germany are ruined.

9. A falling off amounting to billions is taking place in the value of the nation's land and soil, threatening particularly the agricultural districts of the eastern provinces; while the growth taking place in the great cities and manufacturing centers is going on in an unhealthy way. Increasing discontent is overpowering the population, showing itself in the progress of socialistic democracy and also in the anti-Semitic movement, which E. de Laveleye foretold as a result of introducing the gold standard.

10. The depopulation of the rural sections means a weakening of the German military power. In case of war, our financial preparations are entirely unsatisfactory. That other countries are quite as badly off as we in this respect affords no satisfaction.

11. The fall in the gold price of silver severely endangers our monetary circulation. We have in circulation nearly a billion marks [face value] in thalers, small silver pieces, nickel and copper money, whose bullion value in all hardly exceeds 400 million marks. This condition gives rise to a double danger—viz.: That our monetary system may break down at critical times, and that counterfeit full legal-tender silver coins may be circulated, indistinguishable from those struck at the public mints, a process, at the present low gold price of silver, affording counterfeiters enormous profits. It is known that vast quantities of counterfeit issues are already in circulation in other countries.

12. All these evils lead every now and then to crises, which disturb business by raising rates of discount, resorted to in order to protect gold, which all banks anxiously do, for the most part withdrawing it from commerce by an embargo.

13. Beyond all question we have to anticipate a still more acute development of these evils. All the silver countries must try to place themselves on the gold basis of Germany and the rest of the great powers hold fast thereto. Modern commerce cannot permanently endure a difference in basal moneys, the separation of the world into gold countries and silver countries. But any further extension of the gold system must, as Goschen predicted so early as 1878, lead to a business crisis such as the world has never yet passed through.

### ADVANTAGES FROM DEMONETIZATION OF SILVER.

III. Nothing but a restitution of silver to its former coequality with gold as a monetary metal can bring the needed relief.

We promise ourselves the following benign results in case of such restitution:

1. The persistent fall of general prices would cease, the prices of all products would again be determined in a normal way, and agriculture and other industries would flourish anew.

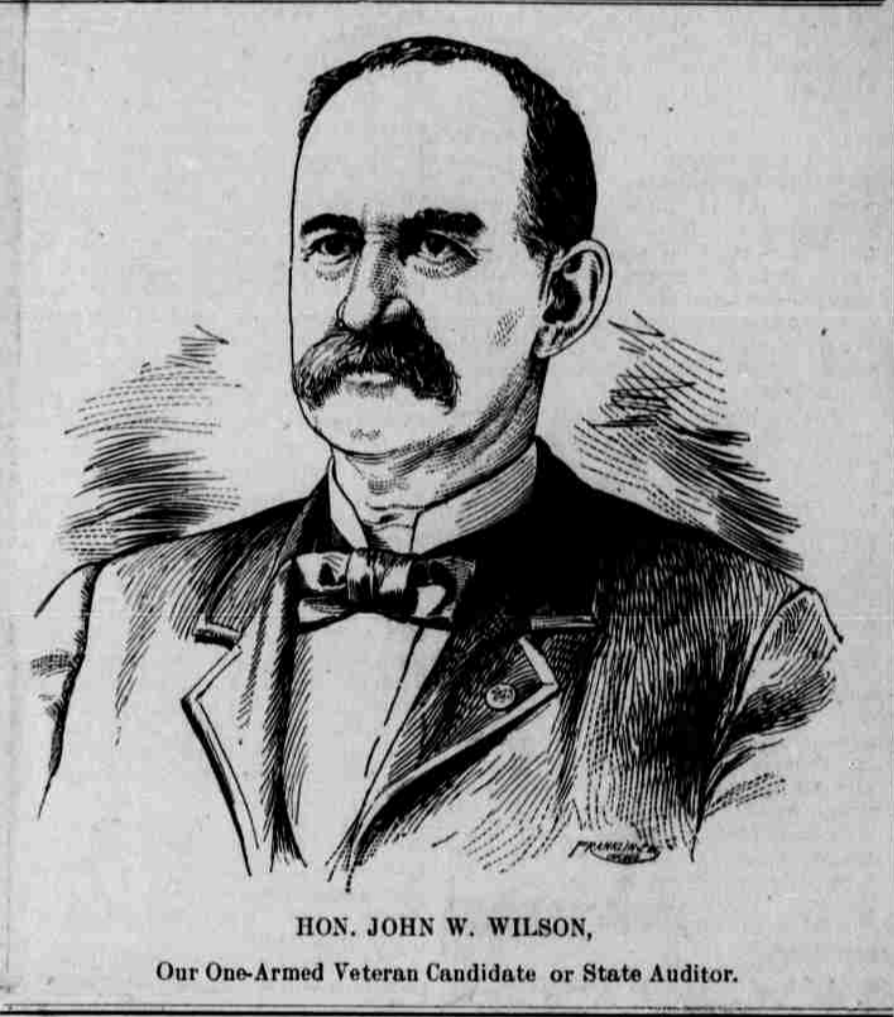
People's fears touching money depreciation, inflation, and injury to creditors, supposing silver to be restored, rest upon exaggerations. International free coinage would at most leave barely enough excess of gold and silver over the industrial demand to keep pace with the increase of business and population and with the constant addition of new countries to the civilized portion of the world. The precious metal production with which we now have to reckon is, in fact, proportionally to the various demands which would be made upon it, very much less than that of the fifties and the sixties which then brought rich economic blessing and did no injury whatever.

2. When prices rise, both the impulse to undertake industrial enterprises and the rate of interest also rise, working an advantage to capital which fully makes good any possible diminution in the purchasing power of money. Public income swells, permitting an advance in the salaries of the officials. A flourishing condition of general industry enhances the demand for labor and betters the situation of the laboring classes.

3. Were it possible to make specie payments in silver as well as gold, it would be easier for countries with depreciated paper money to regulate their finances. Many can never accomplish this in any other way. Variations in paper-money values would then no longer curse commerce; the products of German industry would be in vast

judgment at which the English Gold and Silver Commission of 1888 arrived, although half its members were opposed to bi-metallism. Here is what the Commission says:

"We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be



HON. JOHN W. WILSON,  
Our One-Armed Veteran Candidate or State Auditor.

amounts exported to silver lands [East Asia, Mexico, South America,] and at the same time the ability of our agricultural population to buy goods would be restored.

4. A period of general advance in material prosperity would rob of all significance the agrarian, anti-Semitic and Socialist-Democrat movements of agitators, and prevent the mutual bitterness of our political factions from becoming as it now threatens to become, more acute.

5. Instead of the separate measures of value now actually in use by the world's commerce, gold alone in some countries and silver alone in others, there would be a single measure of value for all mankind, that secured through gold and silver together by rendering invariable their values relative to one another. That this fixity in the relative values of gold and silver can be brought about is proved by history, for it actually prevailed from 1803 to 1873 owing to the mintage of both metals by France. That it is possible by a union between the chief commercial governments to establish a practically unchanging relation in value between silver and gold, was unanimously recognized, after long investigation, by the English gold and silver commission of 1888.

### OBJECTIONS CONSIDERED.

The objections against the above opinions of ours seem to us to lack sufficient foundation.

1. If it is said that the restitution of silver as a monetary metal is possible, or possible in accordance with justice to creditors, only by rating silver to gold at its present market value in gold, we reply that the market price of silver today is abnormal, resulting from a series of panics evoked by legislation, and from a limitation in the demand for silver having no other cause than the artificial one of closing mints to this metal. Besides, it cannot be admitted that the creditor has any natural right permanently to receive at the debtor's cost, in consequence of the steady rise in the purchase power of gold, a value continually more and more in excess of what would fall to him were there no such appreciation of gold.

2. In reply to the objection, resting on misunderstood theories, that the relation in value between two "wares," gold and silver, cannot be "fixed" by statute, we appeal to actual experiences with bi-metallic mintage in France, where, between 1803 and 1873, it maintained for the whole world the relation of 15 1/2 to 1, thus persistently continuing the relative value of gold and silver, with slight variations corresponding to the usual movements of exchange, in spite of the greatest fluctuations in their relative production that has ever been known.

We appeal further to the unanimous

maintained if the nations we have alluded to (Great Britain, the United States, Germany and the Latin Union) were to accept and strictly adhere to bi-metallism at the suggested ratio. We think that if in all these countries gold and silver could be freely coined and thus become exchangeable against commodities at the fixed ratio, the market value of silver as measured by gold would conform to that ratio and not vary to any material extent.

"We need not enter upon any extended explanation of our reasons for this view, since such reasons can be derived from what we have set forth above, and since, in our opinion, they obviously follow both from theoretical considerations and from the experience of the last half century.

"It in fact appears impossible to maintain any other view."

3. If it is objected that the restitution of silver would occasion for Germany a crisis whose limits could not be foreseen, it must be noticed in the first place that we do not strive for any interposition on behalf of silver save on the basis of an international agreement. No sort of distrust can be occasioned by bi-metallism when it is introduced simultaneously in all the great nations.

Besides, the fear of a "flood" of silver is entirely groundless.

(a) Because not an increase but a decrease in silver production is now in prospect;

(b) Because the silver in the silver countries (East Asia, Mexico) and in circulation as money in the gold lands has not yet become depreciated. The billions which circulate as thalers, marks, francs, shillings and guilders still hold fast their old value;

(c) Because compared with the tremendous stock of precious metal in the world, which, including wrought gold and silver, are valued at 100,000,000,000 francs (\$20,000,000,000), the yearly production is insignificantly small;

(d) Because the severe and long-continued crisis has naturally reduced the demands of business on the stock of gold and silver coins, and in a period of flourishing industry this demand will greatly rise.

The speedy establishment of international bi-metallism seems to us necessary more particularly in view of the facts concerning the production of the precious metals.

The testimony of expert geologists has strengthened us in our conviction that gold is not adapted to be alone the measure of value, and that the fears of a too great production of silver are utterly unjustified.

Experts have unanimously declared:

(a.) That the large production of silver in Australia is a transitory pheno-

menon, whose end is but a little way in the future;

(b.) That silver production is at present rapidly falling off in the United States, not only in consequence of the fall in gold price, but as well because the bonanzas and also the carbonate ores necessary for smelting are becoming exhausted;

(c.) That a permanently large production of silver is to be expected only in Mexico and South America, where, because those countries are on the silver basis, the gold price of silver has, in our belief, no effect in checking the production of the metal.

As against the view prevalent in our country that the gold price of silver fell because of increase in production, it is certain that this fall is to be referred entirely to the doings of legislators; that when the fall began the production of silver was, in fact, not sufficient to meet the demand; and that the American silver laws led to a "skinning" of the silver mines, which was the main cause of the increase in production. Let normal conditions return and we may expect a stable production of silver, corresponding to the vast demand, though hardly sufficient to satisfy it.

The production of gold has greatly increased in the last few years, yet not in a way to equal the demand so long as gold alone is full money. Should the gold states at last be driven to go on and lay aside their many billions of silver money, continually losing more and more of its gold value, it would be absolutely impossible to fill the gap so caused in their circulation.

But the production of gold cannot maintain itself at its present height. The more strongly and intensively the extraction of gold is pushed, so much more rapidly and completely will the mines be exhausted. The allegations of Professor Ed. Sues in reference to the prospective exhaustion of gold mines have not been proven incorrect, but have been confirmed; and Sues, when before the Commission, only strengthened us in his view when he declared that the present copious production of gold is bringing the world essentially nearer to the moment assumed by him when the production of gold will be entirely at an end.

In the Transvaal, according to microscopic investigations, it is only a question of fossil "soaps" (alluvial or diluvial gold). The wealth of gold there, therefore, does not refute but confirms Sues' doctrine that important treasures in gold are to be found only in newly opened countries, where they quickly give out.

People still refer to the possibility of further "surprises" in respect to gold production. This possibility is all the time growing less and less with men's restlessly advancing examination of the earth's surface.

The gold production of today, inadequate as it is, is rapidly using up the world's last great gold reserve. To build the world's coinage system upon a production which can at best last only some decades is as impossible as a coinage system based upon the chance of "surprises."

A provident statesmanship cannot discredit silver and let it lose its value, when all human foresight is to the effect that the metal will be absolutely indispensable in the future.

The present moment, witnessing an increase in gold production which may be the last, is precisely the time to carry through an international system of bi-metallism, as this can now be done without any fear that gold will leave the circulation or attain an agio. Those who prophesy a gold agio in case of bi-metallism overlook the fact that they thereby ascribe to gold a scarcity and dearness too great to allow of gold possibly continuing the sole standard.

If, now, the united German government recognize the necessity of procedure to stop the depreciation of silver, it comports with the high position of Germany as a nation that it should assume the initiative toward international negotiations, exerting its influence in the council of the nations in favor of silver, whose depreciation had its beginning in the German coinage law of 1871. Such is the condition of affairs that Germany will be permitted to reckon upon the cooperation of all powerful States, including England.

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