

UNIVERSITY CORRESPONDENCE.

Some Astounding Statements by Hon. J. R. Webster.

CAN CONGRESS "FIX" THE PRICE OF COMMODITIES?

Should we Sell England our Gold and Substitute Silver or Paper for it.

LINCOLN, NEB., Dec. 7, 1895.

EDITOR LINCOLN INDEPENDENT: In your comment on my reply to Mr. Roach you criticize the statement that "statute law never fixes value." It is above the power of parliament or congress, and you cite the constitution giving congress the power "to coin money and regulate value thereof."

Does congress, in fixing the weight, fineness and name of a coin fix its value in the sense of its "purchasing power?" Obviously not. Can congress by stamping 312½, or if it saw fit 1500 grains of silver "one dollar" do more than authenticate it as so many grains of fine silver? Can congress thereby make it exchangeable on the market in voluntary transactions for two bushels of wheat or one unit of labor offered for one gold dollar? If not then it cannot "fix value" or do more than authenticate its weight and fineness.

Grant that congress may make such coin legal tender for payment of an existing debt, that is no proof it fixes value or does more than debase the coinage. The "value," in sense of "purchasing power" is not fixed unless it is in the estimation of the seller acceptable on the market in voluntary transactions at a fixed ratio as compared with the other money metal, gold, for products offered for sale. This has been tried many times in the past, by our congress with respect to the greenback, and the French assembly with respect to the assignat, yet the enactments are powerless before the Law of Trade to make them acceptable in estimation of the seller in voluntary transactions on parity with coin. The seller who knows what currency he is to be paid simply raises his price. Legislation has tried often to fix the value of products on the market, but always such legislation is futile to govern the market.

A good present illustration is found in the Mexican silver dollar of 320 grains fine compared with our dollar of 312½ fine. The Mexican dollar passes current at its "value" or purchasing power of about 50 cents in the commercial world's basis of exchange. Our lighter dollar will purchase two of its larger Mexican sisters, not by virtue of any act of congress fixing its value but because in the practice of the treasury it is a "token" exchangeable at the treasury for another, or real dollar of the commercial world's basis of exchange. If not so exchangeable, it would merely pass on its merits like its larger Mexican sister at the "value" or "purchasing power" of its fine metal.

Yet the constitution of Mexico, modeled on our own, gives its congress similar power to provide for coinage of money and regulate the value thereof, as does our own. Under this power the Mexican congress provides for "free and unlimited coinage" of silver and of gold on basis and ratio similar to our own coinage. Both are legal tender, but Mexico being unable to maintain redemption of its silver coinage in gold, with the free and unlimited coinage of silver the two coinages part company, gold becomes a commercial money and is expelled from circulation by the cheaper medium, because it is not in the power of constitution, parliament, congress or statute to "fix value." The law of trade is paramount to any enactments of conventions, legislatures or imperial edicts. The baser money excludes the dearer. Mexico comes to a silver basis of currency.

So I submit I am right. Statute law fixes value. It can only fix a basis on which the basis is lower PRICES NOMINALLY rise, but the seller gets no more. Statute cannot fix the value even of gold coin. The Law of Trade is paramount to the statute.

This is apart from the question whether the mints of the United States should be opened to the "free and unlimited coinage of silver." That is entirely a different question than whether statute law can fix value of coin or of anything else. The result of course would be the nation would come to a silver basis of currency and values. Perhaps it would be better policy to do so. Yet it would simply amount to a debasing of the coinage unless present existing contracts and debts were provided to be settled on the present gold basis under which they were contracted. While it may be wise policy to adopt a silver basis for this country, a large silver producer, the change could honestly be made only on fair notice with exception of existing contracts, to be settled on the present gold basis; nor should we make the change under the notion that the two coinages on basis of 10 to 1 will continue to circulate on a parity.

Perhaps it would be wise policy to sell Europe our present gold and all we are able to produce. No doubt the silver and

demand for silver would to some extent appreciate its value and the decreased demand for gold to some extent depreciate its value. To what extent their present value would be affected, and the length of time before approximate stability of their relative values would be reached, is too complicated a question to be solved otherwise than by the test of experience. In my opinion the result would be beneficial to the people of both continents, ultimately, and would probably lead to international treaty of the principal commercial powers adopting some basis of exchange ratio of the two money metals, making practical bimetallism the basis of the world's money. Whether the former basis of 15½ to 1 would even then be practicable could only be ascertained by result of experiment. The Law of Trade alone can determine the question, and any legislation by one nation alone, or even international treaties not joined in by the governments of a large commercial preponderance of trading peoples could fix a stable ratio between the metals. A ratio fixed might require revision in case discovery of rich mining fields, or improved reduction processes should largely increase the supply of one metal or the other, as was the case in 1849 and the 50's with gold and in the 70's with silver.

Very Respectfully,

J. R. WEBSTER.

The points in Mr. Webster's letter to which all economists would take exception are:

First. That congress cannot fix the value of gold and silver or do more than authenticate its weight and fineness. Congress did "fix" the value of gold at a higher rate in 1873 by doubling the demand for it, and not by any change in the weight or fineness of the dollar. There was a demand for so much money. Congress cut off half the supply and the value of the other was "fixed" by an act of congress, at a higher rate. Mr. Webster admits that gold has appreciated. What made it appreciate? Increasing the demand for more money by diminishing the supply done by act of congress? By act of congress the price of products are "fixed" and in no other way. Congress can fix the value of wheat at one dollar a bushel or twenty cents a bushel by increasing or diminishing the quantity of money. It is almost inconceivable how a man of learning can deny it.

Second. Law can "fix the price of products on the market," and no economist ever did or ever will deny it. By law there could be free and unlimited coinage of silver into full legal tender primary money. That would greatly increase the supply of money. No economist would deny that such a law would "fix" the price of products at a greatly higher rate than now prevails. The illustration which he cites proves the very opposite of his statement. In Mexico, which "by law" has the free coinage of silver, the "price of products" are just double what they are in this country. The prices are fixed by law, by increasing or diminishing the quantity of money; and money, as Aristotle truly says, "is not by nature but by law."

Third. The American silver dollar is not redeemable in gold. It is almost beyond belief that Mr. Webster could make such a statement, and if the INDEPENDENT did not have it in his own hand writing it would not believe that he had. Every secretary of the treasury for many years past has in official documents and in letters for publication repeatedly announced that "silver dollars were standard money of the United States and not redeemable in any other form of money."

On the 7th day of December 1892, the secretary of the treasury sent the following letter to Senator Teller:

MY DEAR SENATOR: I have your favor of Dec. 7. I beg to inform you that silver dollars are not in law or in practice exchanged for gold or for paper that calls for gold.

Documents containing the same statement are on file written by Secretary Windom, U. S. Treasurer, Nebeker, and Secretary Carlisle. Mr. Carlisle in his testimony before the Springer committee p. 28, said:

"We do not maintain the parity by redeeming the silver dollars or certificates in gold, but by the constant practice of receiving them in full satisfaction of every debt due the government."

The INDEPENDENT will give Mr. Webster a box of ten dollars to point out the statute requiring the secretary of the treasury to redeem silver dollars in gold. It is incomprehensible how a man of his learning could make such a statement.

Fourth. The reason a Mexican silver dollar is not on a par with gold in London and an American silver dollar is, because Mexico has but little or no foreign trade. If an Englishman has £100 American silver dollars in London he will not take less than their face value for them while he can send them here and pay duties, or buy beef or pork and cotton with them for these are things he must have. For this reason it would be impossible for the United States to "go to a silver basis" so long as it had a large amount of export and imported a large amount of foreign goods on which duties must be paid.

Fifth. "The change could honestly be made only on fair notice," says Mr. Webster. With that the 1873-74, 1875-76, 1876-77, 1877-78, 1878-79, 1879-80, 1880-81, 1881-82, 1882-83, 1883-84, 1884-85, 1885-86, 1886-87, 1887-88, 1888-89, 1889-90, 1890-91, 1891-92, 1892-93, 1893-94, 1894-95, 1895-96, 1896-97, 1897-98, 1898-99, 1899-00, 00-01, 01-02, 02-03, 03-04, 04-05, 05-06, 06-07, 07-08, 08-09, 09-10, 10-11, 11-12, 12-13, 13-14, 14-15, 15-16, 16-17, 17-18, 18-19, 19-20, 20-21, 21-22, 22-23, 23-24, 24-25, 25-26, 26-27, 27-28, 28-29, 29-30, 30-31, 31-32, 32-33, 33-34, 34-35, 35-36, 36-37, 37-38, 38-39, 39-40, 40-41, 41-42, 42-43, 43-44, 44-45, 45-46, 46-47, 47-48, 48-49, 49-50, 50-51, 51-52, 52-53, 53-54, 54-55, 55-56, 56-57, 57-58, 58-59, 59-60, 60-61, 61-62, 62-63, 63-64, 64-65, 65-66, 66-67, 67-68, 68-69, 69-70, 70-71, 71-72, 72-73, 73-74, 74-75, 75-76, 76-77, 77-78, 78-79, 79-80, 80-81, 81-82, 82-83, 83-84, 84-85, 85-86, 86-87, 87-88, 88-89, 89-90, 90-91, 91-92, 92-93, 93-94, 94-95, 95-96, 96-97, 97-98, 98-99, 99-00, 00-01, 01-02, 02-03, 03-04, 04-05, 05-06, 06-07, 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