MR. BRYAN ON BIMETALLISM

Mr. Bryan has written for the Encyclopedia Americana, now being published by the Americana company of New York, an article on bimetallism. This article gives in condensed form the principles involved in the discussion of the subject and will be reproduced in The Commoner by courtesy of the publishers. Papers quoting from this article will please give credit to the Encyclopedia Americana. It is not convenient to publish the entire article in one issue. The third chapter is presented in this issue, and the final chapter will be reproduced in the next issue.

It is not out of place to refer in this connection to another matter which has been the subject of much speculation, namely, the cost of producing gold and silver. The labor cost has less influence on the price of gold and silver than upon products of the soil. In the case of agricultural products, an attempt to raise the price of any kind of crop much above the cost of production would immediately be followed by such an increase in the crop as to at once cause a supply that would reduce the price. If, on the other hand, the cost of producing a particular kind of crop is increased out of proportion to the price, the production will fall off until the scarcity of the article raises the price. In the case of the precious metals, however, the supply cannot be increased at will, and therefore the price does not necessarily vary with the cost of production. If, for illustration, all the gold mines were to be exhausted excepting one, and this one mine began producing just the amount that all the mines now produce, but no more, the price of gold would remain the same whether it was produced at $1 an ounce or at 1 cent an ounce.

We have no means of ascertaining the labor cost of either gold or silver. About 10 years ago the director of the mint was asked for statistics in regard to the labor cost of producing gold and silver, and his reply was that there were no statistics in regard to gold and none of any value in regard to silver, because the statistics were gathered from the mines in operation and did not include the money expended in prospecting and in mines that had ceased to produce. No two mines in the world have produced either gold or silver at the same cost for any considerable period. If we take into account the money spent in prospecting and the money spent in the purchase of claims that have proven worthless, as well as the money invested in machinery and other appliances, it is probable that more than $1 has been expended for every dollar of either gold or silver taken out of the earth, and it is also probable that, dollar for dollar, it has cost less to produce gold than silver; first, because gold is often found in nuggets, while silver is found in veins, and, second, because gold is often found on the surface, while silver is, as a rule, a deep-mine product.

Space does not permit a history of the conflict between the standards in Europe. England has maintained the gold standard for about a century and has exerted a controlling influence on several other European nations. During this period France, although free coinage is now suspended, has been the most loyal supporter of bimetallism and as late as 1897 offered to join the United States in the restoration of coinage, provided England and Germany would do likewise.

After the gold discoveries of 1849, the European financiers became alarmed lest the increased production of the yellow metal would largely aid debtors, and there was quite a sentiment in favor of the demonetization of gold. Writers like Chevalier were complaining that holders of fixed investments were in danger of suffering from a cheap gold dollar. It was exactly the same argument that was made against the white metal a little later when the Comstock lode and other rich deposits of silver were discovered.

Bimetallism in the United States.—The bimetallic standard was recommended by Jefferson and Hamilton, and adopted by our government by a statute approved by George Washington April 2, 1792. This law provided for the free and unlimited coinage of silver and gold at the ratio of 15 to 1, the coins being equally a legal tender for all debts, public and private. The Spanish milled dollar then in use in this country contained the same amount of pure silver as our present silver dollar and, the ratio of 15 to 1 having been adopted, the gold dollar was made to weigh one-fifteenth as much. The silver dollars then coined (many of which are now in existence), are sometimes called the "unit dollars," because they have on the edge the following inscription: "Hundred Cents, One dollar, or Unit."

In 1834 (June 28) the ratio was changed from 15 to 1 to 15.988x to 1, which for convenience has been called 16 to 1. The change was made for the purpose of checking the exportation of gold, but as the new ratio undervalued silver it made gold the money in general use. This law, supported by Thomas H. Benton, and approved by Andrew Jackson, provided for the free and unlimited coinage of gold and silver into full legal tender money at the new ratio. In 1873 (January 28) the alloy in the dollar, both gold and silver, was changed from one-twelfth to one-tenth, making the weight of the standard silver dollar 412½ grains, nine-tenths fine, and the weight of the standard gold dollar 25 8-10 grains, nine-tenths fine.

As the law of 1834 undervalued silver and led to the exportation of considerable quantities of it, it became difficult to keep fractional currency in circulation, and to remedy this the law of 1853 was enacted. By the terms of this law subsidiary silver (that is, coins of less denomination than $1), were reduced from full weight to light weight and made token money, with limited legal tender, instead of standard money. This law, however, did not change the provision in regard to the standard silver dollar, the free and unlimited coinage of that dollar still continuing. The subsidiary silver coins were redeemable in the standard money, either gold or silver. Sometimes the act of 1834 has been referred to as establishing the gold standard, but this is erroneous. It merely changed the ratio and that, too, by reducing the weight of the dearer dollar, not by increasing the cheaper dollar. Equally erroneous is the assertion that the act of 1853 established the gold standard. That did not in the least change the law relating to the standard money, either gold or silver.

On July 12, 1873, the demonetization of silver was effected by an act entitled "An act revising and amending the laws relative to the mints, assay offices, and coinage of the United States." (A similar law having the same purpose had just before been enacted in England, and a copy of it delivered to the director of our mint.)

When this law was passed the business of the country was being transacted with paper money, both gold and silver being at a premium —silver at a greater premium than gold. No attention was being paid to the subject of metallic money and the purpose of the law of 1873 was not generally understood. In making provision for silver coinage it omitted the coinage of the standard silver dollar, and substituted for it a trade dollar of 420 grains which was intended for use in the Orient, it being thought that the trade dollar would compete with the Mexican dollar in China and other eastern countries. In 1874 (January 20) the federal statutes were revised, and in this revision a clause was inserted limiting the legal tender of silver coins to $5. Neither the act of 1873 nor the act of 1874 was generally discussed, and it is only the recognition of a well-settled fact of history to say that this discrimination against silver and in favor of gold was not known among the people, and not thoroughly discussed even in congress. When the matter became known an active agitation for the restoration of silver at once began, and nearly all of those who voted for the measure denied that they knew that the act of 1873 was intended to demonetize silver.

The suspension of silver coinage by the United States alone would not have caused a fall in the price of silver as measured with gold, but other nations joining in the demonetization of silver it soon became apparent that the mints still open could not utilize all the silver available for coinage, and the gold price of silver began to decline. The effort to reopen the mints to silver resulted in the passage of what was known as the Bland-Allison act. The bill, as it passed the house, under the leadership of Richard P. Bland, of Missouri, restored the free and unlimited coinage of gold and silver at the ratio of 16 to 1. The opposition in the senate was sufficient, however, to defeat the bill in its original form, and to compel the acceptance of a substitute framed by Senator Allison, whose name was thus connected with the law. This compromise measure provided that there should be "coined at the several mints of the United States silver dollars of the weight of 412½ grains troy of standard silver as provided by the act of January, 1837," and also provided that such silver dollars "together with all silver dollars heretofore coined by the United States of like weight and fineness" should be "a legal tender at their nominal value for all debts and dues, public and private, except where otherwise expressly stipulated in the contract."

It will be seen that this law restored the coinage of silver dollars under the law of 1837, but did not contain the former provision in regard to the unlimited coinage of silver on private account as gold was then and is now coined. In order to secure the bullion out of which to coin the dollars mentioned in the act of 1878, the law provided "that the secretary of the treasury is authorized and directed to purchase, from time to time, silver bullion, at the market price thereof, not less than $2,000,000 worth per month, nor more than $4,000,000, worth and cause the same to be coined monthly, as fast as so purchased, into such dollars."

In carrying out the provisions of the law, the treasury department purchased the minimum required rather than the maximum permitted.

It will be seen, also, that while the silver dollar was restored to general legal tender, a provision was inserted that permitted the exclusion of the dollar by private contract—that is, private individuals were permitted to discriminate against silver, although they were not permitted to discriminate against gold. The purchase of silver for coinage under this act retarded the fall in the price of silver, but as it did not consume the entire surplus it was not sufficient to restore the price of bullion to the coinage price of $1.29 an ounce.

The Bland-Allison act remained on the statute books until 1890, when it was repealed by what was known as the Sherman purchase act, which provided for the purchase of 4,500,000 ounces of silver per month, or so much thereof as might be offered at a price not exceeding the coinage value, the bullion to be paid for by the issue of treasury notes, redeemable in coin, and after the first of July, 1891, only so much of the silver was to be coined as was necessary to redeem the treasury notes presented.

This act immediately increased the demand for silver and raised the price of silver bullion, not only in the United States, but all over the world, to about $1.21 an ounce. But when it was found that even this demand was not sufficient to utilize all the surplus silver, the price again began to fall.

Secretary Rusk, in the agricultural report of 1809, called attention to the fact that the Sherman purchase law raised the price of silver and declared that that rise in price "unquestionably had much to do with the recent advance in the price of cereals," and added, "the same cause has advanced the price of wheat in Russia and India, and in the same degree reduced their power of competition. English gold was formerly exchanged for cheap silver, and wheat purchased with the cheap silver metal was sold in Great Britain for gold. Much of this advantage is lost by the appreciation of silver in those countries."

The Sherman act was also a compromise, urged by the opponents of silver to prevent the passage of a free coinage law. Mr. Sherman, in his "Recollections," published in 1895, thus speaks of the strength of the free silver movement, and of the purpose of the compromise:

"A large majority of the senate favored free silver, and it was feared that the small majority against it in the other house might yield and agree to it. The silence of the president on the matter gave rise to an apprehension that if a free coinage bill should pass both houses he would not feel at liberty to veto it. Some action had to be taken to prevent a return to free silver coinage, and the measure evolved was the best obtainable. I voted for it, but the day it became a law I was ready to repeal it, if repeal could be had without substituting in its place absolute free coinage."

The treasury notes issued in the purchase of silver were made a legal tender for the payment of all debts, public and private, except where excluded by contract, and were redeemable by the secretary of the treasury "in gold or silver coin at his discretion." It will be seen that the option as to the coin of payment was reserved to the government, but another clause in the measure which declared it to be "the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio or such ratio as may be provided by the law," was afterward construed by the treasury department to deprive the secretary of the option. At any rate the department adopted the policy of paying in gold when gold was demanded, and although Secretary Carlisle afterward declared before one of the house committees that it would have been better for the government to have reserved the option, he, when he came into office, followed the precedent set by his predecessor.

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