LAUGHLIN ON THE CURRENCY LAW. In the July number of the Journal of Political Economy Professor J. Laurence Laughlin, of the chair of political economy of the University of Chicago, contributes a strong paper pointing out the danger to our financial system of the election of a free silver president, notwithstanding the new currency law.

"As regards the establishment of the gold standard," says Professor Laughlin, "not only has practically nothing been introduced into the situation by this bill, but we have in general no new means of maintaining the standard which we did not have before the law was passed. If there had been possible danger from silver before March 14, 1900, the same danger still exists."

If the new law is to be effective in establishing the gold standard it must be administered by officials in sympathy with it. About this, the Journal of Commerce makes the following observation: "We do not doubt the efficacy of the law in the hands of its friends. If Mr. Altgeld were secretary of the treasury and Mr. Champ Clark were attorney general, who will undertake to say that they would construe the law as Mr. Gage does?"

"It has been repeated by the public press," says Professor Laughlin, "and

Recent Monetary Legislation.

assumed by the country, chiefly on the basis of reports emanating from Washington, that the act of March 14, 1900, whatever may have been its shortcomings in other directions, has at least firmly established the gold standard in the United States. The belief is generally prevalent that the election of a president pledged to the cause of free silver would no longer be a source of danger to our monetary system, because the gold standard has been placed by the new legislation beyond the reach of executive control; that the mere action of a future Secretary of the Treasury hostile to gold could not cause public or private obligations to be paid in silver; and that nothing could now be done for silver except by new and positive legislation, a contingency which would be impossible so long as the senate and the executive favor gold. Hence we are assured that we may rest free from all danger of the "silver issue," which we hear on all sides is now "dead." On the strength of this belief, political lines are being drawn, and a plan of campaign is being formed. That there has been a subtle game of politics played with our recent monetary legislation through the influence of the senate is unmistakably clear and is nothing unusual or surprising. But it is not certain that the general public is aware of the exact effect of the provisions of the new law, or informed how little has been done. Without any desire to be sensational or to create alarm, it is my belief that it is wise to face the facts of this new act as they are. While I do not believe that the gold standard is in any more danger than it was in 1899, I certainly do believe that we are not in any better position in 1900 than we were before.

"In speaking of the gold standard as firmly established, one means the obliga-

Gold Standard Not Established.

tion to pay gold whenever the word 'dollars' is used. As every one knows the word 'coin' allowed an uncertainty as to whether a contract generally payable in 'dollars,' could be paid in silver dollars (of 371¼ grains pure silver) or in gold dollars (of 23.22 grains pure gold). This uncertainty in regard to United States bonds seriously affected their value, and was one strong reason why new legislation was thought to be necessary to remove all doubt. It may, therefore, be a shock to some trusting people to be told that, in spite of the new law, a silver-loving Secretary of the Treasury could today pay off very large amounts of government obligations with silver dollars. If a free silver president were to enter the White House in 1901, there would probably be a large amount of obligations which could then be paid in silver.

"The act of March 14, 1900, authorized a partial refunding of the old debt in-

Bonds Payable in Silver.

to 2 per cent. bonds whose principal and interest is made specifically payable in 'gold coin of the present standard value.' It does not allow the refunding into the new twos of the extended twos of 1891, nor the four-per-cents of 1925—in all a sum of $187,679,900. Very recently (May, 1900) the extended twos have been called in for redemption, so that the bonds of 1925 are the only ones in fact excluded. But it remains clear that a secretary opposed to the gold standard, might on change of parties pay off at maturity $162,315,400 of national debt in silver, at his discretion. Nor is that all of it. Of the $839,146,340 of old debt refundible into the new gold twos, at the time of writing (June 1, 1900), only about 280 million dollars have been offered for exchange. How rapidly, or how thoroughly, conversion will go on, no one can now prophesy. However, there are so far unconverted bonds to the amount of 559 millions dollars which, if not refunded, could be paid off at maturity in silver. In other words, not only the $162,315,400 of 4 per cent. bonds of 1925, but any of the other descriptions of bonds which may not be refunded into new twos, would be payable in silver (in all, taking the impossible supposition that refunding should cease entirely from now on, to 721 million dollars.) To the extent that conversion goes on, this gross sum will, of course, be reduced.

"With the above situation it must be kept in mind that the act of March 14, 1900, specifically enacts (sec. 3):

'That nothing contained in this act shall be construed to affect the legal tender quality, as now provided by law, of the silver dollar, or of any other money coined or issued by the United States.'

"That is, the act of February 28, 1878, which made the silver dollars "a legal

Silver Legal Tender.

tender, at their nominal value, for all debts, public and private, except where otherwise expressly stipulated in the contract," is still in operation. The outcome is a visible attempt to sit on two stools: in one word to declare that the gold dollar shall be the standard unit of value, and in another to declare that the silver dollar shall remain an unlimited legal tender. The political legerdemain in this depends upon the inability of the public to separate the assignment of legal tender quality to the standard (in which prices and contracts are expressed) from the assignment of it to a token money (which should be redeemable in the standard money.) Because the standard money is made legal tender, it does not follow that a medium of exchange should have that quality (such, for example, as checks and drafts.)

"The dodging of the standard issue in regard to government obligations cannot be excused on the ground of inadvertence. The House Bill (sec. 2) reads:

"That all interest-bearing obligations of the United States for the payment of money, now existing or hereafter to be entered into * * * shall be deemed and held to be payable in the gold coin of the United States as defined in section 1 of this act."

"These words did not appear in the senate bill, and were excluded from the conference bill. In short, for political reasons, the senate leaders advisedly chose to change the currency measure in such a way that it could still be said that a large part of our national obligations were payable in silver; while scheming for votes in the East on the ground of having established the gold standard, it would be possible to ask for votes in the Rocky Mountain states on the ground of having preserved the right to pay a large part of the bonds in silver. It must be said, therefore, that the new legislation establishes the payment in gold of only a part of our government obligations (and also that this amount depends upon how far they are refunded into the new twos.)

"The consideration, however, of most importance to the business public is the

Private Contracts.

certainty of the standard in ordinary private contracts drawn in 'dollars,' without a specific agreement to pay gold. Naturally, it may be said that the national bonds could not be paid in silver any way until the time of matur-