RECENT SILVER COINAGE

Effect of Silver Legislation in the United States from 1878 to 1896.

CHANGES IN ECONOMIC CONDITIONS

Causes Which Brought About the Repeal of the Silver Purchase Law in 1893 and the Issue of Gold Bonds in 1894.

By Charles S. Elgutter.

NOTE.—The following article has been adapted for The Bee by Charles Elgutter from contributions of Prof. Frank W. Taussig of Harvard university to economic journals. Mr. Taussig discusses silver in its historical aspect, and his research is both timely and valuable as an accurate explanation of the effects of silver legislation upon the money situation since 1878. In adapting his monographs his arrangement and language have been followed as nearly as practicable. The charm of Mr. Taussig's writings is that he is free from political or partisan bias, and brings to the study of political economy that accuracy and painstaking investigation which distinguish the scientist from the politician.

The discussion of the economic situation of the United States in 1896 need not go back further than the act of 1878 passed by congress and known as the Bland bill.

Although the silver dollar of which the coinage was resumed in 1878 dates back as a coin to the earlier days of the republic, its reissue in that year marks a policy so radically new that the experience of previous years throws practically no light on its workings. The act of 1878 provided for the purchase by the government, each month, of not less than $2,000,000 worth, and not more than $4,000,000 worth of silver bullion, for coinage into silver dollars at the rate of 412½ grains of standard silver (or 371¼ grains of fine silver) for each dollar. The amount of the purchases, within the specified limits, was left to the discretion of the secretary of the treasury. As every secretary of the treasury, throughout the period in which the act was in force, kept to the minimum amount, the practical result was a monthly purchase of $2,000,000 worth of silver bullion.

THIRTY MILLIONS OF SILVER A YEAR.

The amount of silver obtainable with $2,000,000 varied according to the price of the metal in terms of the dollars with which the purchases were made. In February, 1878, when the first purchases were made, those dollars were the inconvertible United States notes, or greenbacks, worth something less than their face in gold. The amount of silver bullion obtainable with 2,000,000 such dollars depended on the price of silver bullion in terms of gold, and on the value of the dollars themselves in terms of gold. When specie payments were resumed, on the 1st of January, 1879, and the greenbacks became redeemable in gold, the measure of value in the United States became gold, and the extent of the coinage of silver dollars under the act of 1878 became simply a question of how much silver bullion could be bought with $2,000,000 of gold. The price of silver in 1878 was, in terms of gold, not far from $1 for an ounce of standard silver. Since 1878 it has gone down almost steadily, and in 1889 was barely above 80 cents an ounce. The monthly purchase of $2,000,000 worth of silver always yielded more than 2,000,000 silver dollars, the amount being greater as the price of silver went lower. On the average, the monthly yield has been not far from 2,500,000 of silver dollars. Thirty millions of silver dollars a year, was about the addition to the currency from the act of 1878.

THE SILVER CERTIFICATES.

An important provision of the act of 1878 was that authorizing the issue of silver certificates against the deposit of silver dollars. This authority was limited at the time to certificates in denominations of ten dollars and upward; a restriction which proved to be of great importance. At the time it was not expected that the silver certificates would enter directly into the circulating medium. But, in fact, it has been chiefly in the form of certificates that the silver has entered into circulation. The quantity of actual coined dollars which the community would use reached an early and stubborn limit; but in the form of certificates much wider play was given to their use. The dollars and certificates between them constitute the silver currency of the act of 1878.

MORE MONEY AND HIGHER PRICES.

The passage of that act was due to causes easily described. It was part of the opposition to the contraction of the currency and the resumption of specie payments, which forms the most important episode in our financial history between 1867 and 1879. Some additional force was given to the movement in favor of the use of silver from the desire of the silver mining states and their representatives. But this element was not then, as it has been in more recent years, of any great importance by itself. The real strength of the agitation for the wider use of silver as money came from the conviction of large masses of the people that the community had not enough money.

BLAND ACT A NEW EXPERIMENT.

Although the specific measure passed in 1878 rested on a long train of historical causes, it contained details that were essentially new. It provided for the injection into the currency of a large annual increment of over-valued coin. The coinage of silver was not free, but was undertaken by the government on its own account, the treasury reaping the profit which would accrue so long as the coins were kept at a higher value than that of the bullion put into them. The new coins were legal tender to an unlimited amount, and no attempt was made to adjust their quantity to the needs of the community for the convenience of small change. The act simply provided for a regular mechanical addition of large amounts of silver to the general circulating medium.

No other country has ever entered on an addition of over-valued coin to its circulating medium having the object and extent of that made by our silver act of 1878. This characteristic of the measure was the result not of any deliberate intention to try a new experiment, but of the spirit of compromise which explains so many anomalies. The silver act as passed by the house of representatives provided for the free and unlimited coinage of the silver dollar at the old ratio of 16 to 1. In the senate it was amended by the substitution of the provisions for a limited coinage, which were finally enacted. The compromise was meant to satisfy both those who objected to the cheaper standard and those who wanted more money; and it afforded a welcome escape to the legislators who were trying to satisfy all parties. No one expected that the measure would remain in force for any great length of time. The conservative element hoped that it would be repealed after a short trial; the inflationists (for by that name they might, then, at least, fairly be called) believed that it would soon be superseded by the free and unlimited coinage of silver. The act, however, remained in force, unamended, for over twelve years; and the measure which succeeded it in 1890, though different in many details, followed the same method of forcing a large regular injection into the circulating medium of money based on silver purchases by the government.

SILVER WOULD NOT CIRCULATE.

The first silver dollars were coined in March, 1878, and in the course of that month 190,000 of them went into circulation, while 810,000 remained in the Treasury. Something like this proportion was maintained through 1878 and the first half of 1879: not more than one-fifth of the coins made their way into the hands of the public. Silver certificates practically did not make their way into circulation at all.

The history of the certificate at this time is curious and significant. When the first purchases of bullion were made, in the course of 1878, checks in payment were drawn by the director of the mint, payable in silver dollars. The purchases were made chiefly at San Francisco. There the payee drew, instead of silver dollars, silver certificates of large denominations. These were sent at once to New York, and within ten days from the day of issue they found their way into the Treasury through the New York customs house. Had the revenues collected by the government in San Francisco been larger, they would probably have been turned in at that port within forty-eight hours. The rapidity with which they came back at first nonplussed the officers of the Treasury. It was some time before they learned how impossible it was to get the certificates of large denominations into circulation. The only form in which the silver currency could get into permanent circulation was in the denominations which serve for every day retail transactions. In the first year no special effort seems to have been made by the Treasury to get out the certificates of the smaller denominations permitted by law. Consequently the dead silver accumulated rapidly.

HOW THE TREASURY PUSHED SILVER.

This phase, however, did not last long. About the middle of 1879 a slight upward movement began, both in the circulation of dollars and of certificates. Toward the end of 1880 this movement attained large dimensions. The amount of silver certificates in circulation increased with a bound, rising from less than eight millions in August to more than thirty-six millions in December, and leaving only a narrow margin of dead silver in the treasury. In the first half of 1881 there was a check to the increase, but in the second half of that year the upward movement was resumed. By the end of December, 1881, the silver certificates in the hands of the public amounted to over sixty-two millions, and the circulation of dollars and certificates combined was within seven millions of the total amount coined.

Some explanation of this sudden and extraordinary change is to be found in a new measure adopted by the Treasury department for the purpose of pushing silver into circulation. In September, 1880, the treasury issued a circular, by which, in exchange for deposits of gold coin with the assistant treasurer in New York, drafts were offered on the subtreasuries in the south and west, payable in silver certificates. The treasury undertook to save the expense of the transportation of cash to all persons who had occasion to remit to the south and west.

REASONS FOR GOOD TIMES OF 1880-82.

Had there been no silver currency, there would certainly have been an inflow of gold from abroad even greater than in fact took place. The crops of 1878 to 1882 were abundant; the crops in Europe were meager; our exports suddenly swelled and attained in 1881 a volume which has not again been reached. Large quantities of gold flowed in during the fiscal years of 1880 and 1881. The long period of depression which began with the crisis of 1873 was followed by a renewal of activity; the sudden turn in foreign trade contributed to stimulate the general revival. In all directions new operations were begun, and old ones pushed on a larger scale. The building of railroads advanced with extraordinary rapidity. Bank loans and deposits swelled rapidly; the reserve of lawful money after 1880 remained nearly stationary; the national bank circulation rose and reached its highest point in the latter part of 1882.

All this activity meant a greater use of money in paying wages, in the retail transactions of everyday life, in "moving the crops." The rapid growth of population, especially in the west and south, would have in any case brought about a greater demand for what we may call large change. The conditions under which national bank notes could be issued were already becoming so unpromising that no considerable increase in their quantity could take place; and the silver currency consequently found a ready and permanent circulation.

If there had been no silver, other sorts of money would not have failed to supply the need. As it was, the issue of bank notes increased under the influence of the same causes that led to the greater use of silver; a larger importation of gold took place. In one or both of these forms the money supply would have adapted itself to the demand. In the absence of silver an even greater importation of gold would have taken place, and the everyday circulation medium would have been made up in larger proportion of that metal. These general conditions continued through the years of 1882 and 1883.

While the conditions continued favorable for an increase in the amount of money in active circulation, the decline in the circulation of national bank notes, which began after the maximum had been reached in the early part of 1882, contributed still more to make way for growth in the volume of silver used by the community. Accordingly, while there was some check in 1882 to the upward movement of outstanding silver, that movement was resumed in 1883. On the whole, for the three years, 1881, 1882 and 1883, the silver currency was absorbed by the public as fast as the dollars were coined at the mint.

THE REACTION OF 1884.

But the signs of a general reaction showed themselves with the beginning of 1884. The failures of the Marine National bank and of Grant & Ward took place in May, 1884, and were followed by other bank suspensions, by the failures of various private banks and brokers, and by the break-down of large railway enterprises, notably of the West Shore railroad. While there was no acute crisis like that of 1873, all the signs of a period of depression showed themselves. The building of railroads almost ceased; the production of iron fell off; bank loans and deposits declined. With this general break-down the circulation of the silver currency entered on its second phase.

The beginning of 1884 showed some decline in the amount of silver dollars and certificates held by the public. This was followed in the autumn months by the usual increase to move the crops; but in the early part of 1885 there was a sharp decline. No appreciable growth took place in the autumn months of 1885, at the time when a growth was most likely to take place; and the little that was gained was lost again in the first half of 1886. The silver currency in the hands of the public remained stationary from the beginning of 1884 till the middle of 1886.

Under these conditions the regular coinage of silver dollars necessarily caused dead silver to accumulate in the treasury; and in July 1886 the dead silver reached its maximum, nearly ninety-four millions of dollars lay idle in the vaults of the government.

The explanation of the stationary volume of the silver currency is not difficult to find. With the general standstill in business activity, the occasions for the use of money for transfer from hand to hand ceased to grow, even became less. The bank deposits, and the clearings of the banks in the cities, shrank appreciably, indicating a decline in wholesale transactions. The currency of retail and consumer's transactions, in which the silver had hitherto found room for expansion, showed a similar tendency. As is usual in periods of depression, the unused money of the public accumulated in the vaults of the banks, and what is called a plethora of money continued through the year 1885.

The general conditions which caused cash to accumulate in the reserves of the banks, caused the silver certificates to accumulate in the vaults of the government. The silver certificates in general now went through the same course which affected the circulation of the silver dollars and of the certificates of large denominations. The people had less occasion for using money than before; they certainly had no occasion to use the additional silver currency which the regular monthly coinage was creating; the banks would not let the silver accumulate on their hands; consequently it found its way back into the government vaults.

DANGER OF A BREAKDOWN.

The situation of the treasury under these circumstances was suggestive of a breakdown in the policy which the government succeeded in pursuing ever since the resumption of specie payments—that of paying gold to every creditor who choose to demand it. The amount of gold in the government's revenue was shrinking; and, moreover, with the depression in trade, customs receipts diminished, the total revenue was also falling off. On the other hand, the ordinary gold liabilities and payments showed little decline, if any. The result from the beginning of 1884, when silver began to crowd gold out of the public receipts, was a heavy drain on the government's reserve of gold.

The treasury made an effort to check the return of silver currency into its vaults by getting more silver dollars into permanent circulation. At this time the currency of the denomination of one and two dollars consisted almost exclusively of United States notes or greenbacks. In June, 1885, the issue of greenbacks in denominations of less than $5 was stopped, in the hope of bringing about a greater use of the coined dollar. The effects of this measure could only be gradual. The one dollar and two dollar notes already in circulation could return to the treasury only as they became dirty and unfit for use, and were sent in to be exchanged for clean notes. The old notes could then be destroyed, and new notes of larger denominations furnished in their place. As it turned out, the public had a strong preference for notes rather than coin, and when it appeared that new notes of small denominations were no longer to be supplied the old ones were kept in use long after they had become unfit for circulation. Dirty notes were preferred to bulky silver dollars. Consequently, the success of this measure was not great. Nevertheless, something was secured; for in the second half of 1885, when the general conditions were unfavorable to an increase in the outstanding circulation, and when the silver certificates in the hands of the public in fact showed a decline, the amount of silver dollars outstanding showed an increase of 10,000,000. The gain was made chiefly in the south, and, so far as it went, helped in preventing the treasury from being overwhelmed by the accumulation of silver.

SURPLUS REVENUE BUYS DEAD SILVER.

The surplus revenue of the government, instead of finding its usual vent in the redemption of bonds, was devoted to increasing the dead silver in the treasury vault. Every month $2,000,000 were spent in buying silver bullion and coining it into dollars stowed away in the treasury vaults. In addition, large quantities of silver certificates were received in payment of public dues, and then allowed to lie idle in the treasury. In August, 1885, there were nearly $43,000,000 of silver certificates in the treasury, the largest holding since the passage of the act of 1878. The result of this cautious policy was to retire the redundant silver certificates. As this was accomplished, less of them were turned into the treasury in payment of public dues; more gold flowed in, and the government's gold reserve rose so long as income exceeded expenditure.

It is obvious that the treasury could pursue with success the course just described only because its income exceeded its expenditure. In the eighteen months between the beginning of 1885 and the middle of 1886, the government received over $26,000,000 in silver certificates which it did not reissue; paid out, in addition, some $36,000,000 for silver bullion, which was coined into silver dollars, and in that form stowed away in the treasury vaults; and materially increased its net holdings of gold. These enormous sums of course represent an excess of income over outgo. Notwithstanding the decline in its receipts as compared with earlier years, the government still had a surplus so large as to enable it to hoard $60,000,000 of silver currency, and to add $25,000,000 to its holdings of gold, and to begin, with the beginning of 1886, the repayment of the public debt.

CUSTOM DUTIES PAID IN GREENBACKS.

Greenbacks, which, like other forms of money, flowed into the banks in the course of the depression, were turned over to the government in payment of public dues. The government was getting 30, 40 and 50 per cent of its custom receipts at New York in the form of greenbacks. Such an inflow of greenbacks was an unmistakable sign that general confidence in the ability of the treasury to maintain gold payments was shaken. Gold in hand was preferred to the greenback, the government's promise to pay gold.

The low level reached by the gold reserve in the middle of 1885 was a source of uneasiness, which the treasury and the public shared. On the other hand, there were elements of strength in the situation of 1885. By far the most important of them was the surplus of revenue over expenditure, which was used as a means of preventing the silver currency from being put in circulation in excessive quantities. Some revival of business activity set in during the second half of 1885, helping the treasury in both directions. It caused an increase in the receipts from customs duties and other sources; it also caused an increased use of silver currency in the reviving business of the people. The decline in the volume of the silver currency outstanding came to an end in the autumn of 1885, while the gold reserve showed a considerable upward movement. The period of real anxiety lasted only a few months, in the spring and summer of 1885. By the end of that year the situation could no longer cause uneasiness.

DECLINE IN BANK NOTE CIRCULATION

The steady improvement in the credit of the United States, causing its bonds to yield a lower rate of interest, tended to cut down the profit on the issue of national bank notes, until by 1883 that profit had practically disappeared. As these notes disappeared a void was made in the everyday money of the public, and a place was made for the silver certificates. The decline in the bank notes was rapid since 1886, and the silver certificates consequently were easily absorbed into the circulating medium.

The other important factor in the situations after 1886 was the legislation of that year in which silver certificates could be issued. The act of 1878 permitted the issue of certificates only in denominations of not less than ten dollars. The circulation had been almost exclusively in denominations of ten and twenty dollars; and the limitation to these denominations was of great effect in preventing the silver currency from finding its way into the everyday money of the people. In the act of 1886 the printing of certificates of one, two and five dollars was authorized. Under these circumstances, the small silver certificates were rapidly absorbed by the public. In the autumn months of 1886, certificates for one, two and five dollars, were issued as fast as they could be printed.

As the revival of business became pronounced room was made for a general expansion of the retail currency of the community. Since 1886, the volume of silver currency gained almost steadily on the total coinage of the dollars, and with the beginning of 1889, practically all the dollars coined were in circulation chiefly in the form of certificates for one, two and five dollars taking the place of small United States notes. While the decline of the bank note circulation made way for the additional amount of larger United States notes issued in place of the small ones retired.

THE TREASURY NOTES OF 1890.

The act of July 14, 1890, was even more remarkable than that of 1878. It was unique in monetary history. It provided that the secretary of the treasury shall purchase each month at the market price 4,500,000 ounces of silver bullion. In payment he shall issue treasury notes of the United States in denominations of between $1 and $1,000. These treasury notes, unlike the old silver certificates, are a direct legal tender for all debts, public or private, unless a different medium is expressly stipulated in the contract. They differ from the silver certificates in another respect; they are redeemable either in gold or silver coin, at the discretion of the secretary of the treasury.

The monthly issues of the new treasury notes vary, like those of the old silver certificates, with the price of silver. But the new issues vary directly with the price of silver, while the old issues varied inversely with the price. The volume of treasury notes issued is equal to the market price of 4,500,000 ounces of silver. When silver sold at $1.20 an ounce the monthly issue of notes was $5,400,000; when at $1 an ounce, $4,500,000. For a month or two after the passage of the act the price of silver advanced rapidly and at its height, on August 19, 1890, touched $1.21. After September a steady decline set in and during the year 1891 the price was not far from $1 an ounce. On the whole, the issue of silver currency (for by that name we may still call the new notes) has been at the rate of between $50,000,000 and $60,000,000 a year—about twice as large as was the issue under the act of 1878. And this great increase in amount is the most important difference between the two measures.

A CLAIM ON THE GOLD RESERVE.

One marked change has taken place in the working of the act apart from the increase in the issues; a change in the mode in which the banks have dealt with the treasury notes. That change leaves no ground for any distinction between the treasury notes based on silver purchases, and the old United States notes, or greenbacks; both sorts of notes being legal tender, and both direct claims on the treasury gold reserve. During the first year of the new experiment (1890-91) large quantities both of the new notes and of the old legal tenders were paid out by the subtreasury at New York to the banks of that city. Fully one-third of the payments were in those forms of money; a striking contrast to the almost exclusive use of gold in preceding years. Similarly the banks of New York, in settlements between themselves at the clearing house, instead of using gold and gold certificates only, made considerable payments in one or the other of the legal tender notes. As a result the gold reserve in the treasury went down sharply from the middle of 1890 to the middle of 1891. In twelve months the treasury lost $70,000,000 of gold.

Another change took place during this same period, closely connected with the decline in the treasury gold—a change in the character of the money taken in by the government for taxes. The receipts from customs at the port of New York indicated the nature of this change. Since 1885, when the gold receipts showed an ominous decline, the payments on account of customs had been almost exclusively in gold, and they so continued during the first half of 1890. In the fall of 1890 there was a distinct drop; then a recovery at the close of the year, followed in the first half of 1891 by an almost complete collapse, the percentage of receipts in gold going down to 60, 40, 20 and at last 12 per cent. Through four months of the summer of 1891 the treasury was receiving, at the point where more than half of its total revenue is collected, only 12 or 14 per cent of gold, the rest being in silver certificates and in legal tenders of the new and old issues.

THE BARING FAILURE.

In November, 1890, came an event which had important effects on the treasury as well as on the community: the collapse of the great banking house of Barings, which, though it led to no acute panic, brought about many of the phenomena characteristic of a commercial crisis. At first there was the call for ready cash which is usual under such circumstances. The treasury exerted itself to tide over the emergency by paying out cash liberally, not only in its ordinary disbursements, but by the prepayment of interest on bonds. The disposition of banks in the interior to call back part of their reserves from New York, combined with the usual westward movement of currency for the movement of crops, tended to carry the various forms of paper money away from New York. Consequently there was no accumulation of paper and silver currency in that center, and the receipts at the New York customs house for a time continued to be chiefly in gold.

In the beginning of 1891 the situation began to change. The first stage of anxious uncertainty being over, money was no longer kept on hand in unusual amounts, by banks and financial institutions through the country, and tended to return to the metropolis. With some general depression in business operations, cash in the hands of banks tended still more to become redundant and to make its way to the central reserve depositories. The return of the currency which had gone to the west and south in the autumn strengthened the flow. Meanwhile the monthly issue of the new treasury notes was steadily increasing the supply which sought to make its way into general circulation. These causes combined to bring about, during the first six months of 1891, a marked accumulation of various forms of paper in the hands of the New York banks.

The inevitable outcome of the situation was the back-flow of silver and paper money into the United States treasury. As the silver currency accumulated in the hands of the banks, it was used by preference in making payments to the treasury, their gold being naturally retained. In 1891, as in 1885, the decline in the treasury's gold receipts was the certain proof of a redundant issue of silver.

A turn in the balance of international payments, due chiefly to complications brought on in Europe by the Baring failure, led at this time to a heavy export of gold from the United States. The drain was exceptionally large, and fell entirely on the treasury, whose gold holdings fell to less than $118,000,000 at the close of the fiscal year, on June 30, 1891. The treasury had begun the fiscal with an ample reserve of gold, and was able to part with seventy millions without public signs of embarrassment. But clearly, unless the gold reserve was brought back to the ample amount at which it stood from 1887 to 1889 a repetition of the experiences of 1891 would lead to more serious disturbance.

THE BUSINESS REVIVAL OF 1892.

The autumn of 1891, however, brought still another turn in the financial and industrial movement, which, for a time at least, relieved the treasury, and may be referred to here by way of further illustration of the working of the silver currency. The crop year 1891 was like the golden years of 1879 and 1880, marked by abundance in this country and scarcity abroad. The result was that for the fall of 1891 exceptionally large sums of money were called for to effect the usual autumnal payments in the west. With the new period of prosperity in the agricultural regions in 1891, a general revival of activity with rapid increase in business transactions, revival of speculation, new investment of capital, and expansion of the circulating medium in every form, was promised for 1892. These conditions made more easy the absorption into actual circulation of the enlarged issues of silver currency. The increase in circulation of silver certificates for the year 1892 over 1891 was about twenty millions; in Treasury notes of 1890, about fifty-five millions; in silver dollars a decline of about eight hundred thousand, making a total increase of about seventy millions of silver, while for the same period gold increased in circulation about twenty millions.

The balance of international payments shifted again, and gold came back from Europe, showing its effects in the increased holdings of that metal in November and December by the New York banks.

The prospects of a new era of industrial revival which started out so well with the new year of 1892 and lasted about ten or twelve months was sadly blighted by the world-wide business disaster of 1893. For the causes, one must look beyond the United States, although local conditions aggravated the malady. The collapse of South American speculation, followed by financial crisis in Australia, had its effect on the money markets of Europe, especially London, in shaking the confidence of investors in all kinds of foreign investments, especially railroad and industrial securities. As a result the investment of foreign capital in American industrial enterprises which, during 1891-92, held out great inducements, was suddenly checked.

Railroad bonds which heretofore found a ready market in London, Berlin and Amsterdam were returned unpurchased to New York, Boston and Philadelphia. The inquiry made by foreign bond holders into the management and solvency of our great railroad systems and other concerns whose securities were so largely held abroad, was far from reassuring and added to the distrust. In consequence not only was the market abroad for American securities of all descriptions cut off, but large blocks of railroad and other stock were dumped on the American market. Confidence abroad in American securities shaken, the demoralization of credit and business spread at home.

THE PANIC OF 1893.

The crisis came on in the spring of 1893. One after the other railroads and other great trusts and corporations went into the hands of receivers. Banks closed their doors. Deposits from savings banks were withdrawn by a panicky public and the money was hoarded. Bank loans were contracted and bank credits refused, crowding business and industries to the wall. All securities shrank enormously in value and the losses to the country by the collapse in values in property, commodities and investments ran up into the hundreds of millions.

Turning now to the political aspect of the country, the change of administration from Mr. Harrison to Mr. Cleveland in March, 1893, was in many respects inopportune. The conditions of affairs and the policy of the new government were of a character to aggravate rather than alleviate the distress of the treasury for maintenance of the gold reserve. With its stock of gold already too low, having fallen from $190,000,000 in 1890 to $118,000,000 in 1891 and to $114,000,000 in 1892, and still going down, the treasury was in no condition to stand a protracted run on its reserve. Especially was this true when the falling off of imports due to the slackening of business, and the cutting down of import duties reduced the revenues below the necessary expenses of the government. All the conditions heretofore noticed for depleting the treasury's gold were repeated in violent form. Customs, dues and duties to the government were paid in silver and paper. The demand of the banks on the treasury to increase their gold holding by exchanging their greenbacks and silver for gold to meet the call for ready cash from foreign and inland exchange, on the one hand; the drain on the treasury to meet the exports of gold due to the unfavorable balance of trade on the other hand put the administration in desperate straits to maintain its reserve. The attempt of the treasury to force silver out of its vaults into circulation was futile. It kept flowing back to the treasury in tax receipts. Unlike 1884-85 and 1890-91 the treasury could not fall back on a large accumulation of gold. All through this crisis, under the conditions imposed by the Sherman act, 4,500,000 ounces of silver were purchased monthly, the government paying out treasury notes redeemable in gold for the white metal. Such a strain could last but a short time. In April, 1893, the gold reserve fell below the $100,000,000 level and President Cleveland called congress together in extra session in the month of July to help out the treasury's distress and the threatened suspension of gold payments.

COULD NOT ABSORB THE NEW SILVER.

The fact became apparent that the silver injected in 1890 at the rate of fifty-five to sixty millions a year could not be absorbed into the circulating medium of the country in the same sense as the issues under the law of 1878. The new currency was more than even a growing community like the United States could use in its business expansion and increase of population. It piled up in the treasury, and drove out gold at an alarming rate. After protracted debate, congress, on November 1, 1893, repealed that portion of the act of July, 14, 1890, directing the purchase of four and a half million ounces of silver bullion per month, and the issue of treasury notes therefor. The repealing act declared it "to be the policy of the United States to continue the use of both gold and silver as standard money and to coin both gold and silver into money of equal intrinsic and exchangeable value."

Stopping the purchase of new silver was only a palliative, not a cure. Congress failed to relieve the strain on the treasury by calling in and cancelling the greenbacks so as to "break the endless chain in operation constantly depleting the treasury's gold and never nearing a final rest." Import duties and revenues kept falling off during the following years, 1894-95, and these were paid into the treasury in silver and greenbacks. The distrust abroad of the inability of the government to maintain its obligations in gold as the reserve fell below $100,000,000 increased the foreign demand on the treasury, keeping the reserve at all times at low water mark.

The heavy deficit of expenditure over income in the finances of the government, the anxiety and contraction of credit at home, the piling up of idle money in the banks of the country, the uncertainty and doubt of the policy of congress, all contributed in spreading business gloom and depression in the avenues of trade and industry.

With no helping hand from congress to strengthen the public credit, the secretary of the treasury, early in the year 1894, was forced to the expedient of the issue and sale of bonds for gold under authority conferred on him by the resumption act of 1879, to prevent the gold reserve fund of $100,000,000 from being exhausted. Between February, 1894, and February, 1896, the secretary of the treasury sold $262,000,000 of bonds to obtain gold to replenish the reserve, which had already fallen below $100,000,000 in April, 1893, and which went down to $44,000,000 in January, 1895. But for the gold thus obtained by the treasury the government could not have redeemed the greenbacks in gold and maintained the parity between gold and silver.

Reviewing the history of the silver situation, we find it leading to one conclusion much at variance with the usual expectations and predictions. The expansion of the silver currency has followed, and not preceded, the rise in prices, the speculative activity and the other phenomena which are associated with an increase in the supply of money. The general impression is that an increase in the quantity of money is the direct cause of a rise of prices. But the increase of our silver currency seems to have been effect rather than cause. When it was first issued, in 1878, at a time of quietude in business operations, it caused no expansion or inflation; on the contrary, the treasury was unable to get the silver into circulation. The same fact is even now in 1896 more apparent. Our silver currency in actual circulation today has been increased nearly 400,000,000 since 1878. Despite this enormous expansion, prices have not risen; on the contrary, prices have fallen.

When the general revival set in during 1880-81 silver went into circulation rapidly and in large amounts; but the movement of silver followed, and did not precede, the general industrial change. When the period of depression began in 1884, the treasury went through another period of slow circulation, and the issue of silver currency had not the slightest effect in checking the tendency to depression and falling prices. The attempt to get out the silver money simply led to embarrassment; it flowed back to the treasury in tax receipts. The phenomenon repeated itself in 1890-91 and in 1892-93. The attempt to put forth more silver money has had the same effect as it had in 1885; it has caused a back-flow into the treasury. For an easy and ready circulation of silver in any of its phases, if that is to come at all, we must await a revival of general industrial activity.

CHARLES S. ELGUTTER.

LABOR AND INDUSTRY.

Rubber horseshoes are gaining in favor.

Only union labor can be employed by contractors on school work in St. Louis.

Under a recent law no new bakeries can be established in Ohio below the surface of the sidewalk.

Four thousand men in Buenos Ayres, representing a score of trades, have struck for eight hours.

A large firm in London shares profits and gives $460 to every woman employed who leaves to get married.

Trades union are well organized in Belfast, Dublin and Cork, and the Irish Trades congress was recently held at Limerick.

Two tests of the compressed air motor for street cars were made in New York last week, and both were pronounced wholly successful.

The Central Labor Council of Cincinnati has been hammering the city authorities for free public baths, and proposes to keep at it until the baths are provided.

'Frisco union shoemakers want people to buy home made shoes, and will probably adopt a label that will indicate that the goods have been made in California.

The Chicago branch of the republican campaign committee has put a clause in all contracts for printing stipulating that the union label must appear on all work.

Some curious and instructive facts are brought out in the last annual report of the British labor department of the Board of Trade. The aggregate wage-earning capacity, as seen in statistics, has decreased during the last year. The blame for this is laid by some on the introduction of the eight-hour working day. Reports from firms who have tried the eight-hour day, however, would seem to show that there is no reason for less pay to accompany fewer hours. In one large works, after a reduction of the day from twelve hours to eight, the labor cost per ton of product came out less. The jealousy of some employers is indirectly referred to, and an instance is given where a Manchester firm dismissed their best man, because they could not think of allowing one of their servants to earn several thousands of pounds a year. Rather than do this they discharged him, and themselves ceased to make a profit on his most remunerative department. This state of commercial ethics is hard to understand in this country, where Jack is as good as his master, but in England, where the caste instinct is still strong, the idea of a servant making much more than a living is to some men intensely distasteful. This feeling is so active that it was recently stated as an indisputable fact a large proportion of English employers would rather earn £1,000 on a ten-hour day than make £1,100 on a day of nine hours. One of the points touched on in this respect is especially interesting. When the eight-hour system was about to be introduced in England, its opponents insisted that the hour saved would be wasted in drinking. This has not proved to be the case. On the contrary, it seems to have had a beneficial effect on both the morals and the physique of the mass of the people. The workers of the country are distinctly more sober than they were, and statistics confirm this. Among the working classes, tea is rapidly superseding beer as a beverage, and it is said that a great change has come over the country, not so much in the way of a maudlin teetotalism, as in that of an all-around moderation.

* * *

The Irish maiden gathers the shamrock and puts it in her shoe, firmly believing that the first man of her own condition in life that she meets, or one of his name, will be her future husband.

The American girl finds a four-leafed clover, and laying it near her heart, repeats:

"One leaf for fame and one for wealth,
And one for a faithful lover,
And one to give you glowing health,
Are in the four-leaf clover."

THEY HUNT MUSHROOMS.

Gathering of the Esculent Fungi a Fad with Chicagoans.

Mushrooms, like fish, are said by the initiated to possess a flavor of peculiar delicacy when gathered in by the man who eats them. The mushroom hunter, like the true fisherman, resorts to the market only in the failure of his own source of supply. This statement, of course, applies only to the epicures who hunt for their own delectation. Market hunters are quite another class and are regarded by the amateurs with a feeling akin to that of the artist for the man who paints pictures for a soap manufacturer.

Mushroom hunting counts among its devotees scores of men and women in Chicago, who are quite as devoted to their hobby as the china collector or the bookworm, says the Chicago Tribune. In the season they may be seen—when the lark is in his beauty sleep—issuing from their doors with baskets and knives in hand. The epicure who is unwilling to lose his morning nap may as well give up the idea of finding mushrooms. Looking cautiously around, lest their movements may be observed, they seek their favorite haunts. For the mushroom hunter is as jealous of the location of his own particular patch as is the trout fisherman of his favorite pool. There is no stronger test of his friendship. Let him intrust the secret of his hunting ground to a friend and there is no doubt of his confidence.

He will probably seek one of the parks, a vacant lot, or some pasture in the suburbs. If he is early enough and the conditions are favorable he may be rewarded by a rich find of mushrooms. If too early, by waiting for a time, he may see them poke their heads above the sod. Or, when he is once sure of his place, he may feel the sprouts before they are fairly through the earth, and by turning up the sod with his knife secure the young mushrooms before they have seen the light of day.

Old mushroom hunters acquire a high degree of skill in locating the ground most favorable to their growth and in finding them before they are visible. The mushroom hunter acquires the habit of walking with his eyes fastened upon the earth. He may take a walk with a friend and apparently be engaged in conversation. Of a sudden the friend will to his astonishment see him fall upon his knees and begin to dig frantically in the sod with a knife. What appears to be the act of a maniac may in reality mark the discovery of a new and prolific mushroom bed.

Mushroom hunting not only takes possession of the victim, but is likely to extend to his friends and relatives. The friends' interest may at first be lukewarm, but with their taste for mushrooms grows the passion for hunting them till the habit claims them for its own. Mushroom hunters are found in all parts of the city and in all walks of life. Many of them are people well known socially or in business, who have a delicacy in publishing their hobbies to the world and who decline, therefore, to make their names public. The neighborhood of Buena park, Rogers park, and Evanston is said to be populous with them.

Many who become infected with the habit are said to take up the study of mushrooms in earnest and to become versed in their lore. Considerable knowledge and skill are required in distinguishing the edible varieties under all circumstances. William Hamilton Gibson's work on mushrooms is an authority consulted by most of the mushroom students. The advice of an old mushroom hunter to beginners is: "Do not take any chances. If you are in doubt about a mushroom, do not eat it until you have consulted somebody who knows." Most of the old hunters are authorities and their judgment is sufficient. The chefs of the leading hotels and clubs are usually able to distinguish the edible varieties.

The parks, vacant lots, and the pastures and wild lands in the suburbs are favorite habitats of the mushroom. Many mushrooms are found in the parks, in particular in parts where fertilizing matter has been recently applied. During the season the parks are minutely searched every morning.

It is whispered by fruit and vegetable dealers that amateur hunters are known to sell their surplus product, but this aspersion is resented by the fraternity at large. At any rate, there are market hunters enough to make the chances of a mushroom for a long life exceedingly few. If the table hunter expects to be ahead of them he must be up bright and early. Mushrooms sell in the market at from 20 cents to 50 cents a pound. The market hunters often bring in from five to ten pounds a day. Many of them are Germans or Italians, who make a business of mushroom hunting in the season. The market hunters follow the same plan as the amateurs. Many of them are up by 3 o'clock in the morning to be on the ground in time. The country about Whiting, Ind., is said to be frequented by the market hunters.

Some of the choicest of the mushrooms in the Chicago market are supplied by florists, who cultivate them as a by-crop. Another source of supply is the mushroom farms in the northern part of the state. The spring just passed was said to be unusually favorable, from its unusual warmth and moisture.

King's Daughters and Poor Children.

The King's Daughters of New York City have been doing a wonderful work among the poor children during the last few weeks. An immense playground has been fitted up with every form of amusement. There is a kindergarten, a circulating library, a girls' club, a boys' club, a flower mission and a penny savings bank. By the last means each child opens an account by receiving a stamped card representing the deposits. A tax of 5 cents is charged when the money is withdrawn as a check upon spending money too easily. Hundreds of the mothers and children have been taken for excursions on the Hudson. Mrs. George McGrew is chairman of the chapter.

THE BEE BUILDING.