MONETARY COMMISSION.

Report of the United States Monetary Commission, Appointed by Act of Congress August 15, 1876.

NO. XVII.

A single standard eventually ruinous to creditors.

It is obvious that a violent contraction in the volume of money would prove disastrous to all classes of debtors, including nations. This would be its first effect, its more immediate result. But that it would eventuate in great injury and loss to the creditor classes, is not less certain. The cases are isolated and exceptional in which creditors are secured by pledges so ample as to be absolutely insured against loss even when the depreciation of prices is moderate. Their losses would become enormous in such a depreciation of prices as would result from contracting metallic money one-half. In the general wreck which would follow such a contraction, debtors and creditors would be engulfed in one common ruin.

As to many debts, specific pledges do not exist, as in the conspicuous case of national debts, swollen already to such incredible proportions and still increasing. The English, who, from their preeminence in accumulated capital, own so large a proportion of these debts, do not conceal their anxieties in respect of this danger.

The Westminster *Review* (January 1876) holds that no rise in the prices of commodities has resulted from the increase of gold since 1848, and that the tendency in that direction has been at least neutralized by "the increase of general population and wealth, *the demonetization of silver, and the establishment of gold currencies in its stead in several states.*" And upon the effect or further movements in the direction of demonetizing silver, it says:

One of the things involved we hold to be the probable appreciation of gold: in other words, an increase of its purchasing power; and that, consequently, unless fresh discoveries are made, prices have seen their highest for many a long day, and that debts contracted in gold will, by reason of this movement, tend to press more heavily on the borrowers, and *that it will be well if this pressure do not become so intolerable as to suggest, by way of solution, something like universal repudiation.*

In letters published within a few months the president of the Liverpool (England) chamber of commerce says of silver demonetization:

It will practically beggar all nations that have borrowed in silver and have to pay in gold.

No doubt, if such a state of things were to happen, some countries would have to pass into liquidation and make a composition with their creditors, and ultimately matters would settle down everywhere, after excessive suffering and confusion, into a universal system of gold payments; but the necessary result would be that the metallic basis on which the business of the world was done would be immensely reduced. It would be as if the mines were shut up for several years. Instead of, say, 1,460,000,000 [sterling] of gold and silver to do the business of exchange, there would be 700,000,000 or 800,000,000 [sterling] of gold, and a limited amount of silver as small change. Money values would fall greatly; national debts, like our own, would press much more heavily, and a period of suffering and contraction of business would ensue, similar to what the United States has experienced on coming painfully back from inflated paper toward specie payments. No doubt at last the process would be accomplished, and after a century or so the world could trade as well on gold alone as gold and silver combined. But why have the intermediate chaos if it can be avoided?

It was this same view which induced the London *Economist*, the special organ of British financial opinion, to advise (September 2, 1876) this country to adopt either the double standard or a single standard of silver. It then said:

The United States might take the single gold standard like ourselves, and this is what, till very lately, every English economist would have advised them to do. *The evils of this plan had not then been seen.*

And, after pointing out that in the event of the adoption of a gold standard by France and the United States, "*the money markets of the world would be straitened,*" the *Economist* continued:

At the present moment America would become a silver country, and the interest and principal of her obligations would be paid in silver. The evil, of course, would not be what the momentary circumstances of the market would now suggest. Silver would not be at 52 pence per ounce if America was a country with a sole silver currency. So large a demand as her coin requirements would send up the price very rapidly—perhaps to its old amount.

It is quite apparent that the wiser creditor nations are beginning to see that they would inevitably lose more than they could possibly gain by such a contraction in the volume and consequent appreciation in the value of money as would drive their debtors to bankruptcy and ruin. They will see it more clearly hereafter if the demonetization of silver is persisted in. This country, with its vast extent of unoccupied fertile territory, its almost boundless resources, its ingenious, enterprising, industrious, and increasing population, its comparative immunity from the danger of foreign wars, its free institutions, and its stable government, would perhaps be able to sustain any burden thrown upon it by an unwise and unjust policy. But it must be remembered that these favorable conditions do not exist everywhere, and that less favored debtor nations would sink under a load which this country might be strong enough to carry.

IV.

UNDER THE ACTUAL CIRCUMSTANCES OF THE MOVEMENTS IN OTHER COUNTRIES, IN THE DIRECTION OF DEMONETIZING SILVER, IS IT PRACTICABLE FOR THE UNITED STATES TO MAINTAIN THE DOUBLE STANDARD?

It is said that the policies of other countries which we cannot control are giving to silver a tendency to such a degree of depreciation and fluctuation as would unfit it for monetary use, and that it is not in our power to resist this tendency by remonetizing silver ourselves.

The following is a statement of different nations, not including the United States, with their estimated populations, classified according to their metallic standards:

SILVER-STANDARD COUNTRIES.

	Population.
Russia	76,000,000
Austria	36,000,000
Egypt	4,500,000
Mexico	8,000,000
Central America	2,600,000
Ecuador	1,300,000
Peru	3,400,000
China	400,000,000
British India	237,144,456
	468,944,456

As Russia and Austria both have legal tender paper money, their population will be *non-effective* in relation to the matter in hand, until they resume specie payments, or commence to hoard specie with a view to such payments. With that deduction, the population actually using the silver standard is 656,944,456.

DOUBLE-STANDARD COUNTRIES.

	Population.
Greece	1,400,000
Roumania	4,000,000
Colombia	2,900,000
Venezuela	1,600,000
Chili	1,900,000
Uruguay	400,000
Paraguay	1,200,000
Japan	33,000,000
Holland	3,700,000
France	36,200,000
Belgium	5,100,000
Switzerland	2,700,000
Italy	26,800,000
Spain	16,400,000
	137,300,000

As Italy has not only a legal tender paper money, but substantially no metallic money in circulation, its population may be set down as *non-effective*, thus reducing the population of this group to 110,500,000. In Holland, France, Belgium, Switzerland and Spain, containing a population of 64,100,000, the coinage of silver is either limited or entirely suspended.

GOLD-STANDARD COUNTRIES.

	Population.
Great Britain	32,000,000
Canada, Cape of Good Hope, and Australian colonies	7,000,000
Germany	42,000,000
Norway	1,700,000
Sweden	4,300,000
Denmark	1,800,000
Portugal	4,000,000
	92,800,000

This classification excludes Brazil, the Argentine Republic, Turkey, Persia, the great bulk of Africa, and some minor countries and colonial possessions in Asia.

Brazil and the Argentine Republic have the gold standard nominally, but the actual currency is legal tender paper. Turkey and Persia have the gold standard nominally, but not in fact, the actual currency being gold and silver coins. Within a few months Turkey has commenced the issue of legal tender government paper.

Africa has a considerable population, but, outside of Egypt and Cape Colony, its relation to coinage or legal standards is trifling and unimportant. Both of the precious metals are recognized as money among the peoples inhabiting it, who have a special preference for the silver dollar, the coin which centuries of use have made most familiar to them.

In the non-enumerated countries of Asia silver is the metal in general use, and some of them, as Siam, Burmah and the Dutch colony of Java, have populations which are considerable, although small in comparison with the population of India and China.

In Spain a royal decree was issued in the summer of 1876, interdicting the coinage of silver except on government account. This decree also declared it to be the intention of the government to limit the legal tender function of silver to 150 *pesetas*, or about $28, after it had obtained and coined a sufficient amount of gold to make it practicable to do so. The *peseta* and franc are equivalents in value. The reason assigned for this intention was the depreciation of silver relatively to gold. The price of silver in London was at about its lowest point when this decree was issued. What influence the subsequent advance in its price in that market may have on the policy of Spain is uncertain.

In Holland silver was the sole standard until 1816. In that year the double standard was adopted with the legal relation between the metals of 15.873 to 1, which undervalued silver and practically banished it from the circulation. In 1847 silver was again adopted as the sole standard, not in consequence of the discovery of gold in California, but just before that event. The principal reason assigned by the statesmen of Holland for this change in 1847 was, that it had proved disastrous to the commercial and industrial interests of Holland to have a money system identical with that of England, whose financial revulsions, after its adoption of the gold standard had been more frequent and more severe than in any other country, and whose injurious effects were felt in Holland scarcely less than in England. They maintained that the adoption of the silver standard would prevent England from disturbing the internal trade of Holland by draining off its money during such revulsions, and would secure immunity from evils which did not originate in and for which Holland was not responsible. In 1875 a law was passed interdicting the coinage of silver except on government account, and providing for an unrestricted gold coinage, with unlimited legal tender functions at a legal relation between the metals of 15.604 to 1.

This law was avowedly provisional, and was to expire January 1, 1877, unless re-enacted; The executive department of that country decidedly favor the gold standard, and have proposed two laws for its establishment, both of which have failed to receive the sanction of the legislative chambers. The law first proposed restricted the coinage of silver at the Java mint as well as at the home mint, and deprived silver coin in Holland, but not in Java, of the legal tender function except for small payments. The law last proposed prohibited absolutely the further coinage of silver. It did not demonetize coins already minted, but authorized the finance minister, at his discretion, to purchase and withdraw them from the circulation. The American minister to the Hague, November 27 1876, referring to this law, says:

With regard to the Dutch East Indian colonies the rule will be substantially the same, leaving it to the minister of finance to make proper arrangements with the colonial minister.

This law was agreed to in November last by the lower chamber, but was defeated in December in the upper chamber by a decisive vote; and thereupon, on the 23d of December, the ministry proposed a new law, substantially keeping in force the law of 1875, which was passed. The ultimate policy of Holland remains to be determined.

France, Belgium, Italy, Switzerland, and Greece constitute what is called the Latin Union, and are bound by treaty until 1880, to receive each other's gold and silver coins at their respective treasuries at a relation of value between the metals of 15½ to 1. By an agreement made in January, 1874, and which still continues with modifications, France, Italy, Belgium, and Switzerland limited their silver coinage (exclusive of subsidiary coins) to the following sums for the years named, stated in francs:

1874	140,000,000
1875	150,000,000
1876	108,000,000

These were the maximum amounts of the silver coinage permitted by the agreement for the years named respectively, but either country might decline to coin the quota assigned to it, and in fact Switzerland did so decline in 1875. In August, 1876, the president of France suspended entirely the coinage of silver, except for subsidiary purposes. This was in pursuance of a law passed August 5, 1876, authorizing him at his discretion to keep the mints of France closed against the coinage of silver until January, 1878. In December, 1876, Belgium, following the example of France, also suspended the coinage of silver.

These restrictive agreements and acts in respect to the silver coinage constitute what is known in current discussions as the "expectant attitude" of the Latin Union. They amount on the one hand, to a refusal to join Germany in a gold standard, and, on the other hand, to a prevention of such an increase of their silver coins as would augment the difficulty and loss of going to a gold standard, if they should hereafter decide upon such a policy. They will be characterized as wisely cautious, or irresolute and weak, according to the varying opinions of observers. In fact, they may be neither; but rather the only compromise which was possible of nearly equally divided counsels.

(To be continued.)

Excursion to Shenandoah Valley.

On Tuesday, October 25, the Baltimore & Ohio railroad company will sell excursion tickets from Chicago and all Baltimore and Ohio points west of the Ohio river to Winchester, Woodstock, Middletown Harrisonburg, Staunton and Lexington, Va., at the rate of one lowest limited first-class fare for the round trip.

The Shenandoah valley, Virginia, offers superior inducements to persons seeking new locations. Farm lands offered at from $10 per acre and upwards. Timber, coal iron ore, pure water, convenient markets excellent soil, good schools, best society. For information about rates, apply to any Baltimore and Ohio ticket agent. Send to M. V. Richards, land and immigration agent, Baltimore & Ohio railroad, Baltimore, Md., for information about desirable locations, maps, pamphlets, etc.