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The Heyday of the Gold Standard, 1820-1930

1886 January 7

'Message from the President of the United States [Grover Cleveland], transmitting, In response to a Senate resolution of December 9, 1885, report of the Secretary of State, with information relative to gold and silver coinage in Europe'. This excerpt contains five of the original twelve attachments, including the Senate resolution; reports on the state of the coinage in Great Britain, France, and Germany; the report of the United States Consul-General on the Conference of the Latin Monetary Union and the full text of the observations of the Consul-General addressed to Union delegates. The reports of the American diplomats reveals the unwillingness of the major European Powers—primarily Britain, whose lead was followed by Germany—to accommodate the United States' desire for an international bimetallic agreement establishing a fixed ratio between gold and silver.

To the Senate:

I transmit herewith, in response to a resolution of the Senate of the 9th ultimo, a report of the Secretary of State in answer to the request for any documents or information received from our consul-general at Paris, or from the special agent sent to the financial centers of Europe in respect to the establishment of an international ratio of gold and silver coinage as would procure the free coinage of both metals at the mints of those countries and our own.

GROVER CLEVELAND.

EXECUTIVE MANSION,

Washington, January 7, 1886.

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To the President:

In compliance with the Senate resolution of December 9, 1885, I transmit with this letter sundry documents relating to the action taken by you, through this Department, to obtain information at the financial centers of Europe in respect of the practicability of establishing such an international ratio between gold and silver as would permit and induce the free coinage of both of these metals at the mints of the States and of the leading commercial powers of Europe.

As a condition precedent to Congressional action upon this profoundly important subject, the attainment of the knowledge and intention in relation thereto of

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those charged with the financial conduct and safety of the leading commercial nations of Europe has been sought and, I believe, obtained.

Whilst the policy of this Government and the expression of legislative opinion has been fully recognized and amply expressed in the recital of the acts and resolutions of Congress, as will be perceived in the copy of instructions which accompany this letter, and a constant and candid avowal has at all times been made of the earnest desire of this Government to obtain and maintain the unlimited and free coinage of both of the precious metals, at such a ratio and equivalency of their valuation as shall lead to the withholding of neither from the mint, but to secure a metallic currency whose volume can be supplied from the world's production of both silver and gold, and to that end to co-operate internationally with foreign governments.

Yet it has been the object of this Department and its agents, whilst avowing our own readiness to co-operate, not so much to impress our own opinions and wishes upon others as to obtain a well-considered and independent views from the most influential, responsible, and competent sources in order to lay before Congress.

First. The actual status of the metallic currencies in the respective European countries; and

Secondly. The intentions and policies of those governments in relation to the subject, with details of their action up to the present time.

It is believed that the accompanying letters from the ministers of the United States to Great Britain, France, and Germany, respectively, summarize the and convey the true condition of opinion and intention of the governments and people to whom they have been severally accredited.

The more effectually to attain this end a gentleman specially conversant with the question, a thorough and accomplished student of finance, was selected to act in conjunction with the resident envoys, and by personal conference and confidential urgency to ascertain the present opinions and purposes of those governments in respect of the subject in view.

Mr. Marble has thoroughly availed himself of the unusual opportunities thus afforded, and the information so gathered by him in quarters most authoritative and reliable, and from sources deemed entirely trustworthy, has been canvassed with diligence and care, and the results are plainly and succinctly set forth in the letters now transmitted of the ministers "in conjunction" with whom he was instructed to act, and who were fully possessed of the information so required.

No separate report by Mr. Marble has been made, because the results of his investigation appear fully in the letters of Messrs. Phelps, McLane, and Pendleton.

The convocation at Paris in June last of the monetary congress of the delegates of the European states composing the "Latin Union" was deemed an opportune occasion for an expression of interest by this Government in the questions there considered.

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Mr. George Walker, the consul-general of the United States at Paris, a gentleman well versed in fiscal science, who has on other occasions been selected by this Government to investigate the question of silver coinage in Europe, was requested by me to attend the proceedings of the Latin congress and make report thereupon to this Department.

Mr. Walker has intelligently performed the duty assigned to him, and his communication to the Department, containing a history of the proceedings of the late congress, and his views in relation thereto, is annexed.

From Mr. McLane, our minister at Paris, I have received, in its full text, a copy of the late monetary convention settled between the states of France, Italy, Switzerland, and Greece, and also a copy of the supplementary article by which the adhesion of Belgium was given to the alliance. Accurate translations of both of these documents accompany this letter.

Respectfully submitted.

T. F. BAYARD

DEPARTMENT OF STATE, *January 7, 1886*

ATTACHMENTS

No. 1.

Resolution of the United States Senate, date 9 December 1885, requesting a communication concerning the possibility of establishing an international ratio between gold and silver.

Resolved, That the President of the United States be requested to communicate to the Senate, if not incompatible with the public interest, any documents or information received from our consul-general at Paris, or from the special agent sent to the financial centers of Europe, in respect to the establishment of an international ratio of gold and silver coinage as would procure the free coinage of both metals at mints of those countries and our own.

No. 4.

Excerpt of a correspondence of E. J. Phelps, Legation of the United States, to T. F. Bayard, Secretary of State, dated from London on the 20th of October 1885 and concerning the position of Great Britain on bimetallism.

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[...] I am satisfied that the British Government will inflexibly adhere to their past and present policy in respect to coinage; that they will not depart from the gold standard now and so long established; that they will not become party to any international agreement or union for the creation of a bimetallic standard or of a common ratio between gold and silver, for the purpose of making both an unlimited legal tender, nor adopt such double standard or common ratio in Great Britain. On this point both political parties quite concur, and I believe that if either were to attempt to introduce such a departure from the existing money standard it would be driven out of power by the force of public opinion. [...]

No. 5.

Excerpt of a correspondence from Robert M. McLane, Legation of the United States, to T. F. Bayard, Secretary of State, dated from Paris on the 1st of October 1885 and concerning the state of the gold and silver coinage in France.

[...] Referring to my separate dispatch, under date September 11, I have to renew the opinion therein expressed, that while France would gladly receive the intelligence that the United States would adopt the French ratio of 15½ of silver to 1 of gold, no consideration of future consequences, whether for good or evil, could induce her to adopt the American ratio of 16 to 1; still less would she adopt any higher ratio to assimilate the present commercial or market value of silver with the value of gold, nor would she consent at any ratio now to permit an unrestricted or even a limited coinage of silver at her mints. The present opinion and purpose of the Government and people being to maintain, if possible, the two metals at their present ratio of 15½ to 1 in domestic circulation and international exchange.

How far these views might be modified if Great Britain and Germany were disposed to enter into any international arrangement, it is not necessary for me to consider, and the embarrassments now pressing upon France, caused by the practical results of the treaty between Latin powers, admonish her statesmen to exercise the greatest caution in treating this question upon any other than a purely domestic basis.

In the early part of this year, in view of the session of the Monetary Conference of the Latin powers, the minister of finance directed a count of the entire circulation of gold and silver in France, similar to that which was made in 1868 and 1878. The count was made on the 28th of May. All the treasurers, receivers, public cashiers, &c., were ordered at the closing of their respective offices on that day to count all the 10 and 20 franc gold pieces in their possession, and all the 5-franc pieces in silver, and all the notes of the Bank of France, the whole together constituting the legal-tender money of this country, and to classify all the pieces of coin according to their respective nationalities. More than twenty thousand public officers were

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engaged in this count on that day, and with this count, as a basis, a very close approximation as been reached of the entire amount of gold and silver coin in circulation in France. In comparing it with a similar count made in 1868 and 1878, a very great increase of silver coinage appears. In 1868 the proportion of gold to silver in circulation was as 97.72 to 2.28; in 1878 it was 73.55 to 26.45; and in 1885 it appears to be 69.33 to 30.67. What is very notable in this connection is that in 1865 the use of silver 5-franc pieces was well nigh abandoned, but after the treaty between the Latin powers, which took effect fully in 1868, the silver circulation commenced to increase, especially in all the eastern, southeastern, and southern provinces adjoining Belgium, Switzerland, and Italy, while in the west and center there was no change in the old proportion. It was from this count that I was enabled in my separate and confidential dispatch, under the date of September 11, to inform you that a legal-tender silver coinage of about \$600,000,000 in value was maintained in France, but it is conceded that this result is mainly due to the fact the coinage of silver was suspended not only in France, but in the other countries whose coin is allowed to circulate in France, this suspension being complete soon after the German coinage act of 1873.

The amount of foreign silver coin in circulation in France under the operation of this treaty is about \$200,000,000 in value, and the entire amount of silver coin in the Bank of France at this present time is about one-third of the whole circulation, foreign and domestic, and not one-half, as I stated in my former dispatch. The suspension of the coinage of silver, together with judicious financial administration, enables the bimetallic countries of Europe to maintain their existing circulation of silver coins, though France is greatly embarrassed by the large amount of foreign silver in circulation, that of Belgium amounting to about 465,000,000 francs, and that of Italy to about 435,000,000.

Belgium thus far refuses to redeem this silver coinage in gold and by this refusal is likely to prevent the renewal of the Latin treaty. It is believed in this country that the practical operation of the Latin treaty has been to hasten the fall of silver, and at the commercial value of silver to-day the 5-franc piece is intrinsically worth only about 4 francs, and at this value France would lose about 600,000,000 on the silver coin in circulation, if the respective countries coining it should refuse to redeem it in gold coin.

These facts naturally suggest that the United States, the greatest gold and silver country in the world, should suspend its silver coinage in order to utilize it not only for circulation but as part of its Treasury reserve. [...]

No. 5.

Excerpt of a correspondence from George H. Pendleton, Legation of the United States, to T. F. Bayard, Secretary of State, dated from Berlin on the 19th of October 1885 and concerning the German position on bimetallism.

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[...] The adhesion of Germany to an international bimetallic union, such as was proposed by the United States and France in 1881, can scarcely be expected, it seems to me, within any limit of time now to be predicted.

The co-operation of Germany in an international bimetallic union may be sought with fair hopes of success whenever it becomes possible to include in such a union England and Russia, the former of which seems to cleave tenaciously to her fold monometallism, while the latter staggers under the evils of a depreciated and largely fluctuating paper money. The adhesion of England at least is certainly now, and would probably for an indefinite period be, regarded by Germany as a *sine qua non*. [...]

No. 10.

Correspondence from George Walker, Consul-General of the United States in Paris, to T. F. Bayard, Secretary of State, dated from Paris on the 20th of August 1885 and concerning the state of the gold and silver coinage in Europe. Attached to the correspondence are the observations of the consul-general addressed to the delegates of the Latin Monetary Union, dated from Paris on the 20th of July 1885, which express the position of the United States on bimetallicism and the silver question.

SIR: The conference of the Latin Union closed its sittings on the 4th instant, having adjourned on that day to meet again on the 1st of October. I had no interview with the conference as a body, in consequence of the absorbing and inharmonious character of its deliberations upon the subjects which had caused the meeting to be convened; but at the suggestion of the Italian delegation, I communicated to its members in writing the views and purposes of the Government of the United States, according to the instructions which I had received from you, as I shall, in a later part of this communication, more fully explain.

I have stated in my former dispatches on this subject that the object of the conference was to determine whether the treaty of the Latin Union should be terminated at the end of the present year, pursuant to notice given to that effect by Switzerland, or whether, and for what period, and upon what conditions, it should be renewed. The terms of the "liquidation" were the great stumbling block, and they have as yet prevented any agreement being reached.

By the original treaty of 1865 no provision was made for the redemption of the coins emitted by each of the contracting powers, and which were to be freely received into all their public treasuries. The reason for the omission is obvious,

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and it presents in a nutshell, the singular vicissitudes which have marked the history of the precious metals during the last thirty years.

In 1865 Europe was suffering from a drain of silver to the East, principally to India, to pay for cotton, the production of which had been greatly stimulated by the loss of the American supply during the civil war. The sudden growth of the industry in India, and of other industries sympathizing with it, demanded a large increase of the silver circulation, which could only be obtained by taking it from the European stock. A drain of silver from France and other continental countries ensued, which threatened to exhaust the supply of coinage of the then favored metal. The drain was especially felt in the smaller divisional coinage, the currency of the people, and of retail trade.

The treaty of 1865 between France, Italy, Belgium, and Switzerland — thenceforth known as the "Latin Union" — accordingly provided that the 5-franc pieces of each of the allies, being the only full valued silver coins, should be received into the public treasuries of all of them, and should be a legal tender in their respective countries. At the same time each of those nations reduced the fineness of their smaller silver coins so as to prevent the export of them to the East. No provision was, however, made for liquidating the treaty at the end of its term by the redemption by each of the allies of the silver coins of its own creation. The omission is due to the fact that no one then contemplated the possibility that silver would come to be depreciated as compared with gold — the metal which had so lately, from the placers of California and Australia, flooded the currencies of the world, and which, in Europe, had fallen into serious disrepute.

It is unnecessary for me to repeat, at length, the familiar history which records the change sentiment by which gold came to be favored metal and the steps by which silver has become degraded in public favor. But a brief summary of the events which led to these results may be useful in explaining the embarrassments which the late conference had to encounter.

In 1873 the newly established German Empire resolved to substitute gold for silver in its monetary system. The five milliards of francs paid to Germany by France, as a war indemnity, and paid in gold, made this change of system possible, which otherwise would have been impossible. The Latin Union took the alarm, and at first limited and ultimately stopped the coinage of silver. Germany, after sustaining heavy losses in the sale of thalers, and acting as a constantly disturbing force in the London and Continental money markets, ceased to sell silver, and the thaler coinage still remains in circulation.

In January 1879, the United States resumed specie payments, and were followed, a few years afterwards, by Italy, which had suspended such payments in May, 1866. Up to the end of 1884 the United States had coined, since resuming specie payments, \$550,000,000 in gold, being \$150,000,000 more than the total production of her gold mines during that period. I have not the data from which to state the more recent absorption of gold by Italy, but I may state, in general terms, that specie payments were resumed in that country by means of a gold

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loan, contracted in London; better terms, which could have been obtained in Paris, being rejected, because, under the currency laws of France, the subscriptions might have been paid in silver.

In the mean time the use of gold in the arts has been greatly augmented, the last report of the of the Director of the United States Mint showing that half the present American product is now thus absorbed in our country alone. The gold product of the world has, at the same time, seriously declined, and is steadily declining. The consequence of these new conditions has been that for the last seven years the coinage of gold in Europe has been practically suspended, and it is now generally admitted that gold has risen in value throughout the world, not only as measured in silver, but as compared with all commodities which it is the function of money to measure and exchange. Trade and agriculture have taken the alarm, and, for the first time, they are making a serious and determined protest, not only on the continent of Europe, but even in England, against the continued slavery to economic opinion, which has stubbornly resisted facts patent to the rest of the world in obedience to a falsely applied scientific theory.

I have deemed this rapid sketch of the monetary situation important, because all the difficulties of liquidating the treaty of the Latin Union, and of facing the results which must follow from its dissolution, hinge upon the changed relations to each other, of gold and silver, in the money of the world.

The precise obstacle which stood in the way of the harmonious action of the late monetary conference, and the extension of the period of the alliance, was the refusal by the Belgian delegates to agree that Belgium should redeem her 5-franc pieces in gold whenever the union should be finally dissolved. France, Italy, and Switzerland were willing to enter into such a convention. The Belgian delegates, however, insisted that, as the coins of their country had been struck at the public mint, for the account of individuals, the Government was in no manner bound to maintain the intrinsic value of the of the silver in these coins by redeeming them when depreciated. It was, on the other side, maintained that from the time when, by the action of the Latin Union silver coinage ceased to be free among the allied powers, and while coins were struck only by the several Governments for the public account, in limited quantity, and out of a depreciated metal, a moral responsibility, at least, devolved upon the coining nations to entail no loss upon their allies by such continued coinage.

Neither party to this contention has been willing to yield its opinion. The Belgian Government is understood to sustain its delegates, and France and the allies have, thus far, refused to renew the treaty without a condition of liquidation, such as I have described. The press of Paris and the leading bankers and economists in Belgium are now urging the importance of renewing the treaty, and are pointing out the dangers which must inevitably be met in the event of its dissolution. It is hoped, in both countries, that some "*modus vivendi*" may be arrived at before the October meeting.

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As the "*procès verbaux*" of the conference have not yet been made public, I am unable at present, to give a more detailed account of its deliberations. I have reason, however, to believe that a large part of the discussions were not of a character to interest or instruct the Government or people of the United States, and that the summary which I have already given sufficiently expresses their general purport. As soon as the official report is published I shall hasten to lay it before you in a subsequent dispatch.

I have been unofficially informed by delegates that two important measures had been under consideration, and were likely to be adopted, if the treaty of union is renewed. One of them gives to each of the allies liberty to withdraw from the union without consent of its associates, their unanimous consent now being necessary. The other contemplates the establishment, at Paris, of a central bureau, or organ of the union, by which information bearing on the monetary question and situation may be constantly received and disseminated. It is obvious that both of these measures would be advantageous to the cause of an international bimetallic treaty.

To return to my own relation to the conference, I beg to recall to your mind that, as the result of diplomatic communications passing between the Government at Washington and the Italian and Belgian Cabinets, permission was accorded to the delegates of Italy and Belgium to confer with me in an officious manner upon the monetary question at the time of the meeting of the conference at Paris. [...] The minister of the United States at Paris also presented me to the French minister of finance, explaining to him the nature of the instructions with which I was charged. I received from Mr. Sadi Cagnot a very courteous response to this introduction, in which he expresses satisfaction that I had been charged by the Government of the United States to take part in the labors of the conference. [...]

As I subsequently took occasion to state in the observations submitted by me to the conference, these approaches on the part of our Government found their justification in the wish which had been expressed by Italy, when asking for a postponement of the conference in January, to inform itself concerning the intentions of the United States on the subject of coining silver. The French minister of finance, in the debate on the silver question, which took place in the chambers in March last, on the interpellation of M. de Sonbeyran, also expressed the hope that the discussions of the conference would be extended to a consideration of a national rehabilitation of silver.

On the day on which the conference had its first meeting I had an interview with the French finance minister, in which it was arranged that I should first address myself to the Italian delegates, with whom I was personally acquainted, all of them having been delegates to the International Monetary Conference of 1881, and that they should submit to the conference the question whether and in what manner I should be received by that body. I accordingly waited upon Mr. Luzzatti and his associates, and both at that interview and subsequently had some general conversation with them upon the monetary situation. They advised that I should put into print the observations which I proposed to submit to the conference, in

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order to [permit] a more careful consideration of them. I complied with this suggestion, and as soon as possible furnished copies of the observations to the Italian delegates. Mr. Luzzatti, chairman of the delegation, afterwards conferred informally with the members of the conference as to my being received but was met with the objection that the delegates had no power to act outside of the terms of their mandate, and that in the pressure of the difficult domestic questions which they had to settle, the conference could not, at that time, occupy itself with a more general discussion of the monetary situation. Much as I regretted the answer, I could not, as matters then stood, have expected a more favorable one. As I had already furnished copies of the observations to the Italian delegates at their request, I thought it my duty to place them also in the hands of all the other members of the conference, which I did in a letter addressed to the president of the conference, Mr. Duclerc. [...]

It will be observed that in this paper I have aimed to avoid all academic discussion of the silver question, and have confined myself to a simple reference, first, to the dangerous position in which the United States finds itself as the sole coiner of silver among commercial nations, and, secondly, to the paralysis which has fallen upon the commerce of the world by the concurrent scarcity of gold and degradation of silver.

Before entering upon these general considerations, however, I felt it my duty to meet and refute the constantly repeated charge that the efforts of the United States to promote a bimetallic treaty with Europe grow out of the fact that we are producers and sellers of silver. This charge has been very persistently urged by those opposing a treaty, and it has seriously interfered with our efforts in that direction. I was able to make this explanation, which I felt to be called for, the more clearly and unanswerably by reason of the part which I had personally taken in the silver discussion in America, from its beginning, and more particularly because of the missions with which I had been charged by our Government in Europe having in view an international monetary treaty. I was strongly urged to make these explanations by several of our most competent bimetallic allies in Europe, and I have their assurances that the explanations now given by me are a complete and satisfactory answer to the charge of interested and covert motives.

It is not necessary for me to repeat, in this dispatch, any part of the argument presented in the observations, which I hope will meet with your approval. I need only now recur to certain features of the European situation which would seem to make the monetary question easier of solution than it has heretofore proved to be.

The parliamentary inquiry in England, which has just been initiated by the appointment of a royal commission, distinctly recognizes that the discord at present existing between precious metals is one of the alleged causes of industrial and commercial distress. The appointment of Mr. Gibbs, one of the ablest English defenders of the bimetallic system, and of Sir Louis Mallet, who with Lord Reay (now governor of Bombay) represented the Indian office in the international conference of 1881 to lead the inquiry on this subject, gives assurance that the investigation will be intelligent and thorough, and that all the facts which are

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believed to establish the impossibility of conducting the commerce of the world on a gold basis will be brought out in their true relations.

The chambers of commerce of Manchester, Birmingham, Liverpool, and Glasgow, four of the largest towns in the United Kingdom, have adopted resolutions, calling on their members in Parliament to support this branch of the general investigation; and it is very clearly indicated in the debates of the meetings at which these resolutions were passed, that an intelligent majority in those great commercial centers has reached the conclusion that the silver question is largely responsible for the existing distress, and I think I am justified in saying that they believe that bimetallism, to be established by international treaty, is the only sufficient monetary remedy.

But the ultimate solution of the monetary question must, in all countries, rest with the legislative bodies, because money is the creation of law, and it must always be borne in mind that the Parliament of Great Britain is a very conservative body, and that it is strongly prejudiced in favor of the gold standard. The Liberal party, under the recent extension of the suffrage, is likely to have an increased majority in the new House of Commons, and it unfortunately happens that in England free trade and a gold currency are popularly believed to be indissolubly linked together. But all great commercial reforms in England have begun by popular agitation, and have been forced upon Parliament by the great commercial cities; and if the inquiry about to be instituted should clearly show that the rehabilitation of silver throughout the world, and its admission to full monetary functions in Great Britain are necessary to restore prosperity to the trade of Manchester, Birmingham, Liverpool, and Glasgow, it is hardly possible that so enlightened a body as the British Parliament will refuse to listen to their demand. It is still a more hopeful sign of progress in England that doubts as to the divine origin of the currency law of 1816 have begun to assail the learned universities, and it is not impossible that from a professor's chair at Cambridge a new monetary doctrine may be enunciated, and shown to be not inconsistent with the national policy of free trade.

With the adhesion of Great Britain, the adoption of international bimetallism would be very simple. Without that adhesion it would be equally practicable, safe, and effective if the system were accepted by Germany. Of this there is much reason to hope, inasmuch as the prevailing sentiment of that country is unmistakably in favor of the restoration of silver to full monetary functions. In Germany the learned body has taken the lead in this direction, and it has been followed by all the industrial classes, agricultural and manufacturing, and by the leading commercial houses in Hamburg and elsewhere. It is also asserted that a majority of the national parliament has reached a similar conviction, and may, at any early date, be persuaded to act.

I beg to reiterate the opinion which I have expressed in former dispatches, that nothing will so much hasten the adoption in Europe of the monetary policy which we desire to have adopted as the suspension of silver coinage in the United States. Deprived of this artificial support, silver would rapidly find the level to which

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recent monetary legislation and action of this continent has doomed it: and those who have promoted that legislation and action, as well as those who suffer from it, would thus be brought face to face with its legitimate consequences. I need only refer, in support of this opinion, to the declaration of Mr. Goschen, recently made to the Chamber of Commerce of Manchester, "that there was no hope of improvement in the commercial situation until it was known what the United States will do with the Bland bill."

Continued coinage under that law, as well as any other monetary use of silver in the United States which tends to uphold its price in the market of the world, will have the effect to postpone a final and satisfactory settlement of the monetary question, and thus to deepen the gangrene which, in all countries, is eating into the vitals of production, industry, and trade.

* * * * *

Observations addressed by Mr. Walker, Consul-General of the United States, at Paris, to the Delegates of the Latin Monetary Union assembled in conference at Paris, July 20, 1885 [translated from the original French].

MR. MINISTER AND GENTLEMEN: I come before you in conformity with the instructions of my Government, and with the assent of most of the powers represented in this conference. I am here for the purpose of explaining to you, briefly, the present attitude of the United States on the monetary question, as well as the policy which the President and his Cabinet intend to pursue in respect to it.

The President is of the opinion that, under the circumstances existing at the present moment, it might be useful to make known, beforehand, the views and purposes of the new Government of the United States, in respect to the question which bears so closely upon the well-being both of the Old and of the New World. He addresses himself the more willingly to the distinguished body before which I have the honor to speak, because one of the Governments interested, in asking for an adjournment of the conference in the month of January, expressed a wish to inform itself concerning the intentions of the United States on the subject of coining silver. The French minister of finance, in replying to the interpellation of Mr. de Soubeyran, on the 7th of March, also declared that he should be glad to see the discussions of the conference extended to a consideration of the international rehabilitation of silver.

I am instructed to say to you that the policy of the new American Government, in respect to the continuance of silver coinage, does not differ from that of its predecessors. The newly elected President, Mr. Cleveland, on the 24th of February last, in reply to a letter addressed to him by certain members of the House of Representatives, before his assumption of office, declared his opinions very frankly on the silver question, and showed himself to be in perfect accord with the Presidents who have preceded him, on the essential question now under discussion in the United States — namely, the continuance of silver coinage under the Bland bill. He did not hesitate to avow that it was, in his opinion, the duty of Congress to suspend further coinage. He declared that a disastrous crisis was close

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at hand in which gold is likely to disappear from circulation and when we shall be reduced to silver alone; that under the operation of the silver coinage law, the flow of gold into the Federal treasury had been steadily diminished, and that silver and silver certificates had displaced, and were then displacing, gold in the Treasury, and that the sum of gold available for the payment of the gold obligations of the United States, and for the redemption of the circulating notes called "greenbacks", if not already encroached upon, was perilously near encroachment.

These being the facts of our present condition, our danger, and our duty to avert the danger seemed to the President to be plain. To maintain and to continue in use the mass of our gold coin is possible by a present suspension of the purchase and coinage of silver, and the President affirmed that he was not aware that by any other method it is possible.

If this state of things were not arrested, he predicted a prolonged and disastrous crisis, which would involve every industry in the country, and would bear most heavily of all on the laboring classes.

In the closing days of an administration, and of a chamber whose mandate terminated on the 4th of March, it was not possible to secure the desired suspension of silver coinage; but the Senate of the United States on the last day of its late session, and too late to receive the concurrence of the House of Representatives, passed the following resolution:

"That the President of the United States is hereby requested to enter into negotiations with the states of the Latin Union, and such other foreign powers as he shall deem advisable, with the purpose of securing such treaties with them as shall bind the agreeing thereto to open their respective mints to the free coinage of silver, with full legal-tender power, at such uniform rate to gold as shall be agreed upon."

The frank and forcible declarations of the new President explain the whole monetary question, and now it presents itself to the eyes of a large part of my American countrymen. In the presence of a situation so threatening, you cannot doubt that the American Government will do its utmost to be extricated from it. If we are obliged to act alone, there is no other way open to us for averting the danger than by suspending silver coinage.

I am authorized to say to you, on behalf of the Government, that it will use its utmost endeavors to prevent the shifting upon our shoulders of the whole burden of depreciated silver. The sentiments of the new Congress, which is to convene on the month of December next, as well as those of the country, which are daily growing more emphatic, encourage us in the hope that before the end of the current year we shall be able to extricate ourselves from the state of isolation in which we now stand. When our situation shall be thus assimilated to that of Europe, the field of discussion will be also simplified. The latest advices from New York indicate that the President's fears are being fast realized, and that the depletion of gold in the public Treasury has obliged the banks to tender to the

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Government a portion of their reserves, in order to tide over the difficulty till Congress meets in December, and the New York Clearing House has adopted resolutions in that sense.

It is for you to judge how this state of things in America bears upon the silver question in Europe.

But before adverting to the particular circumstances which seem to us, more than ever heretofore, to make it necessary to arrive at a solution of this difficult question by international agreement, I must say something in answer to a charge which has always been brought against the United States. The partisans of the single gold standard have always accused us of coming to Europe as vendors of silver, and have asserted that the owners of silver mines have always inspired us our advocacy of the bimetallic system.

This charge was made formally by a delegate of the last international conference in 1881, and it has been repeated in so many forms and so many quarters that it seems necessary, at this moment, to explain our true relation to the past two conferences.

The conference of 1878 was called on the sole invitation of the United States; the second conference, that of 1881, on the joint invitation of France and the United States.

The history of these two invitations is as follows:

The invoking of an international conference was imposed as a condition of the Bland bill by the Senate of the United States. The Bland bill was introduced into the House of Representatives under the influence, not of the owners of silver mines, who were neither numerous nor influential in the country, but of the *inflationists* — the advocates of inconvertible paper money — who having been defeated in their policy by the resumption of specie payments which was to take place on the 1st of January, 1879, sought in the free coinage of silver, a *parachute* for the fall of prices, imposed upon the debtor class, by the return of coin values.

The Bland bill, as it passed the House of Representatives, provided for the unlimited coinage of silver of full legal tender capacity. The Senate opposed the free coinage, and consented to the limited coinage (\$2,000,000 in bullion per month) only as provisional measure, and as a concession to the inflationists, and that only on the condition that Europe should be invited to join us in restoring silver to free coinage at a fixed relation with gold. I am able to make this explanation very exactly, because I myself, by request of the Senate committee, drew up the conference clause as it now stands in the law; I was at that time much occupied with banking and currency questions, and had opposed in a New York newspaper all silver coinage without a previous international arrangement. The inflationists, with whom Mr. Jones, Senator for Nevada and a wealthy silver mine owner, sympathized and acted on this question, opposed both the limited coinage and the conference. They did the same, also, in the report of the silver commission, of which Mr. Jones was chairman. I am indebted to the Senator who reported the bill and secured its passage for these details.

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The conference of 1878 was convoked *in spite* of the owners of American silver mines, and by their influence. They were equally without influence in the joint invitation of the United States and France, in 1881. The history of this latter meeting is as follows:

After the failure of the first conference the Government of the United States approached the European powers confidentially on the silver question. I was charged by the President with the execution of this mission. During the summer and autumn of 1879 I visited London, Paris, and Berlin, and conferred semi-officially ("officieusement") with the ministers of those countries. Without betraying the confidences of such a mission, I may be permitted to say that the reception which was everywhere extended to me was not unfavorable to its object. On my return to the United States, at the end of 1879, I made a report of my mission. This was on the eve of the Presidential election of 1880, which resulted in the choice of President Garfield, in November of that year. I had then entered upon my duties as consul-general of the United States at Paris. Immediately after the election of President Garfield I received from a French statesman, then occupying a high public position, a personal suggestion for the renewal of negotiations which I had conducted the year before. I acquiesced in this suggestion, and opened correspondence on the subject, not only with the American Government then in power, but also with Mr. Garfield himself. In pursuance of these overtures I was instructed to act officially with the French Government, and the joint invitation by these two governments resulted from that intervention. In all these negotiations the owners of American silver mines had not the slightest part or influence. The initiative of the last conference was French and not American.

I trust that these necessary explanations will set at rest the suspicion that the United States appears in Europe in the attitude of a seller of silver. We have, it is true, valuable silver mines on our continent, and the product of those mines was, in 1884, about \$48,000,000: but we also produced \$30,000,000 of gold, and either of these sums is of trivial importance with the volume of our other productions and industries. Mr. Howe, one of the American delegates to the conference of 1881, justly asserted that we are a nation of farmers and not of miners; he gave the figures of agricultural products, showing that this production alone then amounted to \$2,240,000,000, or more than forty-six times the value of our silver product; and it has since largely increased. If you add the other mineral products, iron, coal, lead, copper, and petroleum, and the products of industry, you will see what a very inconsiderable place silver holds in the aggregate annual production of our country.

It cannot, for one moment, be supposed that this inconsiderable industry will be permitted to control the destinies of other interests immeasurably greater. These productions of all classes lead also to a vast domestic and foreign commerce, which is operated only by money, or values expressed in money. Can you suppose that we should be guilty of the folly of sacrificing the vast commerce of our country to our inconsiderable silver-mining industry? We cannot alone determine

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what the money of the world shall be; it is for that reason that we ask you to agree with us in determining so important a question. Representing a continent and 55,000,000 of people, the request is not unreasonable. Whatever decision Europe may come to, the United States can abide by it with less anxiety than any other country, for we are producers of gold as well as silver.

If the complete demonetization of silver should be decreed, this decision will add largely to the \$550,000,000 of coined gold which we now have, as against about half that amount of silver, and would, in like degree, increase the value of our annual gold product. During the last seven years the mints of Europe have coined scarcely any gold. The United States has coined, during the same period, \$382,000,000, being \$150,000,000 more than her total production, which sum she has drawn from European stock, while you have received nothing from our production.

But the important fact, as regards the future of the gold currency is that Europe is now drawing no gold from the American mines, while America has always a considerable sum of her own production with which to aliment her circulation. Nor can you draw any gold from America as long as the balance of foreign trade is, and is likely to remain, in our favor. In point of fact we, in the United States, consume nine-tenths of all that we produce, while Europe depends on us for the produce of our wheat fields, of our cotton fields, of our petroleum wells, and of our animal food in amounts which seem likely to assure to us a favorable balance in future. So long as that balance remains you will continue to send gold to us, as you have done in the last seven years, and the "famine of gold", which for some time has existed, must be seriously accentuated. Is there any doubt that this famine exists? The best statistical authorities in Europe seem to agree that it does exist. The evidence on the subject is resumed, in a most convincing manner, by Professor de Lavelaye, in an article published in the *Journal des Economistes* in March last, and by M. Allard, director of the Belgian mint, in his late exhaustive work on the crisis. But it is in England more than anywhere else — the only great commercial country having a single gold standard — that the state of the gold supply and its future prospects are regarded with the closest and most anxious scrutiny.

More than ten years ago the *London Economist* pointed out the declining product of the mines, and the struggle for gold which the German coinage law of 1873 had established between London and Berlin. It stated the remarkable fact that, for a considerable period, every change in the rate of interest made by the Bank of England had been followed by the German Imperial Bank, and it predicted the very troubles which have since arisen. Two English economists of exceptional authority each have repeated and emphasized, within a few weeks, opinions heretofore expressed by them on the scarcity of gold and its effect on prices (Mr. Goschen and Mr. Giffen). Mr. Goschen, in his address before the London Institute of Bankers, in April, 1884, called attention to the declining production of gold, and to the exceptional demands made upon it, within the last few years, by the adoption of a gold currency in Germany and the resumption of specie payments in the United States and Italy. He also noted that a sum of not less than ten millions sterling was

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annually absorbed by the arts and industry. Such demands, he said, could not fail to be followed by a general decline of prices, and such, he affirmed, was the general opinion of economists on the subject.

Mr. Giffen, who spoke at the same meeting, and who, as head of the statistical department of the Board of Trade, enjoys exceptional opportunities for the study of prices, stated in his conclusion that "the pound sterling had risen in a permanent manner," which is only another mode of expressing the fact that gold has grown scarcer and dearer.

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Source: US Congress, 49th Congress, 1st Session, Senate, Executive document no. 29. For the text of the Monetary Convention, see above under the date of the Convention.