

THE SILVER STANDARD IN MEXICO.

INTRODUCTION.

I published in the *North American Review* for June, 1895, a paper entitled "The Silver Standard in Mexico," which I now insert here.

In the preceding papers I have followed the system of revising them carefully and adding to them all the incidents on the same subject which had taken place after each was written, answering such objections as have since come to my knowledge and were not considered in the original article. I have embodied all these additions in the revised paper and preceded it by a short introduction, stating only how it originated and what were the reasons which induced me to write it. In the case of the "Silver Standard," however, I have thought it more prudent not to alter what I originally wrote and published in the *North American Review*, because that paper had the sanction of the then Secretary of State of the United States. I furthermore determined to embrace in the form of an introduction, such incidents connected with the silver standard in Mexico as have occurred since the paper was originally printed, as well as my answers to such objections or misstatements as have since come to my knowledge. The foregoing explains why this introduction is more lengthy than those preceding the other papers, having the anomaly of being longer than the paper itself, and also why I had in a few cases to speak more fully of incidents which had already been discussed in the original paper, making unavoidable repetitions, as in the cases of the reasons why we have adopted the silver standard, of our difficulties in the way of changing it for the gold standard, and of one or two other subjects.

I will now state the manner in which my article on this subject originated.

Senator Morgan's Request for Information.—On March 22, 1895, Senator John T. Morgan of Alabama, wrote me the following letter:

“ UNITED STATES SENATE, March 22, 1895.

“ *His Excellency, Matias Romero, Washington, D. C.*

“ MY DEAR MR. ROMERO :—So much has been said recently about the growth of Mexico, in prosperity, as it concerns the industries of your people and their freedom

from embarrassment of domestic indebtedness, that I wish to ask whether this matter is real, or whether it is overstated. I know that your agriculture, manufacture, and mining must be your chief reliance for prosperity, since you have not the advantages of a great commerce or the profits of an economic carrying-trade; so I conclude that if your people are prosperous and free from the burdens of a heavy domestic indebtedness it must be the result of your domestic policy, relating to finance, taxation, or the economy of public administration. Yet I see that the rate of exchange between Mexico and the United States and the European countries is very heavy, to the apparent disadvantage of Mexico. I am also aware that you must use a heavy percentage of manufactures, consumed in Mexico, from other countries.

"I suppose it is true, also, that very large sums of gold coin are sent abroad annually to pay the interest of your national debt and your railroad securities and other bonded indebtedness, guaranteed or otherwise.

"The like demands upon our resources produce depression and stagnation of business in the United States, and the question I would present to your attention is whether the same causes, operating in Mexico, produce the same results. And, if they do not disturb or destroy the prosperity of your people, what is the cause of the difference in these results? I will very highly appreciate the answers you may be able to give to these suggestions, knowing that that they will be sincere, and that they will come from an able and enlightened source.

"With high regard, truly yours,
"JOHN T. MORGAN."

It has been my habit during my official residence in this country to refrain from writing, or even saying, anything that might be construed as the expression of an opinion on any political question being agitated in this country, and more especially on issues which assume great importance in the heated canvass that precedes Presidential elections. For this reason, when Senator Morgan, an earnest friend of silver, addressed to me the letter just inserted, I hesitated very much about answering it, because I knew that he intended to use my answer in his campaign in Alabama in favor of the free coinage of silver, and although he only asked for facts—and nobody could possibly object to my giving facts regarding the actual condition of things in Mexico, as the result of our silver standard—I was afraid that my answer might be construed as an attempt on my part to interfere in the political questions of this country, and I desire to be entirely free from such imputations. But, at the same time, as Senator Morgan was a prominent member of the Senate, and was at the time the Chairman of the Committee on Foreign Affairs in that branch of the legislative power, and, besides, was and has been for many years a warm personal friend of mine and a sincere friend to Mexico, and has obliged me in different ways, I was very reluctant to leave his letter unanswered, or even to give him verbally the information that he desired. To satisfy my mind, however, I decided to consult Judge Gresham, then the Secretary of State of the United States, as to whether it would be proper for me to answer in writing Senator Morgan's letter, and whether my answer

stating such facts as I understood to be the results produced by the silver standard in Mexico, would be liable to misconstruction.

Secretary Gresham read carefully Senator Morgan's letter, and told me that he saw no objection to my replying to it, as it referred to a matter of general interest which had no connection with diplomatic affairs. I therefore prepared an answer, which I read to Mr. Gresham before sending it to Senator Morgan. Secretary Gresham found it adequate, impartial, and safe, and consequently I sent it to Senator Morgan, who forwarded copies of his letter and my answer to the *Daily State*, a newspaper of Birmingham, Alabama, in which they were published on April 7, 1895.

Paper for the North American Review.—General Lloyd Bryce, then editor of the *North American Review*, had requested me, several months before I wrote my letter to Senator Morgan, to prepare an article for publication in his paper on the Silver Standard in Mexico. Notwithstanding my desire to oblige General Bryce, as I was under obligations to him for his kindness and promptness in publishing my articles in his paper, I thought that the matter was a very delicate one, and that it was better for me not to discuss it. But when I had already written a letter on that subject which had been published, although by a local paper of Alabama, I thought that it was becoming for me to put my letter in the shape of an article for the *North American Review*, to comply with General Bryce's request, and I consequently did so. Besides, as my letter to Senator Morgan contained information which I thought was of interest to all citizens of this country, I thought there could be no impropriety in putting into the shape of an article the information contained in my letter. My article was published in the issue of the *North American Review* of June, 1895, and it drew many comments from the public press of this country, a part of which accused me of interfering in a question of internal policy of the United States, notwithstanding that I had been very careful to anticipate such a charge. Both in my letter to Senator Morgan and in my article in the *North American Review*, I had stated that the conditions of the two countries were so different that what was good for Mexico might not be so for the United States, and I had concluded by saying that the restoration of silver to its old price or ratio with gold was desirable for Mexico, showing in this way that I did not favor a depreciated currency.

President Cleveland had long before taken a decided attitude on the silver question, and I have since heard that some of his friends complained that my article had been written in the interests of silver. Mr. Gresham's unfortunate demise, which took place only two or three days before my article appeared in the *North American Review*, deprived me of my chief defence before the Government of the United

States, had I been charged with having taken any part in this controversy, and this fact confirmed me in my belief that it is dangerous for a diplomat to write about any topic which is a matter of political discussion in the country to which he is accredited.

In preparing my article for the *North American Review* I prefaced it by a paragraph stating that I had not written it voluntarily, but under the compulsion of having to answer a letter of Senator Morgan's, but the editor of that periodical, desiring it to appear as an original contribution, omitted this paragraph, and, for want of space, other portions of my article, especially the foot-notes I had appended to it. These will all be included in the present edition.

Senator Allen's Request for Information.—On March 11, 1896, Senator William V. Allen, from Nebraska, asked me for data relative to the development of Mexican industries within the last few years to enable him to demonstrate that Mexico had realized great prosperity in her material development within a comparatively short time, especially in the increase of railroads, factories, and other industries. I was somewhat embarrassed by the receipt of this letter, because, after my experience in answering Senator Morgan's letter, even with the advice and approval of the Administration, I was not willing to furnish the information desired, especially when it was asked for the purpose of using it in debate in the Senate; but, at the same time, I did not like to be discourteous to the Senator, and I thought, besides, that the mere fact of furnishing information published by the Mexican Government, which is within the reach of everybody, could in no way be taken as a breach of courtesy on my part. I therefore, after consulting with Secretary of State Olney, answered Senator Allen's letter, referring him to the paper on "The Silver Standard in Mexico," published in the *North American Review* for June, 1895.¹

How the Paper was Quoted.—I was particularly careful to state in my paper all the advantages and disadvantages of the silver standard

¹ The following is the text of Senator Allen's letter to me and of my reply:

"COMMITTEE ON FOREST RESERVATIONS AND THE PROTECTION OF GAME,
"UNITED STATES SENATE,
"WASHINGTON, D. C., March 11, 1896.

"Señor Don Matias Romero,

"Envoy Extraordinary and Minister Plenipotentiary,

"1413 I Street, N. W., Washington, D. C.

"SIR:—I have the honor to direct your attention to an editorial appearing in the *Washington Post*, March 7th current, entitled "The Silver Dollar in Mexico," and also a paper in the current March number of the *Arena*, published at Boston, Massachusetts, by Mr. Justice Walter Clark, of the Supreme Bench of North Carolina.

"I write for the purpose of obtaining from you such data and information along the lines indicated in this editorial and paper as you may feel disposed to furnish me. I am desirous of taking up and considering thoroughly and exhaustively in the United

in Mexico, as I had practically studied them during the year 1892, when I was in the City of Mexico at the head of the Treasury department. I had then the best opportunities to see practically the workings States Senate at an early day, the silver question in Mexico, and I should be pleased to be placed in possession of such views as you may possess on the subject.

"You no doubt understand fully the argument made by gold monometallists in this country and illustrated by what they are pleased to state as the condition in Mexico resulting from silver monometallism.

"I should be pleased to be furnished with such data, in as compact form as possible, as may be in your possession, relative to the development of Mexican industries within the last few years, to enable me to demonstrate that Mexico has realized great prosperity in her material development within a comparatively short time. The increase of railroads, factories, and other industries would be important.

"I have the honor to be, Very truly yours,

"W. V. ALLEN, U. S. S."

"WASHINGTON, March 12, 1896.

"Hon. William V. Allen, United States Senator, Washington, D. C.

"SIR,—I have received your letter of yesterday, in which you direct my attention to an editorial which appeared in the *Washington Post* of the 7th instant, entitled "The Silver Dollar in Mexico," and also to a paper in the current number of the *Arena* published at Boston, Mass., by Mr. Justice Walter Clark of the Supreme Bench of North Carolina, and ask me for such information as I may have on the lines of those articles, as you wish to take up in the Senate, at an early date, the silver question in Mexico.

"I do not think it would be proper for me to furnish information to be used in the discussion before the United States Senate, of a question pending in this country and which divides its political parties and is therefore in the nature of a domestic concern, as there is danger that any information furnished by me for such purpose might be taken as a desire of intruding into the domestic affairs of the United States. As the representative of a foreign country, and especially of one which is a friend of the United States, it would not become me to appear meddling in the domestic affairs of this country.

"But, at the same time, as what you desire are facts, and as the facts relating to this subject have already been stated in a way which I think would not be liable to misconstruction, I beg leave to refer you to an article which I published in the *North American Review* for June, 1895, which states in a conscientious and concise manner, the advantages and disadvantages of the silver standard in Mexico.

"I have read with interest Justice Clark's article mentioned by you, and it is very interesting for me to see how the same facts strike so differently different public men of the United States, according to their preconceived ideas on the money question. The friend of silver, like Justice Clark, finds in Mexico an example of the remarkably favorable results of the silver standard, while on the contrary, the friends of the gold standard, like Mr. W. H. Scott, editor of the *Oregonian* of Portland, Oregon, who published in his paper on the 28th ultimo a letter dated at the City of Mexico on the 20th of the same month, relating his experiences and impressions of Mexico during his visit to that country, find in Mexico an example of the bad results and terrible consequences produced by the silver standard.

"It will afford me great pleasure to know that the facts, as presented in the *North American Review*, will fulfill your desire for information contained in your letter that I have the pleasure to answer.

"I am, very truly yours,

"M. ROMERO."

of the silver standard, and, if anything, I was over conservative in my estimate of its advantages. It would have been foolish in me to have attempted to exaggerate these advantages, because it could very easily be shown that my statements were incorrect, and this would have placed me in a very disagreeable position, independently of my desire to be always honest about everything.

As my paper presented in a very just and impartial manner both the advantages and disadvantages of the silver standard in Mexico, in the United States the friends as well as the opponents of the free coinage of silver found in the article many reasons to defend their views, by exaggerating the advantages and underrating the disadvantages of the policy that they preferred.

My article was often quoted by several newspapers and public men in this country, and even in the legislative halls of the Republic, although mainly by the advocates of the free coinage of silver. In the session of the Senate of the United States of the 10th of January, 1896, Senator Jones, of Arkansas, read several extracts from the same, and I have received frequent requests for copies of it from distinguished quarters.

President Diaz's Views on Silver.—Since that time General Diaz, President of the Mexican Republic, in an interview published in the *New York Journal*, of September 11, 1896, expressed exactly the same views as those put forth by me in my paper.¹

¹ The following is a letter from Mr. W. E. Lewis, the *Journal* special correspondent in Mexico, dated at the City of Mexico on September 9, 1896, and addressed to Mr. W. R. Hearst, editor of the *New York Journal*, and enclosing the so-called interview with President Diaz.

"CITY OF MEXICO, September 9.

"What President Diaz sends herewith on the effect of free silver coinage in Mexico is given double importance by the facts that Mexico is one of the most prosperous of the silver-using nations, and that its prosperity has been attained under the statesman-like administration of the veteran Executive who now sends this personal message to the *Journal*. Shallow observers who have been shaken by the sight of Mexican dollars selling in the United States for 53 cents, while ignoring the fact that in Mexico they buy as much, and only as much, wheat now as in 1860, will learn from the President of the Mexican Republic how stimulating upon productive industry is a dollar which it does not pay to hoard, but to spend; which keeps ever its normal value, and so doing keeps always stable the prices of commodities for which it is exchanged.

"W. E. LEWIS,

"The *Journal's* Special Commissioner to Mexico."

"FROM PORFIRIO DIAZ.

"CITY OF MEXICO, September 9, 1896.

"To W. R. Hearst, *New York Journal* :

"I do not care to discuss the effect of the silver coinage on the material interests of Mexico with a view to influencing the result of the coming national election in the United States. Such course on my part would be wholly improper, considering the friendly and peaceful relations existing between the United States and Mexico. The

When I called President Diaz's attention to his message published by the *New York Journal*, he informed me in a letter dated at the City of Mexico on the 6th of October, 1896, that the San Francisco present political issue in the former country is the question of the money standard, and I do not wish to be regarded as in any wise attempting to affect the outcome.

"I can give the facts relative to existing industries and the establishment of new ones in Mexico under our financial system, and each may draw his own conclusions as to the causes which have produced such awakening in commercial and industrial affairs. Ocular demonstrations of the vast development may be found by visiting the cotton and woollen mills in our various cities. Some are old, others recently opened. Our paper mills and their output also furnish evidence of our material prosperity. Until a comparatively recent period all the pulp used in the manufacture of paper in this country was imported, and the paper only was made in Mexico; now the pulp and everything that enters into the composition of the paper is made here. The departments of the government will furnish the exact data and statistics showing the growth of domestic manufactures and commerce.

"*Growth of Mexico's Commercial Interests.*—While our material interests have increased steadily and healthfully for the last twenty years, since the close of the Indian mints and the repeal of the Sherman law, so called, in the United States, the growth of Mexico's commercial and industrial interests has been particularly marked. The consequent appreciation in the price of gold and the increase in exchange between Mexico and the gold standard countries at once operated to reduce importations and stimulate home manufactures.

"The added price of exchange was in effect an addition to the tariff. The importer added to the original cost the duty and cost of exchange. Our cotton and woollen mills already in operation were obliged to enlarge their capacity and new ones were established. The number of operatives necessarily had to be greatly increased.

"To show the falling off in the consumption of foreign merchandise, it may be said that the year prior to the increase of foreign exchange on silver our customs collections at the ports of entry amounted to \$22,000,000. The next year they were \$14,000,000. In the fiscal year ending in 1890 our importations exceeded \$52,000,000. In the fiscal year ending in 1895 they were slightly in excess of \$34,000,000. On the other hand, our exportations increased. In 1890-91 they amounted to \$63,000,000, and in 1894-95 to \$90,000,000. There was nothing in the nature of a commercial panic consequent upon the sharp advance in silver exchange.

"*Bank and Business Failures Rare in Mexico.*—Our merchants are conservative and careful, and bank and business failures are happily rare in Mexico under any circumstances. As to wages and the condition of laboring men, considering the nature of work and classes of industry, they compare favorably with those in other countries.

"The demand for skilled labor has grown with the great increase in the number of mills and manufactories. This demand in all branches of labor is strong. The added exchange has not impaired the value of our dollar as applied to the purchase of articles of home manufacture. Its buying power is unchanged in this respect, and prices for domestic merchandise and produce vary only according to the supply and the demand.

"Heavy investments of foreign capital in Mexican enterprises have been made since the appreciation of gold elsewhere.

"There is another point of view. The foreign debt of the country is payable in gold. The duties on imported merchandise are collected in silver, or on that basis. The high rates of exchange, together with the decrease in our customs collections before alluded to, have caused a considerable shrinkage in this source of revenue."

Examiner had asked, by cable, his views on the silver question in Mexico, and that he had sent by mail in answer some tables and other data bearing on that subject. When, some time later, Mr. Lewis made a similar request, the President answered him that, these questions being agitated in the political canvas in the United States, in which he thought it would not be proper for him to take a part, he declined giving his views. This was the extent of his communication with the *Journal*, but from such data the telegram was made up, which I suppose was substantially correct.

When it was stated by the public press, in the middle of 1897, that Mexico was going to adopt the gold standard, I asked President Diaz, at the request of prominent men of this country, whether this was the case, and in a letter from him dated at the City of Mexico on August 11, 1897, he answered me that for the time being he did not intend to recommend that measure, as Mexico was waiting for the result of the adoption of the gold standard in other countries before deciding whether or not to make that move.

The Silver Question Became the Leading Political Question in the United States.—Soon after the publication of my article in the *North American Review*, the silver question became the leading question in the United States, on account of the National Democratic Convention, which met at Chicago on the 7th of July, 1896, having accepted a plank in its platform in favor of the free and unlimited coinage of silver at the ratio of 16 to 1; while the National Republican Convention, which had met at St. Louis a few days before declared in favor of the gold standard.

The silver question became, therefore, the leading question of both parties in the presidential election of 1896, and in their canvass the spokesmen of both mentioned Mexico as an instance supporting their respective views; some of the Democratic orators tried to show that the prosperity of Mexico was due solely to the silver standard, and some of the Republicans to demonstrate that the many disadvantages under which we labor in Mexico, as compared with the United States, were due to the same standard.

Newspaper Agents Sent to Mexico to Study the Silver Question.—Some of the leading newspapers of this country sent special representatives to Mexico for the purpose of studying on the spot the effect of the silver standard in that country, and although these were men of unquestionable general ability, they were at a disadvantage amidst strange conditions, and among a people with whose language, history, and genius they were unfamiliar; notwithstanding which they expected in two or three weeks' stay in the country to arrive at sound or useful conclusions on the social and economical questions in all their aspects which they had been sent to study. Many went there, besides,

already prejudiced in favor of some particular view, and none remained there long enough to form just opinions on those complex questions. The result, as was natural to expect, was that each side made a great many mistakes and that the good name of Mexico suffered a great deal for that reason.

The unsatisfactory result of the missions referred to was increased by the fact that such agents, in some cases, were sent to Mexico to seek for facts in support of conclusions which were irrevocably formed, so that their minds were open to only one set of facts and observations, and in the published accounts of some of these investigations one is not impressed by their sense of relevancy to the facts observed or to the questions under discussion.

The same thing happened in their case as in that of my paper, that Mexico was presented by both sides as supporting their respective theories, that is, the silver men exaggerated the advantages of the silver standard, as they are developed in Mexico, and considered that standard as the sole cause of the prosperity of that country; while the gold men exaggerated the disadvantages of the silver standard and pointed out the many lines in which Mexico is far behind the United States, attributing these drawbacks to the silver standard.

It was stated in this country, and with great effect, that anybody going to Mexico could buy with an American silver dollar one dollar's worth of goods, or pay for a dinner of that price, and have besides one Mexican dollar returned in exchange. While this statement may be in some respects substantially correct, as a matter of fact it was not so. It may have happened only once or twice, and for a very few days each time, since the depreciation of silver began, that the Mexican dollar has been worth exactly 50 cents in gold, when exchanged for gold or sold for the silver bullion contained in the same. The price until recently, and not considering the last great fall of that metal, was generally from 53 to 58 cents and sometimes higher, and therefore it would not be possible to pay with an American dollar, worth from \$1.85 to \$1.90 in Mexican money, for the value of one Mexican dollar and have another Mexican dollar returned in exchange, although that operation might have been made on two or three days during all that time when the price of the silver bullion in the Mexican dollar was exactly 50 cents. The keepers of restaurants, shops, etc., are not informed about the price of silver in London, which varies almost every day, and they would not attempt to exchange a foreign coin for the exact market price of the bullion contained in the same, running the risk of losing by the operation. If anybody should offer in Mexico a United States silver dollar in payment of one dollar's worth of goods, the shopkeeper very likely would not receive the coin, because he would not be aware of its value; or, if he received it, knowing that it