

*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

was worth more than a Mexican dollar, he would not give in exchange the full value of the gold dollar at the price of silver bullion on that day for fear of losing money. But, of course, any one having a United States silver dollar could go to an exchange office, have it exchanged for, say 190 cents, pay for his breakfast or his goods the value of 100 Mexican cents, and have 90 cents in change left; and so far the statement may be substantially correct. In the paper published by the *North American Review*, and which follows this introduction, I explained why this happens, namely, that the United States silver dollar is the representative of a gold dollar, while the Mexican dollar is not redeemed in gold.

*Comments on the Silver Standard in Mexico.*—It would be unfair to consider the silver standard of Mexico as the only factor in the progress of that country. Its present prosperity is due principally to the building of a system of railways which makes transportation easy and comparatively cheap, to the complete peace that has prevailed there for twenty years, to the investment of foreign capital, and more especially to the unlimited natural resources of the country. The silver standard has been, too, a factor in the prosperity of Mexico, because without sufficient circulation we could not have developed our resources to the extent that we have done, as is shown by the advantages which have accrued to Mexico on account of that standard as stated in the accompanying paper; but that progress is not due solely to the silver standard, as was alleged by some of the orators and newspaper writers favoring the free coinage of silver.<sup>1</sup> The other side made a similar mistake in attributing to the silver standard all the disadvantages

<sup>1</sup> The following extract from a book published in 1897 by the Mexican Central Railway Company Bureau of Information, under Mr. A. V. Temple, entitled *Facts and Figures About Mexico*, fully confirms these views, as well as those expressed in other portions of this paper:

*Causes of Prosperity.*—While Mexico's prosperity is unquestionably due to a large number of causes, prominent among which are the suppression of disorder, the extension of railroads, and the liberal policy of the government towards foreign capitalists and emigrants, it is very evident that her industrial growth has been powerfully stimulated by the existing monetary standard.

When silver and gold, as valued in the world's commodities, parted company, and Mexican dollars (which were being exported to Europe) were sold for a less price as measured in the currency of the gold standard countries, a rise in the price of all imported articles began in Mexico. From this time dates the development of Mexico's cotton and woollen industries, as well as the increase in the exportation of articles other than precious metals. The demand and the margin of profit for home-made goods increased as Mexican dollars depreciated. The native manufacturer enlarged his operations, introduced improved machinery, and began to compete successfully with many grades of imported goods.

The consumer now purchases from the Mexican manufacturer at the same price in silver as when silver was at par with gold, instead of being exported to Europe, as

under which we labor in Mexico. It is true, that we have not yet attained the same degree of civilization, wealth, and industrial and mercantile prosperity that this country has, but that is because we have difficult problems to solve which are well known here. We have been without means of communication for centuries; we have a heterogeneous population, most of which is, so far, entirely uneducated; and above all, we have been contending with long and disastrous civil

formerly. Many millions of dollars have thus been kept at home and added to the capital of the country.

Cotton mills have been constructed in all parts of the republic. The acreage of cotton is constantly increasing, but the native crop is not yet sufficient to supply the demand, and large quantities of cotton are imported from the United States.

The history of the woollen trade has been almost identical with that of cotton.

The Mexican manufacturer of woollens produces now a very good article, although he cannot yet compete with the finer fabrics of France and England. In former years there was a considerable exportation of wool to the United States; now there is a considerable importation of it from the United States into Mexico.

While it is true that the Mexican dollar, as measured in francs, marks, or pounds sterling, has decreased in value nearly 50 per cent., it is also true that prices of almost every class of foreign goods have also decreased 50 per cent. A suit of clothes made from the finest quality of imported goods costs only the same number of Mexican silver dollars to-day that it cost twenty-five years ago.

Note also the effect on real estate. Coffee plantations have risen in value from \$75 or \$80 an acre, the price when gold was at par with silver, to from \$200 to \$300 an acre. The annual profits of these plantations have risen from \$10 or \$15 an acre to from \$50 to \$150 an acre. Similar advances are true also in sugar and tobacco haciendas.

The premium on gold has been the cause of immense internal improvements throughout the country. The capital kept at home has been invested in irrigation schemes, in improving large tracts of fallow land, and in other enterprises of a like character. The premium has also brought much foreign capital here, which has been invested in various branches of industry, particularly in the production of articles for exportation.

The foreign investor doubles his capital when he brings it to Mexico. He gets the advantage of cheap and docile labor for silver, and sells his exported product for gold.

This great stimulation to all industrial enterprises, the building of railroads, the establishment of factories, and the cultivation of thousands of acres of land—all these have had a notable effect upon the people. The great demand for labor has benefited them immensely, and has promoted peace and prosperity throughout the country.

The resources and opportunities of Mexico have only been recently revealed to her own people, as well as to foreigners. It is much easier now than it ever was before to get capital here at a relatively low rate of interest for any legitimate enterprise, because, first, there is more money in the country than when we were importing so largely; and because, second, the business man is willing, under present conditions, to take risks which would be considered too great in an era of low prices and a contracted currency.

The native producer has prospered under silver at the expense of the foreign merchant and of the importer. Silver in Mexico has stimulated exports and contracted imports."

wars, from which this country has been almost altogether free—and these factors are the real causes of our present economic conditions.

The low Mexican wages were also attributed to our silver standard. To be sure the wages that we pay our laborers are not quite as high as those paid to similar laborers in this country, but that is not due to the silver standard, as has already been stated, since wages were no higher when silver and gold were at par at the ratio of 16 to 1, but, on the contrary, have since increased, and I have no doubt they will continue to increase in the future. In a paper entitled "Labor and Wages in Mexico," which appears in this book (pages 495-543), I have dealt fully with this subject and I have also tried to explain the condition of our wage-earning classes (pages 528-531).

Pessimists who have visited Mexico or studied its present conditions predict that our prosperity is not of a permanent character, as they think that it will be followed by a tremendous crash, similar to that which took place not long ago in Australia and later in the Argentine Republic, because they think that investments in Mexico have been overdone, and that when the time comes to liquidate our indebtedness and we have to pay them in gold, we will not be able to do so, and then we shall be in the same condition as those countries after the crash. I do not entertain any such view of the situation. I think investments in Mexico so far have been prudently made, and they are sure to bring a reasonable interest, even if paid in gold. Of course it would have been better if we could have accomplished the development of our country with our own means and without using any foreign money; but there was not capital enough in Mexico to do so, and besides, the Mexicans had no experience and therefore no confidence in large collective enterprises, and would not invest their money in them. The problem for us was therefore to decide whether we would continue in the unsettled conditions of stagnation, poverty, and danger in which we had been for many years, and not owe anything abroad, or whether we should build railways, enlarge our mining interests, build our manufactories, and extend our agricultural productions with the aid of foreign capital. The United States afforded a very encouraging example to us, for this country has really been developed by European capital, and yet nobody doubts the wisdom of that policy. Besides, the Mexican people are getting richer by the development of their country with the assistance of foreign capital, and in the course of time they will be able to buy their own securities now in foreign markets, and in that way save the interest or tribute which now they pay to Europe and to the United States, just as this country has done under similar circumstances.

I hope that if in the future the example of Mexico is again brought into the internal politics of this country, the information embraced in

this paper, and in some of the others contained in this volume, which is entirely reliable and impartial, will contribute to dispel the many mistakes that prevailed in the presidential canvass of 1896.

*Mr. Kennedy's Misstatement.*—To show my impartiality in this matter I will state that when my attention was called, during the last political canvass, to an affidavit signed by J. H. Kennedy,<sup>1</sup> who called himself a resident of the town of Sinaloa, Mexico, to the effect that the United States silver dollar could not be exchanged for two Mexican dollars in Mexico; that the national debt of Mexico was not paid in gold, and that Mexico could redeem her debt at once without any difficulty, I had no hesitation in correcting those misstatements, as appears from the following letter that I addressed on September 27, 1896, to Mr. Arthur E. Fletcher, of Milwaukee, in answer to an inquiry from him on the subject. My letter was

<sup>1</sup> Mr. Kennedy's affidavit is the following, taken from the *Times* of Minneapolis, Minn., of October 12, 1896:

"*Silver Dollars in Mexico.*—J. H. Kennedy, a former resident of Iowa, has attacked the statement so generally made regarding Mexico and silver by making the following affidavit before E. H. English, a notary public at Valley Junction:

"I, James H. Kennedy, now a resident of the town of Sinaloa, Mexico, do solemnly swear that I am an American by birth; that I served three years in the Seventh Iowa during the late Civil War; that I have always been a republican; that I have resided in Mexico for twenty-five years; that I speak the Spanish language as well or better than I now do the English. I have travelled through twenty-four of the twenty-seven states in Mexico in an official capacity and as an interpreter for numerous syndicates. I have had access to almost all the archives of that country. I am better acquainted with the customs and usages of that country than I am of my mother country. I left Mexico on the 2d day of March, 1896, coming to this country to visit my friends, relatives, and old comrades. During the last month in Iowa I have heard more absurd and utterly false statements made in regard to Mexico than I ever thought could be conjured up by mortal man, all to deceive the voter.

"One most heard is that you can take one American silver dollar into Mexico and get two Mexican silver dollars for it, or that you can get a 50-cent meal and throw down an American dollar and they will give you back in change a Mexican dollar. I brand this as utterly false in every respect, a lie manufactured out of whole cloth. I assert that a Mexican will not accept an American dollar, either gold, silver, or paper, for any amount, but will refer you to a broker, where you can sell your silver dollars as bullion for Mexican money; then they will trade with you. The largest hotel in the City of Mexico will not accept American money under any circumstances, but will invariably refer you to a broker.

"By paying the mintage any one can take silver bullion to either of the mints in Mexico and get Mexican silver dollars for it, and for two hundred and fifty years silver bullion has never fluctuated to exceed two cents.

"I hear it asserted that the national debt is payable in gold. I brand this as utterly false. Every dollar of the debt, \$46,000,000, is, and always has been, payable in the lawful money of that country, and we are now paying our debt in Mexican silver dollars, the money of the contract.

"I assert that Mexico in the present decade is making strides in advancement

published by the Milwaukee *Sentinel* on the 4th of the following October, adding to my name the prefix of "Minister of the Mexican Republic" in Washington, an official designation which I never use and which is not correct, because the official name of Mexico is the "United States of Mexico," not "Mexican Republic."

The following is a copy of my answer to Mr. Fletcher:

WASHINGTON, D. C., September 27, 1896.

Mr. Arthur E. Fletcher, Plankinton Bank, Milwaukee, Wis.:

DEAR SIR:—I am in receipt of your letter of the 25th instant and in answer have to inform you that the President's Message, read to the Mexican Congress on the 16th inst., explains fully the case you mention. Our gold debt, or foreign debt, as we call it, because all of it is held in Europe, amounts to more than \$100,000,000, and is payable in gold, both interest and principal, and our silver debt, a large portion of which is held in Europe and some of it in Mexico, is payable in silver, both interest and principal.

"I doubt very much whether Mexico could pay her whole debt even in silver, because that would require about \$200,000,000, and our revenue is only about \$50,000,000 and the expenses reach about the same amount, but it might be redeemed by issuing new bonds with less interest, and that is very likely what will be done by Mexico at the proper time. I am, very truly yours, M. ROMERO."

*Official Declarations of Mexico on the Monetary Question.*—One of the objects for which the International American Conference that assembled in Washington in 1889 and 1890 was convened, under Act of Congress of May 24, 1888, was (Section 6th) "the adoption of a common silver coin to be issued by the different Governments, the same to be legal tender in all commercial transactions between the citizens of all the American States." A committee was therefore appointed to consider the subject of a Monetary Union, and not being able to agree upon any project with such purpose in view, because the United States delegates did not favor any, the committee decided to recommend the convening of a Special Commission of the American nations for the purpose, a recommendation which was finally adopted, because the other American nations considered that the United States being the largest of the American countries, ought to take the lead, and the others ought not to act in opposition to its wishes and policy.

greater than any other nation on earth. Twenty-five years ago we had eighty miles of railroad, now we have near eight thousand miles of railroad. We are building factories on every hand. Twenty-eight years ago, when the French army was driven out, the Mexican government was left penniless—not a dollar in the treasury. We can now pay our entire national debt any day a demand would be made for it.

"I am now on my way to Mexico to spend the rest of my life. Any one can find me by addressing a letter to James H. Kennedy, Sinaloa, Mexico.

"In conclusion, I invite an honest and thorough investigation into the facts of my statement, and I defy successful contradiction. I am not the owner of mining stocks and no personal interest has caused me to make this statement, but have given it by request of an old comrade.

JAMES H. KENNEDY."

During the discussion of that report I suggested the adoption of a common coin by all the American nations, to be legal tender in payment of all debts, and the coining of a certain amount of silver dollars of the same weight and fineness, to be issued in proportion to their population—for instance, \$1 for each inhabitant that each country had,—such dollars to be legal tender for the payment of all debts of all the American nations, redeemable on presentation in gold by the respective countries and stated the inconveniences that would accrue to Mexico by the adoption of a common silver coin.<sup>1</sup>

When the Special Commission of the Monetary Union assembled in Washington from January 7 to April 4, 1891, it appeared that the

<sup>1</sup> I expressed on that occasion the willingness of Mexico to agree to a common silver coin of the same fineness and weight, to be legal tender in all American nations, if they all should accept that agreement, notwithstanding the great drawbacks that Mexico would suffer in that case. In the remarks that I made before the Conference in the meeting of March 27, 1890, when the Monetary Union recommendation was discussed, I said on the subject what follows:

"It would be difficult for the American nations to agree that the international silver dollar should have the same fineness and weight as the Mexican dollar, because in that case they would create a coin of more value than their own. And this would necessarily have to be depreciated if they should accept the same fineness and weight as that of the dollar of the United States of America, which is substantially the same as that of several other of the American States. Then we should have in Mexico two silver coins; the international one, with the weight and fineness which should be agreed upon, and the Mexican one with higher weight and fineness. This difference in weight and fineness in two coins of the same nominal value, coined in the same country, could not but cause serious embarrassments. Notwithstanding all this, Mexico, wishing to contribute as far as it is in her power, and even at the expense of any reasonable effort, to the unifications of institutions and interests with all the other American Republics, has been disposed to accept the coinage of an international silver coin, without undervaluing the fact that any step towards increasing the value of silver will finally be advantageous to us."

My opinion on the rehabilitation of silver by the United States was expressed in the following words:

"This gentleman fears that if an international silver dollar should be coined by all the American nations, that coin would come to the United States to be exchanged for gold, and that in that way all the gold now in the Treasury should be lost and the United States be obliged to give up their gold standard and become monometallist. In my opinion this fear is ungrounded, because the United States buy from the American nations to the amount of several millions of dollars in raw materials, and the difference between the amount bought and the American goods exported to those countries, which is paid by them in cash, could be paid in international silver coin which they might receive. Besides, we could agree, as the Latin Monetary Union did, that each American nation should be bound to redeem in gold the international silver dollar that each might coin. If the basis for coinage should be as the minimum one dollar per each inhabitant in each country, there should be a demand at once for 120,000,000 ounces of silver, which would necessarily increase the value of this metal and have a very great moral influence in the solution of this problem by the other commercial nations of the world."

American delegates would not be in favor of any Monetary Union among the American nations, and that the only way to overcome the difficulties of the case was to recommend the meeting of a Monetary Conference, where all the nations of the world should be represented, which motion was adopted, and led to the meeting of the Monetary Conference which assembled at Brussels from November 22d to December 17th, 1892.

At the fifth meeting of the American International Monetary Commission, which took place on March 30, 1891, I delivered an address in which I again stated the position of Mexico so far as monetary matters were concerned, and foreshadowed the same views expressed in my answer to Senator Morgan, and in my paper published in the *North American Review* for June, 1895. That answer will be found in an appendix to the present paper.

The American countries have different kinds of coin. Venezuela for instance, has as a monetary unit, the *Bolivar*, equal to a franc, and other countries have two kinds of dollars, *peso duro*, and one of less value called *peso feble*, and in each country the dollar has different names. In Ecuador it is called *Sucre*, in Peru, *Sol*, in Bolivia, *Boliviano*, and in Brazil, *Milreis*. The weight and fineness of the silver dollar varies in almost every one of them: some have 9/10 of silver and 1/10 of alloy; others have less, and others, like Mexico, more than that proportion, and it would be of great advantage if the coins of all American nations, by having the same fineness and weight, should be of the same denomination and value.

*Mexican Opinion Favorable to the Silver Standard.*—Everybody in Mexico, that is, from the educated to the ignorant, from the rich to the poor, from the natives to the foreigners, and even the bankers<sup>1</sup> who in other countries are decidedly favorable to the gold standard,

<sup>1</sup> This assertion is confirmed by the following extracts from an editorial of the *Mexican Herald*, a newspaper published in English in the City of Mexico by very able American editors, in its issue of November 4, 1897.

"*Mexican Bankers and Silver.*—Why are our great bankers so loyal to the cause of silver? Why are they not gold monometalists as are the bankers of England, the United States, and the continent of Europe? It is because they are not merely bankers; they are heavy investors and directors in new manufacturing industries dependent for their prosperity on the continued use of silver as money in this country. They take a broader view of the currency situation than do bankers abroad, because they are factors in a great manufacturing movement, which has for its ultimate purpose the achieving of Mexico's industrial independence.

"Being something more than lenders of money, they are liberal in their ideas and are not blinded by prejudice. They can see all sides of the currency question. There are many able and sagacious men among the bankers of Mexico and they are, with hardly an exception, bimetalists. They are not trying to make money dear, they are not wrecking properties, but rather are creating industries. . . ."

are all in favor of silver. The Government holds the same opinion. As Mexico is now prosperous a large portion of the people attribute its prosperity to the silver standard and are therefore decidedly favorable to the continuance of that standard.

It is not strange that Mexicans think so when prominent and able foreigners living there hold the same opinion.

Mr. Lionel E. G. Carden, the very able British Consul at the City of Mexico, who has been in Mexico for nearly eighteen years and understands the country well, has expressed official views on this subject which go much further than my own. He holds that, while the first effects of the depreciation of silver on the Mexican Government and on the Mexican railroads were unfavorable, the ultimate result will be beneficial and will tend to increase the country's agricultural resources and consequently the republic's export trade, provided that a price shall be arrived at not subject to fluctuations; and that the greatest disadvantages that the Mexican Government and the railways suffer from the depreciation are therefore the constant fluctuations in the market price of silver. Mr. Carden's views appear in a report on the effect of the depreciation of silver in Mexico, addressed to Lord Rosebery on August 4, 1893.<sup>1</sup>

<sup>1</sup> It would occupy too much space to give here the chief portions of Mr. Carden's report, and I will only insert, therefore some of its main points:

"A low price of silver," Mr. Carden says, "if permanent, would not only not be prejudicial to Mexico as a whole, but would conduce to its ultimate benefit by the stimulus it would afford to the development of its immense agricultural resources." His conclusions are that "the losses which would be sustained by the government and the railway companies are essentially limited in their amount, the benefits which would accrue to certain of the productive industries are susceptible of indefinite extension," and that such extension would "at once make itself felt in an increase in the revenues of the government as well as of the railways."

The reasoning by which these interesting conclusions are supported is somewhat too extensive for full quotation here. Mr. Carden's report is supplemented by exhaustive tabulations of the statistics on which he formed his views. He points out that the fall in the exchange value of the Mexican silver dollar from 37*d.* (its average for some years) to about 33*d.* (the present level), involved an additional loss to the government of about \$2,000,000 in meeting the gold payment on its external debt, while to make good the effect of the silver depreciation on the indebtedness of the railroads on which gold must be paid, the lines would have to increase their earnings by over 23 per cent. At the same time it is figured out that an increase in the premium on gold from 30 per cent. to 50 per cent. produces, all other things being equal, a loss of 10 per cent. in customs duties to the Government.

Coming to the other and more favorable side of this question, Mr. Carden contends that the fall in silver would be accompanied by an increase in the purchasing power of the country. The amount of foreign goods imported depends chiefly, he argues, on the number of dollars available for the purchase of such goods, which, in its turn, depends upon the general prosperity of the country. As the present year, 1893, promises well for the agricultural interests, there are good grounds for expecting that the consequent increased movement of trade will to some extent compensate the