

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 bankers¹ who in other countries are decidedly favorable to the gold standard,

¹ 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, 1893.¹

¹ 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

Mr. Carden in a later report to the Foreign Office on the trade of Mexico in 1895 attributes to the depreciation of silver the expansion of that trade and of the general prosperity of the country, as follows:

"This favorable condition of things must be attributed in great measure to the stimulus afforded to the development of the agricultural resources of the country by the depreciation of silver, which, far from being prejudicial, has proved to be of the greatest benefit to Mexico, as I predicted it would in my report on that subject of August, 1893."

I will give now some of the reasons that Mexico has to be so far favorable to the silver standard and not to lose all hope that silver may yet be reinstated as a money metal by the great commercial nations of the world.

The Natural Ratio and the World's Production of Precious Metals.

—We have not yet lost all hope of the rehabilitation of silver as one of the money metals of the world, because, although modern machinery and improved methods have cheapened the production of silver, the same causes, and especially the discovery of new and rich gold fields, like South Africa and the Klondike, have increased very largely the proportions of the production of gold.

I will enter into some details on this subject to show that the position of Mexico is not entirely destitute of foundation and sound reason.

loss arising from the fall in value of the silver dollar. Supposing this fall should continue—as is most likely to be the case when the Sherman act is repealed—the development of agricultural enterprise and the increased movement of trade will have to be considerable to offset the loss in revenue of the government. Mr. Carden thinks that in four years that movement may increase to the extent of from 10 per cent. to 15 per cent. Then there has been a notable increase in the exports, not only in amount, but also in the silver value of these articles, the selling price of which, being in gold, is improved by a rise in exchange. Calculated at 60 per cent. premium as regards the gold values (*i.e.*, taking the silver dollar at 30*d.*), the exports in 1891-92 would show an increase of \$21,897,522 over those of 1889-90. This calculation shows that what would be gained by the increased gold value of the exports more than covers what would be lost in connection with the greater silver cost of the imports; that is to say, the increased purchasing power of \$16,599,800, which a gold premium of 60 per cent. would require, would be met by an increase of \$21,897,522 in the value of the exports. As stocks of merchandise on hand were then considerably reduced, Mr. Carden thought the commercial classes would not suffer much actual loss by a further fall of silver, provided it were fixed and permanent, and that prices would soon adapt themselves to the altered condition of exchange. The railways, he thought, would find compensation in the ordinary development of their traffic and by the opening up of new traffic for export, while, as for the silver mining enterprise, which is an important factor in Mexico, the profits are not affected by a reduction in the gold value of silver, while the increase in the cost of supplies imported from abroad is offset by the very general existence of a small proportion of gold in the silver ores. On the other hand, a depreciation of silver would greatly stimulate the mining of gold, copper, and the base metals.

Among the advocates of gold monometallism, and I am not speaking of the intelligent advocates of a single standard, it is commonly said that the reason why most of the nations of civilization have demonetized silver is its excessive production of late years as compared with gold. They always declared that silver is mined so abundantly and so cheaply by modern processes that it has become useless except as token money. But the facts regarding production do not bear out this assertion. Silver, as I will show by unimpeachable statistical authority, is *not* produced in excess at the present time.

It used to be affirmed that, to preserve the parity of exchange between gold and silver, the production of the latter should be as sixteen ounces to one of the former. But since the discovery, in the middle of our century, of the Australian and Californian gold-fields, the output of the yellow metal has been excessive, and that of silver, as Mulhall, the statistician, points out, relatively short. If, he urges, the *production* of the two metals determined their value, silver should be worth at present *33 per cent. more than in 1850*, for from 1850 to the close of 1894 the production of silver, in weight, has been, approximately, but twelve times that of gold—93,714 tons of silver to 8108 of gold.

But the depreciation of silver has been more than 50 per cent., for it sold in London in 1850 at 60 $\frac{1}{8}$ pence an ounce, and to-day it ranges below 28 pence!

The silver production of the world from 1850 to the beginning of 1895 was as follows:

	SILVER. Tons.	VALUE. Millions of £.
United States.....	30,350	226
Mexico.....	29,910	217
South America.....	13,410	103
Other Countries.....	20,044	156
Total	93,714	702

The annual average output of silver at the present time is 5,000 tons, and it is interesting to bear in mind that, in twenty years, from 1850 down to 1870, the average production was only 1050 tons yearly. Taking this fact in connection with its demonetization and the decline of silver in value is explained. There are some curious facts regarding the precious metals, and the following table shows that the world's stock of silver, as compared with gold, was in 1848 as 32 to 1, whereas at present it is less than 20 to 1. The world has taken advantage of the increasing supply of gold to employ it more extensively in money.

The Silver Standard in Mexico.

THE WORLD'S STOCK OF THE MONEY METALS.

YEAR.	GOLD. TONS.		Total.
	Coined.	Uncoined.	
1800.....	908	1,822	2,730
1848.....	1,125	2,450	3,575
1894.....	5,840	3,460	9,300

YEAR.	SILVER. TONS.		Total.
	Coined.	Uncoined.	
1800.....	42,000	46,000	88,000
1848.....	45,200	67,800	113,000
1894.....	92,000	89,000	181,000

These figures show how, relatively, gold has outdistanced silver; how slight, in comparison, has been the increase in the world's stock of silver to that of its stock of gold.

And while gold is being mined in a ratio to silver far beyond the averages of former years, the arts are taking up a large proportion of the product. In 1894, the gold mined was 273 tons, and Soetbeer estimates, on a carefully ascertained mass of data, that 100 tons are yearly absorbed in the arts. Silver is being mined at the rate of 5000 tons a year, and 500 tons are consumed in the arts. And, although as silver declines in price the manufacturing use of it increases, it remains a fact that a vastly greater proportion than of gold is available for monetary use.

Mr. Francis B. Forbes, of Boston, a careful student of the currency question, has taken the trouble to compile a series of tables of great value, and, incidentally, he confirms Mulhall's statistics, which I have just given, demonstrating indubitably that silver is not being produced in excess of a just ratio to gold.

TABLE A.—WORLD'S PRODUCTION OF GOLD AND SILVER, 1493-1896.

	GOLD.	SILVER.	WEIGHT
	Kilograms.	Kilograms.	Ratio of Silver.
Total production, 50 years, 1801-1850...	118,487	3,272,345	27.6
Total production, 25 years, 1851-1875...	4,775,625	31,003,825	6.5
Total production, 21 years, 1876-1896...	3,991,614	70,841,365	17.7
Total production, 96 years, 1801-1896...	8,885,726	105,117,535	11.8
Add total production from discovery of America by Columbus to beginning of this century, according to best estimates, 308 years, 1493-1800.....	4,633,583	146,554,405	31.6
Aggregate production, 404 years, 1493-1896.....	13,519,309	251,671,940	18.6

Natural Ratio and World's Production.

TABLE B.—WORLD'S ANNUAL PRODUCTION OF GOLD AND SILVER FOR THE ELEVEN YEARS, 1886-1896.

YEARS.	GOLD.	SILVER.	WEIGHT.
	Product.	Product.	Ratio of Silver.
	Kilograms.	Kilograms.	
1886.....	159,735	2,901,826	18.2
1887.....	159,150	2,989,732	18.8
1888.....	165,803	3,384,865	20.4
1889.....	185,803	3,739,004	20.1
1890.....	178,821	3,921,935	21.9
1891.....	196,577	4,226,427	21.5
1892.....	220,899	4,763,479	21.6
1893.....	236,662	5,165,961	21.8
1894.....	271,768	5,217,608	19.2
1895.....	301,544	5,235,096	17.3
1896.....	316,158	5,008,874	15.8
Total production, 11 years, 1886-1896,	2,392,920	46,554,807	19.5

The remarkable increase in gold extraction in recent years has not been met by a corresponding increase of the silver output. The ratio of silver to gold mined last year is better than the 16 to 1 proportion over which the recent presidential campaign in the United States was fought.

From the beginning of this century down to 1850 the total product of silver weighed 27.6 times as much as the gold output; then came the great gold discoveries in California and Australia, and the next twenty-five years saw the relative weight of the world's production of silver to gold reduced to 6.5, when in Europe a movement began, headed by Michel Chevalier in France, to demonetize gold. Luckily this was not done, and the great flood of the money metal enriched the world and marvellously stimulated commerce, manufacturing, and colonization. In the next period, 1876-96, silver again began to be mined in a normal ratio to the gold output, but the hue and cry against it grew louder and deeper, resulting in the general demonetization of silver in Europe. The fact of greatest significance is that during the ninety-six years of our century ended December, 1896, the ratio of silver to gold was only 11.8.

Mulhall puts it concisely, saying, "If the production of the two metals determined their value, silver ought to be now worth thirty-three per cent. more than in 1850!" And another fact bearing on the great controversy: "The stock of silver as compared to gold in 1848 was as 31 to 1, whereas at present it is less than 20 to 1, and yet silver has fallen fifty per cent. in price."

Why, then, has silver been so discredited, and why is its commercial value so low at present? There is one obvious answer; it has been legally shorn, that is, artificially, of its value, just as gold, if de-

monetized, would be accorded a lower price as an article of commerce.

Two facts have been made clear by statistics, one that silver is not extracted, the world over, out of proportion to gold, and, second, the world's stock of silver is, proportionally to gold, less than it was forty-nine years ago.

The old-school political economists maintained stoutly that a monetary standard, to be satisfactory, must have a stable and permanent value. The theory is a very dazzling one for the man who makes up a text-book of political economy and an outline of monetary systems in the quiet of his study, aided by any sound author on logic; but when coming to real life it does not look well. They have assumed that gold is permanent in value and therefore the only reliable monetary yardstick. Practical and accurate observers find fault with the theory that gold is the best possible, standard of value because "it does not fluctuate."

It has been shown by laborious students of prices, like Mr. Sauerbeck, that, during the past quarter of a century, gold has risen in value sixty to seventy per cent. as compared with commodities in general, while silver has fallen in relation to staple articles twenty-five to thirty per cent. Gold has been even more unsteady than silver. One great cause of the rise in value of gold is the demonetization of silver, throwing more of the world's monetary work on the yellow metal, while, for exactly the same cause, silver has been discredited. I find the editor of the *Statist*, of London, a trustworthy authority and an advocate of gold, admitting that "*Neither gold nor silver has a stable value independent of its monetary use, and neither, therefore, satisfies the condition laid down by the older economists.*" But, as might be expected, the editor of the *Statist* adds: "This is only another illustration of the numberless blunders into which the older economists were led by the deductive method to which they adhered."

Gold makes a very good currency basis for old and wealthy nations, where the banking system is highly developed and credit is perfected, but for young and poor nations, busily engaged in developing their resources, it remains to be seen if it will serve their purpose. The gold and silver question is not one to be studied in a partisan spirit. Perhaps, some day, people will admit that both metals are useful money bases, and the *Statist* itself, a few years ago, wanted to divide the nations into gold-using and silver-using. It was not a bad idea, could it have been arranged by international agreement.

England and Silver.—Another reason why Mexico has not yet given up all hope that silver may be reinstated as a money metal, is the belief that the manufacturing interests of Great Britain would suffer so much by the bounty to manufacturing produced by the depreciation of silver

in silver countries that she would have to co-operate with the United States, France, and other nations favoring the restoration of silver. I do not myself share such belief; but in justice to Mexico I think I ought to mention this fact.

There can be no doubt that the manufacturing interests of England are suffering very seriously by the depreciation of silver. In the opinion of competent observers in England the dulness in the cotton textile industry is due largely to the depreciation of silver which has stimulated the manufacture of cotton goods in various other parts of the world. Lancashire, the seat of Britain's cotton manufacturing industry, had, up to July, 1867, 1700 firms engaged in the business, the total spindles being 62,000,000, and the total number of looms 641,547. In this great centre of industry there has been witnessed the extraordinary spectacle of "every department of the cotton trade being under a cloud. The balance sheet of the firms are bound to show serious losses save in a few exceptional cases." The cotton exportation to India has fallen off heavily, owing to the famine, the plague, and the diminished purchasing power of silver, and, meantime, most of the machine shops of the North of England have been busy in turning out looms and spindles, "but the bulk of it goes abroad to swell the volume of production, and to furnish grave problems for the textile districts of the North to solve in the future." This is said by the *London Daily Chronicle*, which remarks that there is a general opinion that wages must come down quite ten per cent.

Another English paper that speaks with authority on this subject is the *Cotton Factory Times*, which says:

"So far as Continental markets are concerned, we may practically give them up, except in such classes of yarn and cloth as they cannot conveniently produce themselves. But in Asia and in the South American Republics—which are also mill-building—there is yet room for good business were our currency put on a right footing. Here we have all the Lancashire authorities wringing their hands at what they almost term a deadlock, and yet it is only now and again that they whisper to themselves the true cause."

And then the same journal utters the following sentiment:

"With the purchasing power of the money of our leading customers reduced by nearly one-half, as compared with little over twenty years ago, is it any wonder that they cannot keep increasing their purchases of our goods, and run after producers whose goods are produced under the same currency conditions as their own? Twenty odd years ago the Asiatic rupee was worth two shillings, and ten of them were worth a pound. Now ten of them are worth, in England, little more than half a sovereign, and as the Hindoo has no more rupees to spend than before, he wants the same quantity of stuff or thereabouts for his rupee, or he won't buy. We do not assert that had silver not been demonetized in 1873 we could have gone on increasing our trade at the rate we had previously done, but there can be no doubt we should have done, and could now, were things altered, be doing a steady trade."

Mexico¹ offers a clear demonstration of the truth of what the *Cotton Factory Times* said, as new cotton mills are built equipped with English machinery, the inevitable result being the supplying to a still greater extent by domestic mills the demand for cotton goods. England is furnishing the weapons wherewith her own great trade is to be reduced in volume.

It would seem to be for the interest of England to do something for silver, in conjunction with the United States, France, and Germany. Possibly, as Dr. Karl Peters, the distinguished German historian, says, in a remarkable article published in 1897 in the *Zukunft*, of Berlin, England need not foster her manufactures as sedulously as formerly, for with the demonetization of silver she gains in the volume of imports needed to pay the interest due her on capital placed abroad, and so is becoming an enormously wealthy banker-nation which can live on her world-wide investments regardless of losses to her manufacturers and merchants.

Dr. Peters is so strong a believer in the eventual preponderance on this planet of the Anglo-Saxon race that he has been criticised sharply for his anglomania by contemporary German writers.

Dr. Peters sees nothing for England to fear in becoming less powerful in manufacturing; she is, in his opinion, destined to change into a purely capitalist country. He adds:

"The time is approaching when Glasgow and Manchester will be unable to compete with foreign rivals, but the capital heaped together in the city of London will control all foreign industry, monopolizing all private property. Already India, America, Australia, and South Africa are forced to send their produce at cheap rates to England, in part payment of dividends and interest. British imperialism is not founded on cannons; it rests upon money alone, and ancient Rome never exploited her provinces in a more relentless manner than Great Britain her possessions or any country subject to the influence of her capital."

The German historian reckons up the "tribute money" yearly paid in London. India contributes \$100,000,000; Australia and South Africa at present \$75,000,000, and the United States, at the least calculation, \$250,000,000, although French statisticians estimate the "Yankee tribute" at \$400,000,000 annually!

¹ Mr. Carden, however, expresses the opinion, in a very able report to the London Foreign Office on *Cotton Manufacturing Industry in Mexico*, dated at the City of Mexico on March 10, 1898 (*British Diplomatic and Consular Reports*, No. 453, *Miscellaneous Series*), that the abundance of money in Mexico seeking investment, and not the depreciation of silver, is the cause of the great increase of the cotton industry in that country, although in another portion of his report he says that the Mexican cotton industry, favored as it is by the very heavy premium on gold, has practically nothing to fear from foreign competition. It seems obvious that the abundance of money seeking investment in Mexico might be due to our silver standard, which has increased so much our exports of commodities, leaving our coin at home.

It seems to me beyond all doubt that for the reason assigned by Dr. Peters, or for other considerations, England will not consent, under the present condition of things, to the rehabilitation of silver.

The United States and Silver from a Mexican Standpoint.—I will not finish this introduction without stating that the opinion prevailing in the United States that Mexico desires this country to adopt the silver standard for the purpose of being helped in the way of less fluctuations and a material increase in the price of silver, is a very mistaken one. A great many think that should the United States adopt the silver standard, the large profits now derived by selling here in gold the articles produced by us under a silver basis will cease, to the great detriment of Mexico, and they are therefore averse to seeing the United States under the silver basis.

I am sure that nobody in Mexico would like to see the United States debase its currency for the sake of their keeping company with silver standard nations. We are sure that the great importance of the United States as a commercial and industrial nation will always make its money, whether gold or silver, as good as any other in the world, and while if they favor silver they might contribute to increase the price of that metal, or at least to avoid the present fluctuations, such policy will hardly bring about the debasement of the United States' currency.

The Mexican government and the Mexican people at large would be glad of course if the United States Government, with its commanding position among the great commercial nations of the world, would assist in the restoration of the price of silver, or at least in preventing its falling any lower; but many would rather see the United States adhere to the gold standard, as it means for Mexico exemption from competition, and also a gold premium bounty¹ on tropical products.

¹ A great many in Mexico consider as an advantage the permanent depreciation of silver, and this statement is borne out by the following remarks of Mr. William J. Bryan in a letter, on his recent visit to Mexico, that was published in the *New York World* of January 23, 1898, in which he says:

"I found quite a number of Mexicans who went so far as to express the hope that the United States would continue the gold standard because of the advantage which Mexican manufacturers find in a high rate of exchange, but the majority of the people with whom I talked desire the restoration of bimetalism in the United States in order that stability in exchange may be added to stability in prices."

My statement is also confirmed by the following extract from an interview which Captain W. G. Raoul, President of the Mexican National R. R. Co., had with a *New Orleans Times-Democrat* correspondent published in the issue of that paper of September 4, 1896:

"Mexican merchants do not want to see the United States go on a silver basis. Mexico has a good thing as matters are now, and she don't want to share the silver pudding with the people on the north of her. Free silver is a blessing to any community or country . . ."