

esting papers bearing on bimetallism and specially on the silver question and on the effects of the depreciation of silver in the Eastern nations, which form now a very instructive collection, containing a great deal of very useful information on that subject. On motion of Senator Chandler, presented on June 6, 1898, a list of such papers has just been published (55th Congress, 2d Session. Senate. Doc. No. 286), and for the benefit of the readers who desire a source of information, I append that list to this paper. Special mention is due to two of these papers, namely: A summary of the results of the injuries which the world has suffered by the depreciation of silver, presented in a very concise manner by Baron de Courcel, French Ambassador at London, at a meeting held at the Foreign Office on July 15, 1897, where the three American commissioners sent to Europe to negotiate an international bimetallic agreement were present, besides Ambassador Hay, Lord Salisbury, and several other members of the British Cabinet, which appears in the Minutes of that meeting, published among the papers presented to Parliament in October, 1897, and which the Senate of the United States ordered to be printed on January 17, 1898, on motion of Senator Chandler (55th Congress, 2d Session. Senate. Doc. No. 69); and an extract from the speech of Monsieur Méline, President of the Council and Minister of Agriculture, delivered in the French Chamber of Deputies on the 20th of November, 1897, which shows very clearly the evils resulting to the world at large from the depreciation of silver, and that such depreciation is not due to the increased production of that metal (55th Congress, 2d Session. Senate. Doc. No. 26).

The Paper as Published in the North American Review.—After having made the foregoing statements and explanations in this rather lengthy introduction, it is time to insert the paper as it appeared in the *North American Review* for June, 1895.

that have adopted the gold unit, of seeing, powerless to avoid it, the exodus of their gold to foreign nations?

"Truly, I have been unable to satisfactorily answer to myself this question. As long as silver remains in circulation, it is well known by Gresham's law that gold is invariably exported, and to limit the circulation of silver is not to be thought of in a country that produces it, perhaps, in more abundance than any other in the world.

"To issue gold certificates to keep the metal on hand is not in my opinion practical, because if such certificates are not redeemable at the will of the bearer it entails a very delicate question of credit, and would expose us to unfavorable unforeseen disasters and contingencies, and if it were otherwise the certificates would at once be converted into gold and immediately exported.

"I finish this letter assuring you that it will always be a pleasure to me to hear your opinion upon subjects that to you are so familiar and that you cultivate and elucidate with such a recognized ability.

"Believe me, yours sincerely.

J. Y. LIMANTOUR."

THE SILVER STANDARD IN MEXICO.

The editor of the *North American Review* asked me some time ago for an article about the industrial, agricultural, and commercial conditions of Mexico, as compared with the same conditions in the United States, in connection with the monetary systems existing in both countries. I was very reluctant to write on that subject, fearing that my remarks might be construed as showing a desire on my part to meddle in the important currency questions then pending in this country, or as an attempt to institute a comparison between Mexico and the United States, in which Mexico should appear in an advantageous position,¹ nothing being further from my mind than either of these purposes. Senator Morgan from Alabama subsequently made some inquiries of me on the same subject, and I could not refuse to give him the information he desired; after which I saw no objection to furnishing it to the *North American Review*, and I used in the preparation of this article everything that I said to Senator Morgan in answer to his inquiry:

No Possible Comparison Between Mexico and the United States.—I must begin, however, by saying that it would be neither desirable nor proper for me to enter into a comparison between Mexico and the United States. This country is so far in advance of Mexico in material progress, commerce, manufactures, improved methods of agriculture, high wages, public education, accumulation of wealth, banking and banking facilities, and so many other things, that such a comparison would be unfair, although in some respects Mexico has suffered less than this country during the present financial crisis. I shall, therefore, confine myself to stating the advantages and disadvantages produced in Mexico by the silver standard prevailing there, without drawing any conclusions from the facts presented, so that every reader can draw his own.

¹ This article was written and published at the time when the financial crisis of 1893 was producing its direst effects in the United States, that is, when prices had come down, factories were closed, operatives dismissed, wages reduced, strikes occurring everywhere, business depressed, many men were without employment, and in consequence of all that a very unsatisfactory condition of things prevailed all over the country. It is to that condition of things that the article refers in stating that Mexico had not suffered so much as the United States during that period.

But in doing so, I must disclaim all purpose of commenting in any manner, even by implication, on the monetary question in the United States. My position here, both as an alien and more especially as the official representative of a friendly foreign country, precludes me from meddling in any way in a public question pending in the United States. Besides the conditions of the two countries are so widely different, that they can hardly be compared with each other, and what is advantageous to one might be inconvenient, or even hurtful, to the other. My statements have therefore reference to Mexico alone and in no way to the United States.

Reasons why Mexico has the Silver Standard.—Mexico is legally a bimetallic country, because we have free coinage of both gold and silver at the ratio of 16 to 1; but practically we are a silver monometallic country, because under the operation of the Gresham Law all the gold bullion and the gold coin existing in Mexico is exported as merchandise, having a much greater market value than its legal value in Mexico, and silver is therefore the only metallic money used there in payment of debts or for any other purpose. The silver standard prevailing in Mexico was not adopted from choice. Mexico being the largest silver-producing country, over two thirds of the whole silver stock of the world having come out of its mines, silver has been our only currency for nearly four hundred years. We have kept so far our monetary standard, because, as will be seen farther on, it has not been an unmitigated evil for Mexico, because we have hoped that the commercial nations of the world would find it to their interest to rehabilitate silver in some way, and also because we have been anxious to avoid the derangements and disadvantages consequent to a change of monetary standard which would be also felt, although not in such a degree, by the United States, should they attempt to change their present gold standard for a silver one. A change from the silver to the gold standard would cause in Mexico general ruin, as we do not yet produce gold enough to base our currency on that metal, and as our exports of commodities are not yet sufficiently large to allow us to buy all the gold we need for that purpose. The high price of gold is a great incentive to gold-mining, and if gold continues at the present high price for some time, I am sure Mexico will before long be a large producer of that metal.

We never had any paper currency, either national, state, or issued by banks. Two or three banks, indeed, have now issued notes, but they are not legal tender. They are convertible into silver coin at the holder's pleasure, and while they circulate freely in the large cities and for convenience' sake are preferred to the hard dollar, they are almost unknown in the small towns and in the country. The bank issues special notes for each place, which are redeemable

only in that place, thus keeping up in effect the old system of charging a high premium for the exchange of money from one place to another, the item of profit to the banks corresponding with what used to be the charge for transporting silver money.

Advantages of the Silver Standard to Mexico.—The advantages to Mexico of the silver basis are the following, most of which could not be applicable to the United States on account of the different conditions prevailing in each country :¹

¹The effects of the silver standard for all countries, and without taking into consideration the peculiar conditions of any one, are very clearly stated in the Report of the Committee appointed by the Japanese Government to study the question of standard, previous to their adoption of the gold standard, which was printed by order of the Senate of July 7, 1897, as Senate Document No. 176, 55th Congress, 1st Session. I take from that report the following heads on the subject of such advantages, without giving in detail the explanations and reasons of the report to sustain its views.

The effects of the silver standard are :

1. Increase of exports.
2. Rise in prices of commodities.
3. Light burden of debtors and taxpayers.
4. Good condition of agriculture.
5. Development of commerce and industry.
6. Increase in revenue from taxes and other sources.
7. Increase in demand for labor.
8. Increase of national expenditure.
9. Distress of those who receive fixed wages.
10. Disadvantages to creditors.
11. Growth of speculative enterprise.
12. Rise in prices of commodities imported from gold countries and decrease in imports.

The effects of the gold standard as enumerated in that report are the following :

1. Profits to creditors.
2. Fall in prices of commodities imported from silver countries.
3. Decrease of national expenditure.
4. Depreciation of prices of commodities.
5. Loss to debtors and taxpayers.
6. Depression of commerce and industry.
7. Decline of rate of interest.
8. Distress of farmers.
9. Decrease in revenue.
10. Distress of employers.
11. Decrease in demand of labor.
12. Increase of imports from silver countries.

The report concludes by enumerating the effects in Japan of the recent change of ratio between gold and silver.

1. Radical change in the relative prices of gold and silver.
2. Gold appreciated more than silver depreciated.
3. The chief cause of change in the ratio of gold and silver is the increased demand for gold in several countries.
4. The change in the ratio of gold and silver gives advantages to the silver countries and disadvantages to the gold countries.

1st. The silver standard encourages very materially, so long as other leading commercial nations have the single gold standard, the increase of exports of domestic products, because the expenses of producing them, land, wages, rent, taxes, etc., are paid in silver, and therefore their cost, as compared with their market value, is considerably less than that of similar articles produced or raised in single gold standard countries. When sold in gold markets, therefore, they bring very profitable prices, as they are converted into silver, at a high rate of exchange. These conditions have caused a great development in the exportation of some of our agricultural products, because they yield very large profits; coffee, for instance, which costs on an average about ten cents a pound to produce it, all expenses included, has been sold at about twenty cents in gold in foreign markets. The export of other agricultural products which did not pay when gold and silver were at par, that is, at the ratio of one to sixteen, is now remunerative, because there is returned to us in exchange more than we lose in the gold price of the article.

The same is the result of some agricultural products that we could not export before because their price in foreign markets was not remunerative. Such is the case, for instance, with beans, which at eight cents would not pay when silver and gold were at par, but now that eight cents in gold make about sixteen cents in silver, it is a profitable price. Our exports for several years preceding 1869 were about, a year.....\$20,000,000 00

1872-73	31,594,005 14
1888-89	60,158,423 02
1891-92	75,467,714 95
1892-93	87,509,207 00 ¹

The Statistical Bureau of the Mexican Government quotes the price of our exports in silver, and therefore to find them in gold they have to be reduced to the market price of silver, but, even reduced to one-half, the increase is very remarkable.

Formerly we used to export only silver and gold ; because of their

5. Japan has made great economic progress.
6. Increase of national expenditures.
7. Distress of those who receive fixed wages.
8. Loss of creditors.
9. Prevalence of speculative enterprise.
10. Rise in prices of goods imported from gold countries.
11. Tendency to luxury.
12. The opening of the mint invites the import of silver.
13. Stagnation in commercial dealings with Japan and gold countries.
14. Decrease of capital investments from gold countries.

¹ For the last two fiscal years our exports were: 1895-96, \$105,016,902.00 ; 1896-97, \$111,346,494.00.

small weight and bulk relatively to their value, they were the only articles that paid for transportation. But the proportion of other commodities has been increased recently to fifteen, twenty, thirty, and forty per cent. of the export of our precious metals, and during the fiscal year ending June 30, 1896, the proportion was sixty-one per cent., as the exports of precious metals amounted to \$64,838,596, and the exports of commodities to \$40,178,306.

2d. The silver standard is a great stimulus to the development of home manufactures, because foreign commodities have to be paid for in gold, and, owing to the high rate of exchange, their prices are so high that it pays well to manufacture some of them at home, our low wages also contributing to this result.¹

For these reasons we are increasing considerably our manufacturing plants, especially our cotton mills, smelters, etc., and we begin now to manufacture several articles that formerly we used to buy from foreign countries, and all this, notwithstanding that the mountainous character of our country, the want of interior navigable watercourses, and the scarcity of fuel, make manufacturing very expensive in Mexico. But we are finding abundant coal deposits, and, when our railroads tap our coal-fields, that objection will be considerably diminished. One of our railroads, the International, built by Mr. C. P. Huntington and his associates, has already reached a very large coal-field at Salinas, near Piedras Negras, which is now supplying with coal a part of the country, and even some sections of the Southern Pacific system of this country, but of course it cannot supply the whole of Mexico. When that need is satisfied, we shall have to contend only with the increased expenses of transporting the raw material to the factories and the

¹ Mr. Ransom, United States Minister in the City of Mexico, confirms this statement in the following paragraph from his report on the Currency, Prices, and Condition of Labor in Mexico, dated at the City of Mexico, September 26, 1896, and published in Vol. XIII., Part I., of the *Special Consular Reports* :

“ Manufacturing in Mexico has been developed to a considerable extent, especially in the manufacture of the coarser grades of cotton and woollen goods, ordinary bleachings, goods for shawls, prints, and calicoes, woollen cloth ; also in the manufacture of the products of sugar-cane, alcohol, paper, cigars, and cigarettes. Many well-informed persons believe that the depreciation of the price of silver has been the main cause of the development of these industries. To some extent this is doubtless true ; the large discount on silver has had its influence in depressing foreign importation and stimulating domestic production. But other powerful causes have had their effect in this direction—an able, wise, and just administration of the government during the presidency of General Diaz, the confidence of the Mexican people and foreigners in the stability of the government, the building of railroads (all but the one from Veracruz to the City of Mexico having been completed since 1883), the improvement of coast harbors, the enlargement of commerce, the liberal action of the government toward new industries ; in fact, the general influences of law, liberty, peace, and commerce, have all contributed to this result.”

manufactured goods to the place of consumption over a mountainous country with high grades and many sharp curves, unless some new means of transportation may be hereafter devised which shall overcome those obstacles. Eventually Mexico will utilize for manufacturing the many streams, almost torrents, which come down the steep mountains, and which constitute a very large water-power.

One of the leading directors of the Mexican Central Railroad, has informed me that about ten years ago the supplies imported to operate that road amounted to sixty per cent. of all the material used, and that to save the loss on exchange, the company has been following the system of manufacturing in Mexico all that they possibly can, and that the proportion of foreign supplies imported during the last year has been reduced now to twenty per cent., and that they have decided to use Mexican rails, as soon as they can be manufactured in Mexico, which will still further considerably reduce that percentage.

As it is now, some manufacturing plants of the United States are being taken to Mexico, as appears in the following extract from the annual report of Mr. W. G. Raoul, President of the Mexican National Railroad Company, for the year 1894¹:

"The most extensive and best equipped shops owned by the company are on the north side of the Rio Grande, in the United States, but the greater expense of operating them has caused the withdrawal of much of the work from them to the shops of Mexico. Our shops in Mexico are not adequate for the entire work of the road, and the removal of the Texas plant into Mexico becomes an economic necessity, if the peculiar trade and the industrial conditions now existing respectively in the two countries are to continue."

A like result has been obtained in other countries which are or were on a silver basis, such as Japan, China, and India, the depreciation of silver, or the high rates of exchange having forced those countries to manufacture staple goods for home consumption and in some cases even for export, and this fact begins to be sorely felt in England and other old manufacturing countries.²

The development of manufactures in Mexico has also brought about an increase in the production of raw materials consumed in our

¹ In 1896 the Mexican National Railroad had continued the same policy, as is shown by the following extract from an interview which Mr. Raoul had with a New Orleans *Times-Democrat* correspondent, and which appears in the issue of that paper of September 4, 1896:

"We find it to the interest of our company to do all our repairing and building of cars in Mexico. Our shops are located at Laredo, Texas, but they are practically closed, and we do nearly everything at the City of Mexico and other points. In this way free silver benefits a community, gives its citizens plenty of work, draws it away from gold-standard countries, and thus furnishes a continual stream of prosperity."

² The following remarks contained in a paper read at a recent session (1897) of the Royal Colonial Institute in London, by the Hon. T. H. Whitehead, of Hong Kong, China, which deals with the effects of the depreciation in the value of silver, on the trade of Great Britain with the Orient, confirms my statement about the great stimulus that the

manufactories, and which before we used to buy from foreign countries, as is the case with cotton. The price of such articles in gold makes them so high that it is cheaper to raise them at home.

low price of silver is to manufacturing in silver countries, and he presents the case with such clearness that I think it worth while to insert his remarks here.

"In Oriental countries we are witnessing remarkable industrial progress, and unequalled prosperity among their people, when simultaneously serious losses are attending similar industries in England; while under the present system it is highly probable that there will be a further fall in the present very low level of gold prices, which will still more prejudice the position of the British manufactures. What is also of unquestionable great concern in the Empire, is that it may lead to the transference of a large part of our principal industries to silver-using countries. So long as the gold value of silver continues to be as it is now, liable to violent fluctuations, the more perilous must become the conditions of the principal British industries, and the more possible must it be to prevent disaster from overtaking them. British labor and gold capital can no longer compete on equal terms with Asiatic labor and silver capital, and the position of British industries is growing more critical every day.

"Turning to the jute manufacture, we find that about thirty years ago nearly the whole of it centered in Dundee, whereas now about one third is conducted on the banks of the Hoogly, near Calcutta. The removal of this trade from our shores has been most detrimental to British interests. Its transfer is unquestionably due in very great measure to the fall in the gold price of silver, and to the subtle advantages arising therefrom in favor of the manufacturer in silver countries. On a falling exchange, *i. e.*, when the gold price of silver is declining, and it has been doing so for upwards of twenty years, the Dundee manufacturer is placed at a relative disadvantage compared with the Calcutta manufacturer. To clearly explain how this arises is not very easy. However, take one example, and let it be supposed that both manufacturers buy the raw jute at the same silver price, and that the cost of manufacturing it in both countries is similar. The cost includes (1) jute; (2) wages; and (3) locally produced stores for the mills, and taxes, etc. If each manufacturer realizes the same gold price for his product, the Dundee manufacturer closes the transaction at once. Before the Dundee product arrives in Australia or New York, and before payment can be made therefor in those countries, the gold value of silver falls, and the Calcutta manufacturer consequently thereby receives more silver for the gold price of his product. To that extent does he derive an advantage for, though he received a large number of rupees, he pays away no more for wages, locally produced stores, and taxes. For instance, say a ton of manufactures produced in Calcutta is sold for 50£, and that exchange on the day of sale is 1s. 4d. per rupee; the equivalent would be Rs. 750, of which Rs. 500 would be required to defray the cost of manufacturing, including profit, and that Rs. 250 would represent wages, mill stores and taxes, all payable in rupees; but before the Calcutta manufacturer is paid in New York or Australia, and before he is able to convert the gold price, 50£, he obtained for his goods, exchange, or the gold price of silver, falls, say to 1s. 2d. per rupee. This would give him for his 50£, Rs. 857.14, instead of Rs. 750; the surplus of Rs., 107.14, equal to 6£, 5s., would be a further profit and additional to what the Dundee manufacturer would receive. To that extent, *viz.*, 12 per cent., does the silver-using country derive an unequal advantage. The more the gold price of silver falls after the sale of the product is effected in sterling, and previous to converting gold into silver, the greater will be his advantage over the British manufacturer, and there are other and more subtle benefits favorable to the Oriental and detrimental to the home industries, of sufficient importance to explain the transfer of so much of the trade from Dundee to Calcutta."

3d. While the fall of silver and free coinage in Mexico have not given to the Mexican silver coins, when converted into foreign exchange or sold for gold, any value other than that of the silver bullion contained in the same, nevertheless the purchasing power of the silver dollar is now, on the whole, as great as it ever was in Mexico, and it has only been reduced in the case of foreign articles, so that one can buy now almost the same amount of home commodities for the same number of dollars that they cost when gold and silver were at par,¹ that is, at

¹ The paper already mentioned, "Labor and Wages in Mexico" (pages 536 to 538), contains sufficient evidence to show the correctness of my statement, namely, that the silver dollar has not any less purchasing power in Mexico than it had when silver and gold were at par, at the ratio of 16 to 1, and that only foreign commodities have increased in price, although in many cases they are sold at a much lower price than they had in 1872, before the demonetization of silver took place, because by the use of machinery and owing to other causes said commodities are manufactured now much cheaper than they were twenty-five years ago, and here I will only add the following article taken from *The Trader* of Mexico vol. vii., No. 4, of April, 1898, which confirms fully my assertion to the effect that the Mexican silver dollar has not lost any of its purchasing power notwithstanding the depreciation of silver.

"*Labor and Products.*—In reply to the statements that are frequently put forth by the American Press—and particularly that portion of it which represents the commercial interests—that the food products and manufactured articles generally consumed by the common people in this country have risen in price in the same proportion as the exchange has risen, we give the following table, representing the prices for the first quarter of 1893 as compared with those of the first quarter of 1898. These figures are taken from *The Trader* for the periods mentioned, and correspond with the official returns for the articles quoted. Prior to 1893 *The Trader* published no market reports, and as there are no other reliable sources at hand from which to quote we are necessarily compelled to confine ourselves to the dates above mentioned:

Articles.	First quarter of		Percentages.
	1893.	1898.	
Corn, 300 lbs.	\$7.00	\$4.75	31
Beans, " "	17.00	9.00	47
Wheat, " "	10.25	10.25	..
Rice, 100 lbs.	7.50	7.50	..
Coffee, " "	30.50	17.00	44
Lard, 25 lbs.	6.12	4.00	34
Tallow, " "	4.00	2.37	40
Sugar, " "	2.25	2.00	10
Cotton Cloth, per piece.	3.50	2.08	20
Prints, " "	2.31	2.75	14
Woollens, per metre.	2.25	2.00	11

Average decrease over 20 per cent.

It will be observed that in the eleven articles quoted, only one—prints—has increased in price, while in the ten remaining articles the average decrease was over 20 per cent. The absolute necessities, therefore, regardless of the fluctuations in exchange, have varied but little in price in the past five years. While the price of gold has more than doubled in the same length of time, the Mexican dollar has not decreased in value when measured by the amount of home products it will exchange for, and which are the staple articles of 10,000,000 of the 13,000,000 population of Mexico."

the ratio of 1 to 16, excepting such Mexican commodities as have their price fixed in foreign gold markets.¹

It is not a little puzzling to some travellers who go from this country to Mexico to see a United States silver dollar containing less silver bullion than a Mexican silver dollar, exchanged there for two Mexican silver dollars when silver is at about fifty-six cents an ounces but they do not bear in mind that in making such an exchange, the Mexican silver dollar is sold for the market price of the silver bullion it contains, just as if it was not coined, while the United States silver dollar is the representative of a gold dollar, received as such in this country, and is therefore an article of merchandise bought to pay debts in the United States or Europe; but notwithstanding that fact, the Mexican silver dollar has not lost any of its purchasing power in Mexico.

4th. The fact that foreign commodities have to be paid for in gold makes them so high that this operates as a protective duty against them, equal to the price of exchange, or the difference between the market value of the gold and silver bullion. Protectionists would count this as a very important advantage, although I myself do not

¹ The following statement of remarks of Mr. Maitland, delivered on March last before a meeting of the China Mutual Steamship Co., confirms fully what I have stated here:

"Mr. Maitland remarked that the working expenses of the China Mutual Steamship Co. had been considerably reduced, almost entirely by the great fall in the gold price of silver, which, however, was not altogether an unmixed good, as the very same causes had brought about an enormous falling off in the British export trade to the far East. For the repairs of their steamers very large amounts of money were annually needed, and they had already commenced to make the repairs in Singapore, China, and Japan. With the dollar at 2s., the skilled Asiatic will work for a month for less than a skilled British subject will work for a week. The labor leaders in this country are rapidly becoming aware of the danger to labor caused by a currency system which is driving work from this country to the extent of millions of pounds sterling per annum, which must seriously reduce wages and increase the already large numbers of unemployed persons, and they are beginning to favor a policy of monetary reform.

"Let me explain that silver will still employ the same quantity of Oriental labor as it did twenty or thirty years ago. The inadequacy of our monetary standard, therefore, allows the Eastern countries to now employ 100 per cent. more labor for a given amount of gold than they could do twenty-five years ago. To make this important statement quite clear allow me to give the following example: In 1870 ten rupees were the equivalent of one sovereign under the joint standard of gold and silver, and employed twenty men for one day. To-day twenty rupees are about the equivalent of one sovereign; so that for twenty rupees forty men can be engaged for one day, instead of twenty men as in 1870. Against such a disability, British labor cannot possibly compete. On the other hand, the effect of this disability is that gold prices of commodities have fallen to nearly one-half of their former level, while in Oriental countries silver prices are still practically in most cases on their old level. Therefore, the more gold appreciates, the greater will be the tendency to still further lower gold prices.

"In connection with the decline in the value of China's foreign import trade, it