THE HISTORY OF BIMETALLISM.*

A BOOK on this subject was much needed. Sumner's "History of American Currency" is now twelve years old, and in these twelve years the currency problems of the United States have completely changed their character. J. K. Upton's little book on "Money in Politics," published two years ago, was excellent in its way; but it does not furnish a wide enough range of facts to deal with the silver question at all exhaustively. The writings of Mr. S. Dana Horton are in the nature of argument rather than history; their primary aim is to draw conclusions rather than to present facts in the order of their occurrence. The same thing may be said of most of the other works on money which have dealt with recent events in the United States.

In distinction from all these, Mr. Laughlin has given us a history. It is not an impartial history; every chapter bears traces of the fact that the author is a firm believer in the single gold standard. Yet, in spite of this, he has fairly fulfilled the promise of his title. The salient facts with regard to the relations of gold and silver are presented in the order of their occurrence. The matter is well arranged and forcibly stated. In form and style, this book shows a great advance over the author's previous publications. He has made a book which will be read with interest as well as profit.

He treats the subject in three main divisions. The first deals with the history of United States Coinage from 1792 to 1878. By the legislation of 1792, shaped under the influence of Alexander Hamilton, a double standard was established at a ratio of 15:1. The dollars contained 371¼ grains of silver or 24¾ grains of gold—not counting the weight of alloy in either case. In 1792 this ratio corresponded quite closely to the market rates for bullion. But the increased product of the Mexican silver mines tended to change this ratio, and reduced the value of silver to about one sixteenth that of gold. This was quite sufficient to drive gold gradually out of circulation, and the United States of necessity lost its gold. This loss has been often ascribed to other causes than the one here indicated; but Mr. Laughlin's arguments in favor of the view just given are quite convincing. In order to restore gold to circulation, the ratio between the two metals in United States coinage was changed by act of Congress in 1834, the weight of silver in the silver dollar being left unchanged, but the weight of gold in the gold dollar being reduced one-fifteenth to about twenty-three and two-tenth grains. Under this new ratio gold tended

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to crowd out silver; and the effect was greatly heightened by the California gold discoveries, which reduced the value of that metal in the bullion market. The result was that for many years nobody cared to offer silver to the United States mint for coinage, and we stood practically on a gold basis, except so far as paper money took the place of coin. By the act of 1873 this state of things was recognized; and the silver dollar, which had long ceased to be important in fact, was deprived of its legal-tender character.

But meantime events were going on in other countries which changed the relation of the two metals; and these events form the subject of Part II. The gold discoveries, about 1850, so increased the relative value of silver as to drive it out of circulation in those states which, like France, had tried to maintain a double standard. This silver was largely absorbed by India. In 1871 Germany attempted to substitute gold for silver, and, in large measure, carried out its purpose. This threw a large supply of silver on the market, and in 1872 there began a rapid fall in the (gold) value of silver, due partly to this and partly to the discovery of new sources and methods of production. This fall was greatly increased by the fact that France and other countries of the Latin Union which had hitherto maintained a double, or rather an alternative standard, at the ratio of fifteen and one-half to one, discontinued the free coinage of silver. The commercial nations of Europe had shown an overwhelming preference for a gold currency.

It was at this juncture that the silver question came into prominence in the United States; and it is this recent history of the silver movement which is dealt with in the third and concluding part of Mr. Laughlin's book. A number of causes combined to favor this movement. It had the support of the old greenback advocates, who desired inflation *per se* in the interest of the debtor class. It had the support of those who were interested in the development of silver mining; of those who believed that gold had appreciated in value; and of those who believed that the discontinuance of free silver coinage in 1873 was at variance with the time-honored tradition of the country. While not strong enough to secure free coinage, these influences were strong enough to pass the present law over President Hayes's veto, and keep it in operation ever since. A less satisfactory law it would be hard to conceive of. It does very little for the silver men in this country, and yet is enough to prevent international action on the part of states which have a greater interest in steadying silver prices than the United States can possibly have. Mr. Laughlin illustrates its workings extremely well.

"When not a state in Europe dared open its mint to silver, the United States stupidly came forward and made the attempt to support the value of silver quite by itself. It is recorded that a very muscular and willing workman, engaged with several others in lifting a huge stone to its place by means of ropes and pulleys, observed that the others had suddenly let go their hold on the ropes and that the heavy mass was beginning to fall. Confident of his strength, he by himself laid hold of the rope, and tried to sustain the weight by his unaided powers. The momentum of the falling stone was more than he could overcome, he was thrown upward, flung to the ground, and injured for life. The action of the United States was of a similar character."

This illustration is fair as well as pointed. The facts warrant it. The lessons of past history emphasize it so strongly that it is well to let the case rest there. But Mr. Laughlin is not content with the obvious and sure lessons. He occasionally allows himself to be carried into statements which the facts will not warrant; and in so doing he weakens his case rather than strengthens it. There is a bad instance of the kind on pages 70-71. Speaking of the act of 1834, by which the silver dollar, which had been the coin in actual use, was retained at its former weight, and the gold dollar reduced to correspond to it, he says:

"By adhering to the dollar of silver and altering the gold coins to suit it, we had the appearance of retaining 'the dollar of our fathers,' but we overlooked the essential fact that silver had fallen seriously in value, etc., etc."

This is an important point, on whose truth or untruth a great deal depends. Yet Mr. Laughlin makes no attempt to prove it. He adduces no facts in support of his position. He probably thought it safe to make such a statement on general principles. Yet Jevons's "Table of Prices," which he himself indorses, contradicts his position as far as concerns the markets of the world; while the tables of John Hayward contradict it still more decisively as regards America. The silver dollar had risen in purchasing power in the forty years preceding 1834, instead of having fallen, as Mr. Laughlin assumes.

There are other instances of the same sort. The author is disposed to rely too much on general principles, and too little on verification. He exaggerates the certainty of some of the accepted principles of political economy, and thinks that we know a great deal more about money, as a subject of scientific reasoning, than is really the case. He overvalues theory, and undervalues facts. This is clearly seen in the appendix. The tables are not prepared with the care or completeness which we have a right to demand. In Appendix I. Soetbeer's figures are reduced from marks to dollars on a scale which involves an error of five per cent. in every case. The figures of Hay, Leyd, and the *Journal des Economistes* are given as independent estimates, which they are not. The figures of Neumann, which for the most recent years are probably better than Soetbeer's, are not even mentioned. The tables of India shipments are allowed to stop at 1875, although they are perfectly accessible for subsequent years; and, stranger still, the coinage figures of the French mint are not brought down beyond 1875, although the years immediately following furnished some of the most instructive monetary statistics anywhere to be found. It is strange that a man who knows the requirements of good work, as Mr. Laughlin undoubtedly does, should have allowed such defective work to come out under his authority.