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ARTICLE VI.

THE DEMAND FOR MORE MONEY.

BY EDWARD W. BEMIS.

IT may seem strange to many readers of the BIBLIOTHECA SACRA that an article so largely economic as this should appear in its columns. But when the American Board of Foreign Missions, for the first time in its history, has been forced to reduce the salaries of its missionaries ten per cent, and to reduce the volume of its missionary work one-fourth; and when all philanthropic, religious, and moral work finds it increasingly difficult to secure contributions because of the bad condition of business, no apology is needed for a study of the causes of this condition.

Indeed, in these times of industrial depression all social reformers make slow progress. When every one feels poor, or at least anxious as to the business future, large sacrifices of time and wealth for the public weal are less freely made. The trades-union, built up through many years, suddenly loses half of its members. Wages fall in one year more than several years may be able to restore. Hours of toil, which in many trades had been reduced to eight, are increased to ten, while restrictions on child labor are harder to advance, and tens of thousands of willing workers are unable to find employment.

Surely every reformer, every student of society, every business man, every laborer, and indeed every citizen, is interested in the causes of the industrial depression through which we are passing.

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Although there has been great improvement in the arts and in industrial processes, and a comparative freedom from war since 1873, business has developed less rapidly, and there has been a greater feeling of discouragement among business men, than during the twenty-three years prior thereto. This is especially true of Great Britain and the agricultural districts of continental Europe.

In this country, outside of the large but decreasing proportion of our population living upon farms, there has been less discouragement, although such statistics as we have appear to reveal a slower development of wealth and business per capita since 1873 than before that date. The value of our exports and imports, for example, increased threefold from 1850 to 1873, and only about fifty per cent from 1873 to 1895. Their bulk also increased more rapidly in the former period. The year 1895 is the first time since accurate records began in 1879, when the second year following a panic has witnessed more failures and greater liabilities than did the first year. The number in business, as reported by Bradstreet, increased 21.4 per cent from 1880 to 1885, and 11.1 per cent from 1885 to 1890, but only 6.6 per cent during the last five years.

An eminent English authority, Sir William Houldsworth, states that the English assessments for income tax in "Schedule D," which includes the leading classes of income, increased two hundred per cent between 1857 and 1875 and only thirty-five per cent between the latter date and 1893, while there was an actual decline in all assessed incomes from 1892 to 1895 of nearly fifteen per cent. British foreign trade has also been increasing less rapidly since 1873 than before. Panics, indeed, came in regularly recurring periods prior to 1873, as throughout Europe and America in 1857 and in Europe in 1866, although, on the whole, business seems to have recovered from these crises more easily than from those of

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1873, 1884, 1890, and 1893. In the last twenty-three years the dull times, especially in Europe, seem to have been more continuous than before. In seeking an explanation of this apparent decline in business prosperity during the past twenty-two years, one must be very sure of his ground before attributing it all to any one cause. An almost world-wide movement must have equally far-reaching causes.

It is possible, as claimed by Robertson, Hobson, Rodbertus, and others, that private ownership of capital, and the apparently diminishing portion of the yearly product of industry that goes to the chief consumers of the staple articles of manufacture, may produce recurring crises and industrial stagnation. This contention, most important if true, has not yet been accepted by most of our economists, and, however plausible, cannot be considered as proven. Others claim that much displacement of industry, with consequent suffering, follows inevitably on the development of agriculture and manufacture in new countries; but such displacement is hardly greater now than thirty years ago, when business was more active. The practical exhaustion of our free government land, and the uncertainties and mistakes of our own financial legislation, are not sufficiently far-reaching in character to account for general depression in so many countries.

Again, the cause of the acute though brief spasms known as panics, which have recurred almost exactly ten years apart in Europe and America since 1816, may be found in some rhythmic tendency of human nature to be alternately buoyant and over-speculative and then depressed and suspicious of credit.

Our present concern, however, is not connected with the short sharp panics, but the long periods of depression that the world has twice experienced since 1873. It is admitted by all that the general level of prices of the great articles of commerce, such as food products, cotton, wool, iron, etc., has

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fallen from one-third to one-half since 1873. If we accept the tables of one of the greatest statisticians, Mr. Sauerbeck, prices in Western Europe in 1895 were thirty-eight per cent below the average of gold prices from 1867 to 1877 and forty-five per cent below those of 1873. In other words, a dollar will now buy at wholesale eighty-two per cent more of the great commodities of commerce than in 1873. The fall of gold prices in this country, according to the Aldrich Report, was 24.4 per cent from 1873 to 1891, and probably thirty-five per cent from 1873 to 1895.

The population of the United States increased about three-fourths from 1870 to 1895, and the labor upon the farms about one-half, while nearly all kinds of farm animals and crops increased from fifty to one hundred and fifty per cent. Nevertheless, according to Secretary Morton, of the Agricultural Department, the value of all the products of the farm, including betterments and additions to stock, actually declined six per cent during the same period of time.

Since falling prices, however caused, are held by most, though not all economists, to be the real cause of our industrial depression, an examination of this phenomenon is in order.

We first note that a general fall in prices means a change in the ratio of exchange between commodities and money. Price is simply a statement of such ratio, and a fall in price is a rise in the value of money. It is not that one causes the other, but one is the other. A rise in the value of gold and a fall in prices are one and the same thing.

The cause, however, of falling prices, the proportion of credit transactions remaining constant, may be either a decreased supply of money or an increased demand for it, resulting from such improvements in industrial processes as commonly follow an increase of business. Both causes are at work. The cause of a change in price, if the proportion

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of credit transactions, which economize the use of money, remains unchanged, may be either on the goods side or on the money side. Mr. Robert Giffen, the great English champion of gold monometallism, thus wrote a few years ago relative to the fall of prices:—

"Two causes only have been suggested. One is the great multiplication of commodities and diminution of the cost of production, due to the progress of invention, etc. The other is that the precious metal used for Standard Money, viz. gold, has become relatively scarcer than it was, its production being diminished on the one hand, and the demands for it, on the other, increased. I am disposed to give greater weight to the latter." [1]

Whatever the cause, more money is desirable. As President Andrews once remarked, after a growing boy finds his sleeves too tight, it does not help matters to assure him that the change has not occurred in the coat, but in himself. In either case a larger coat is necessary.

So far as appreciation of gold is due to its scarcity, compared with the very rapid growth of demand for it in the arts and in European war chests as well as for monetary uses, the injury and injustice to the debtor class is self-evident. This class, chiefly composed of farmers and progressive business men, must pay their debts in a constantly appreciating standard, i. e., with more and more of commodities and even of toil.

There is also an impairment of confidence and energy for the employer, who is discouraged, if not ruined, by a falling market. In so far as falling prices are foreseen, a considerable part of the burden of the debtor may be shifted to the creditor in the form of lower interest, but the mass of borrowers do not thus foresee. As for the employer, he hesitates to put in new and costly machinery, for so many of his rivals do not foresee the coming fall in prices that their keen competion prevents his charging enough for the product of the new machine in its early years to cover its subsequent depreciation

[1] Essays in Finance (2d Series), p. 22.

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from the causes considered in this article. If he does not introduce the new machine, however, he is even more handicapped in the race with those who recklessly proceed with costly improvements. Under these circumstances, few new enterprises are launched.

As Professor John H. Gray stated at the recent convention of American economists [Indianapolis]:—

> "All the attempts to show that falling prices do not check production either ignore entirely the element of fixed capital or give it altogether too little weight. The fact of large fixed capital and time contracts for wages and materials brings it about that one's expenses are largely incurred in a time of high prices and his product sold in a time of low prices. Producers could stand this only if the margin of profits were very large at the beginning, but competition forbids that."

During the years 1878–86 the entire gold output of the world averaged about $108,000,000 yearly. During that time the United States not only used in money and the arts its own gold output of $36,625,000 a year, but had an average excess of gold imports over exports of $23,375,000. There was thus left to the rest of the world only about $48,000,000 a year, which did not quite equal Soetbeer's estimate of the gold used in the arts outside this country. There was thus apparently no new gold for money uses outside of the United States from 1877 to 1886. Combining the estimates of Mr. Sauerbeck in the *Journal of the Royal Statistical Society* for June, 1893, and March, 1895, it appears that of the £233,-500,000 of gold mined in 1886–94 inclusive, Russia and Austria absorbed for war hoards and other purposes £89,000,000, while the Orient, Africa, and South America absorbed £21,-000,000. The Bank of France took £14,500,000 in 1893 and 1894. An allowance of £12,000,000, or $60,000,000, a year for industrial use would leave only £1,000,000 for net increase of gold money in the rest of the world, including North America, Germany, and England, during the entire nine years.

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This startling fact may be better seen in the accompanying diagram, where the length of the lines represents the proportion of the gold output 1886–94 used for various purposes.

£89,000,000. Russia and Austria 1886–94.

£60,000,000. Arts 1886–94.

£21,000,000. Orient and So. America 1886–94.

£14,500,000. Bank of France 1893–94.

£1,000,000. Net increase of gold money 1886–94.

The Director of our Mint does not profess to estimate the annual consumption in the arts further than to hold that at least in 1893 and 1894 the consumption must have exceeded $50,000,000, but the estimates of Soetbeer and Suess, two of the highest authorities, are nearly $80,000,000 a year in recent years. The large amount of coinage of our mints is chiefly the re-coinage of old gold, or a coinage of new gold sufficient merely to balance old gold used in the arts.

But, it is said, the output of gold which had fallen from a yearly average of $134,083,000 in 1856–60 to $99,116,000 in 1881–85, rose to about $203,000,000 in 1895. The sufficient reply is that, according to the Bureau of Statistics of the Treasury Department, the increase of gold hoards in 1895 in Austria-Hungary and in the first eleven months of that year in Russia amounted to $121,905,085. Nearly if not quite all of the remaining $80,000,000 must have gone into the arts. Growing luxury leads to a steady increase in the use of gold in the arts, and is a great factor in raising its value. The amount of gold used in the arts in this country, according to President Andrews of Brown University, increased eighty per cent between 1880 and 1892. Another factor is the effort of a few nations to bring their paper issues to a gold basis and to have a large war chest. We thus are face to face with the momentous fact, never fully presented in this

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country in any discussion of the money question, that in the last ten years there has been no new gold money for either Europe or North America aside from what has been absorbed by Russia and Austria, or during two years of the time by the Bank of France. The situation was little better in the previous ten years. When we consider the growth of population and business in Western Europe and in America since 1873, and the consequent increased demand for money, can we doubt that the reason for the rise in exchange power of gold is largely connected with the gold side, whatever may have been the improvements in the arts?

Only one way of disproving this conclusion is open, and that is by showing that, because of the growth of banking, there is far less demand for money now than twenty years ago. But this is precisely what cannot be proved. In fact, everything points to the conclusion that there has been no proportionate decline in the use of money as compared with checks and other credit instruments. The total bank clearings of this country averaged $909 per capita during 1878–95 inclusive, and only $887 during 1886–93, although the muliplication of clearing houses leads many banks to enter through them transactions formerly not so entered. Yet, as Professor Willard Fisher of Wesleyan has shown, the bulk of the great commodities of trade greatly increased per capita during the last twenty years.

There has been a steady increase in the percentage of New York clearing house transactions paid in money. It was 4.23 per cent from 1854 to 1874 and 4.97 per cent from 1885 to 1894. A suggested explanation of this is that there is now a special clearing house for stock transactions, and these call for very little money, but even a constant proportion of money in the clearings would be significant. Of the payments over the counters of the national banks on selected days in 1881 only about 5.25 per cent were in money as against 9.39 per cent in 1892. Speaking of retail trade, Professor Kinley, a

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special investigator of the subject for the United States Comptroller, writes:—

"After a certain point of development in the use of credit instruments, there is no further relative increase, but rather, possibly, a slight decrease."

As population and business grow, bank credits only displace book credits. Professor Kinley shows that a larger proportion of cash is used in retail trade in New England or Illinois and Ohio than in the south. With the growth of cities we are less known to our store keepers and must pay cash. Purchases being small and in many different stores, we find cash payment more convenient than checks. We pay for street car and railroad rides with cash. Instead of paying our laborers with orders on the company store, or instead of balancing accounts in part with board, and squaring up only in spring and fall, we pay weekly in money.

President Andrews well says:—

"More significant is that increase in the division of labor by which many important products, like wagons, harnesses, shoes and clothing, whose manufacture used to begin and end under the same roof, are now gotten up by a dozen, more or less, different establishments. The wagon-maker buys his wheels of one man, his bodies of another, his tops of another. Nearly all country shoemakers, for new work, purchase the uppers ready-made and the soles all cut, from some city firm. Blacksmiths no longer make their nails, rarely even point them, and almost never think of forging a shoe or a bolt. All these things they purchase. The man who builds your house buys the doors, the shutters, the sash, the window-frames and the brackets from different parties, ready-made, as he of course does the metal finishings. The casings come to him all grooved, chamfered and ornamented, requiring only to be sawn and nailed. This breaking up of the trades is a momentous industrial phenomenon, not yet fully enough noticed, and a very great part of the new exchange work which it entails has to be done by means of money."[1]

There was no increase of business at the London Clearing House from 1870 to 1887, and only five and one-half per cent from 1887 to 1894. Mr. Giffen has expressed the belief that there has been no more rapid increase of checks and

[1] An Honest Dollar (Student Pub. Co.), p. 25.

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other credit instruments since 1873 than in the twenty years before, when prices rose, according to Sauerbeck, over twenty per cent. In 1879 he wrote:—

"The United Kingdom was very fully banked before 1850, the growth of banks and banking business having since been no more than in proportion to the increasing wealth of the community."[1]

The demand for more money is growing at the very time when we have cut off one metal from the source of supply, and when, through the added uses of gold in the arts and the desire to hoard it for war purposes in Europe, we have enormously stimulated the demand for it. Is it any wonder that prices are falling, and both business prosperity and the condition of the debtor class are sadly affected?

But, it is said, the trouble, if trouble it be, is all on the commodity side, because industrial improvements naturally cause a fall in prices. How then can one explain the admitted fact that gold prices rose over twenty per cent from 1849 to 1873, though the slower increase of business in the past twenty-two years would lead us to suppose that inventions and improvements in the arts were as great in the earlier as in the later period? However great the improvements in the arts since 1873, all fall in prices could have been prevented by a more rapid increase of standard money.

It may be admitted that a fall in prices resulting from easier production of commodities is less injurious than a fall resulting from greater difficulty in procuring gold. In the former case the world is benefited by industrial improvements. In time, patents expire, secret processes become generally known, and there is at the disposal of society an increment which can hardly be considered to be earned by any one. The great question that now arises is, how to dispose of this unearned gain resulting from industrial progress. If we let prices fall proportionately to the increased ease of production, the consumer gets all the benefit. If the producer is also a

[1] Journal of Royal Statistical Society for March.

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debtor, as most active business men are to a large extent, to that degree must he turn over to the creditor this unearned increment.

Suppose that in 1870 there were produced in one hundred hours one hundred straw hats worth one hundred dollars, and suppose that in 1895 there were produced in the same time and with equal ease two hundred straw hats. If the price per hat fall to 50 cents the producer, so far as he is a debtor, has gained nothing. The creditor, who, as President Walker has said, largely represents the "dead hand," gains it all. On the other hand, if the price per hat remains $1.00 the producer gets all the benefit. This was the case between 1850 and 1873. In fact, as elsewhere stated, prices actually rose over one-fifth. An ideal standard of deferred payments, according to Professor John B. Clark, would distribute the gains of industrial progress equally between consumer and producer:—

> "An ideal dollar would buy a continually increasing amount of general commodities, and it would buy a decreasing number of hours of labor. . . . If the creditor, in making the loan, gave to the debtor the power to get a hundred commodities, representing a hundred hours of labor; and if the debtor at the end of fifty years pays to his creditor money that will buy a hundred and ten similar commodities, but was earned by ninety hours of labor; the gains from progress are shared in a way that is practically even."[1]

In other words, in our hat illustration, if the efficiency of labor per hour is increased and one hundred dollars will buy one hundred and fifty dollar hats to-day in this country instead of one hundred, as in 1873, as it will, since prices have fallen one-third, it ought also to be earned by sixty-six and two-third hours of labor instead of one hundred hours. If labor should prefer to work the one hundred hours, it should receive therefor one hundred and fifty dollars. Where prices have fallen forty-six per cent, as in Europe, one hundred hours of labor should earn one hundred and eighty-two dol-

[1] Political Science Quarterly, Sept., 1895.

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lars, where they formerly earned one hundred dollars. Now hours of labor have fallen very slightly since 1873. The Aldrich Report finds the average fall in hours from 1873 to 1891 to be only from 10.5 to 10 hours per day, or 4.76 per cent. Some of the gain prior to 1892 has been lost since that date.

Even to fulfill Professor Clark's ideal, then, wages must have risen over one-third since 1873, for a dollar will buy fully fifty per cent more of goods. The highest estimate of the rise of wages is found in Professor Falkner's deductions in the so-called Aldrich Report. These claim a rise in gold wages (each occupation being weighted according to its importance) of eighteen per cent from 1873 to 1891. Some recent acute critics deduce a much lower increase from the same figures. Anyway the reduction in the number employed and in wages has reduced the yearly pay roll of the country fully ten per cent since 1891. In the typical occupation of railroads the reduction of the number of employees per mile of line in 1895 below the number in 1891 was nearly nine per cent. The report for 1895 of the Massachusetts Bureau of Labor Statistics shows a sixteen per cent lower pay roll in the manufacturing industries of the state in 1895 than in 1892. According to the United States Department of Agriculture, the average increase from 1875 to 1892 of farm wages, which the Aldrich committee did not touch, was only nine per cent. In this comparison the wages for 1875 were reduced to the gold basis. It is doubtful if the agricultural wages in 1875 equaled those of 1892. All in all, American wages instead of being one-third higher than twenty-three years ago are surely not over ten per cent higher, if reckoned at both periods in gold. The best investigations in England show a practically stationary money wage there since 1873, in contrast with a rapid rise both there and here during the previous twenty-three years. Thus, judged by any standard, there is a demand for more standard money.

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As illustrative of the attitude of many economists and statesmen on the evils of such falling prices as have confronted the gold-using countries since 1873, a few quotations may be given.

Professor Nicholson, of Edinburgh, wrote in 1887:—

"The first charge the bimetallists have to bring against the demonetization of silver, or its general degradation in the west to a token currency, is that it has caused a sudden and serious appreciation of gold. As a consequence, agriculturists especially, and all who had made contracts for long periods, have suffered severely. Producers of all kinds have also experienced a loss of profit, because it has been impossible to readjust money wages, and labour has suffered through irregularity of employment. . . . Political economy has often been called a dismal science; but it never gave rise to a belief so dismal as that the causes of a general depression in industry should be looked for in vast improvements in production and better organization of commerce. Yet that is what we are invited to believe by those who refuse to consider the natural consequences of the great monetary disturbance. They say, in effect, that the causes of the depression have been railways, telegraphs, steamers, and the opening up of new countries."

Balfour, the financial head of the present conservative government of England, declared October 27, 1892:—

"Of all conceivable systems of currency, that system is assuredly the worst which gives you a standard steadily, continuously, indefinitely appreciating, and which, by that very fact, throws a burden upon every man of enterprise, upon every man who desires to promote the agricultural or the industrial resources of the country, and benefits no human being whatever but the owner of fixed debts in gold."

General Walker wrote in 1894:—

"To any political economist who regards the industrial structure as important, the steady shrinking of prices continued through a term of years, due to the increasing scarcity of the money supply, constitutes a tremendous force for evil. It is not alone that tens of thousands of millions of public, private and corporate debts require a continually increasing amount of commodities to discharge the interest and principal of such obligations; it is not alone that the weight of the dead-hand is continually growing heavier upon the living and active forces of the present: these are matters serious enough; but the greatest part of the evil of a diminishing money supply is wrought through the discouragement of enterprise, through the diminution of legitimate profits, through the preference given to all investments of capital which result in a fixed charge upon

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production, over those which involve a participation in the gains or losses of active business. Look at the financial and industrial history of the past few years! Everywhere the stockholder is giving way to the bondholder; everywhere we hear of 'receiverships'; everywhere the mortgagee is coming into possession; everywhere the weight of the dead-hand is felt continually increasing."

Professor Foxwell, of University College, London, wrote in 1895 relative to the depressing effect of falling prices:—

"The effect of the Australian gold discoveries was to transform a condition of falling into one of rising prices. We all remember that our previously depressed trade immediately advanced by leaps and bounds, to the great advantage of all classes. Lest it should be said that there was no connection between the prosperity of 1850–73, and the price movement, I will quote the opinion of two able contemporary observers. Writing in 1853, Newmarch observes, 'We are justified in describing the effects of the new gold as almost wholly beneficial. . . . It has already elevated the condition of the working and poorer classes: it has quickened and extended trade, and exerted an influence, which, thus far, is beneficial wherever it has been felt.' Jevons, ten years later, fully concurred. 'I cannot,' he says, 'but agree with McCulloch that putting out of sight individual cases of hardships, if such exist, a fall in the value of gold must have, and, as I should say, has had already, a most powerfully beneficial effect. It loosens the country, as nothing else could, from its old bonds of debt and habit. It throws increased rewards before all who are making and acquiring wealth somewhat at the expense of those who are enjoying acquired wealth. It excites the active and skillful classes of the community to new exertions,' etc., etc.

"If bimetallists, because they venture to protest against an artificially produced fall of prices, are stigmatized as degraders of the currency, one can scarcely imagine where Lord Farrer would have found an epithet strong enough for McCulloch, Jevons, and Newmarch, who positively approve a *régime* of rising prices. The authority of these men, however, will survive many epithets. If they are right, what are we to think of a monetary system which would guarantee the permanence of falling prices? The distinguished Swiss Professor, M. Walras, has very truly said that such a condition would give us a permanent state of industrial crisis. If falling prices retard production, it is obvious that they cannot benefit labor in the long run."

The last clause refers to the fact that in prosperous times, the wage worker is more certain than at other times of employment and of rising wages, which are of vastly greater concern to him than reductions in the wholesale prices of his goods.

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The entire indebtedness of American individuals and corporations to each other and to Europeans is estimated by George K. Holmes, of the United States Mortgage Census, at $20,227,170,546, or $1,594 per family. We may perhaps assume that one-fourth of this is owing between the same parties, that is, that the same man who has borrowed from one party has a claim upon another. There would remain a net debt of about $15,000,000,000, or $1,200 per family. A decline in general prices of two per cent a year means a yearly transfer to the creditor class, which has done nothing to earn it, of $300,000,000, or $24 per family. This is three-fifths of the yearly appropriations of our billion-dollar congresses. Whether we call the amount thus transferred the unearned increment of industrial progress, which social expediency demands that we should largely grant to the progressive debtor class, or whether we regard this two per cent average annual fall of prices since 1873 as due chiefly to a rise in the intrinsic value of gold because of the greater desire for it in the arts and war chests, there is abundant reason for the demand for more money.

Unless there is an enormous expansion of the gold output (up to at least $250,000,000 a year) and a stoppage of further hoarding for war purposes, prices must continue to fall. Professor Taussig, one of the ablest and fairest champions of gold monometallism, admitted at the recent convention of the American Economic Association that we could not keep sufficient gold in the United States treasury unless we forced prices down still further by a contraction of our silver or paper currency. Senator Sherman's recent plan of forbidding all reissue of redeemed paper notes, unless in return for gold, would effect this, as would President Cleveland's policy of withdrawing our $500,000,000 of paper issues and substituting national bank notes for part of them. The banks could no more sustain $900,000,000 of silver and paper on $100,000,000 of gold than can the United States Treasury, what-

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ever may be the other merits and defects of the President's plan. They would be forced to contract the credit portion of our currency. Mere bond issues, however successful and even necessary, if we refuse to redeem greenbacks in silver, can never for any length of time check the fall in prices with resulting evils. It is difficult to see how a higher tariff would materially and permanently improve our monetary situation.

Only two ways have been suggested for preventing this continued fall in price, and apparently continued and even increasing depression. One way is through an international agreement by England, Germany, France, and the United States for the free coinage of silver at 15½ or 16 to 1. The other way is through independent free coinage by this country. The scope of this article, as well as space, forbids any adequate consideration of either.

That the former plan of international bimetallism would largely and perhaps fully check the fall in prices is admitted by most monetary writers. In view of the fact that until 1893, when India and this country closed their mints to the white metal, silver did not fall in price more than goods, it is not likely that with the increased demand for silver under bimetallism the value of silver would fall relative to goods. Therefore, international bimetallism would hardly raise prices, but would merely stop a further fall. In favor of the probability of keeping the market ratio of gold and silver in practical accord with the mint ratio, if such an international agreement as mentioned above were maintained, we have the opinion of gold monometallists on the famous English Royal Monetary Commission of 1888. The recent effort of W. B. Shaw and others to prove the failure of bimetallism in France from 1785 to 1873 has not succeeded. For one thing, bimetallism does not mean an equal circulation of both metals, but a practical equality in value of each at the coinage ratio, so that goods and services will command substantially the same price in either metal. This was undoubtedly secured in

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France. If the agreement were once made, it seems likely that any nation entering into it would find it more profitable to keep the agreement than to break it. The remarkable steadiness of the value ratio of gold and silver for many centuries, and especially since 1650, under virtual free coinage in Europe at changing ratios and with far greater changes in the relative output of the two metals than holds true now, is known to all who have looked into the matter. But the demand for international bimetallism, while steadily growing in Western Europe, is not likely to be strong enough to win the day in the pivotal country, England, for some years. The growth of the movement there, however, gives promise of ultimate victory for true bimetallism.

Whether we had better wait in patience for union with other countries, or attempt independent free coinage at some higher ratio, such as 25 to 1 or even 22 to 1, cannot be considered here. The writer, however, inclines toward waiting for a time. If gold-mining continues to increase rapidly, or European storage of gold stops, the crisis will be passed. If neither event occurs, we shall be driven to accept the conclusion of the famous Austrian geologist, the late Professor Suess, of the University of Vienna:—

"The question is no longer whether silver will again become a full value coinage metal over the whole earth, but what are to be the trials through which Europe [and he might have added America] is to reach that goal."

Meantime we can gather encouragement from the fact that not only have our own manufacturing industries, prior at least to 1893, been far more prosperous since 1873 than in Great Britain, but that the same is true even to-day of our agricultural interests. Through the demand for corn for glucose, candies, liquor, and other uses, and to the increased market for pork, the entire western corn belt, including Illinois, Iowa, and large portions of Indiana, Michigan, Wisconsin, Minnesota, and Missouri, has witnessed a steady rise of

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farm land values and general prosperity, although as a whole our farmers are suffering from falling prices, as has been shown.

. It is easy to see how unwise and unjust would be the attempt of the present debtor class to repay their debts in a greatly depreciated money, on the ground that a previous debtor class had been injured by a rise in the value of gold. The debtors of 1873 or even of 1880 are not very largely those of 1896.

We should all indorse the recent words of a writer in the *Forum*, Professor Laughlin:—

> "An alteration of the standard will inevitably work injury to industrial prosperity; and if it be undertaken in ignorance, the authors of it would show themselves unfit for office; if done designedly they would prove themselves knaves."

In view of the facts above it would appear that when gold monometallism, through legislative action, took the place of practical bimetallism in Germany, the Latin Union, the United States, and elsewhere, there occurred precisely that change in our standard of value and that injury to industrial prosperity which the above adherent of the single gold standard for all advanced countries so sharply condemns. We leave it to Professor Laughlin to say whether the action which he so deplores if done now in a way to depreciate the standard was the act of incompetency or knavery when done in the past, with the result of appreciating the standard.

Those who have had the patience to read thus far will see that there are involved both questions of social expediency and of social ethics. The problem is how best to restore business prosperity and establish justice between debtor and creditor, while at the same time we do not lessen business confidence and make matters worse by too hasty and ill-considered action.

It may be that we can do little at present to mend matters, save by boldly taking such steps as are necessary to maintain the gold standard, so long as we profess to do so

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and are awaiting the growth of gold-mining and of a public opinion in Europe favorable to the restoration of silver. We may also agree that even international bimetallism would not give an ideal standard of value. But let us not shut our eyes to the serious defects of the present standard as long as its accompaniments are falling prices with the many evils incident thereto.

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