

**IN THE SENATE OF THE UNITED
STATES; 44TH CONGRESS, 2RD
SESSION, REPORT NO. 703,
MARCH 2, 1877**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649308224

In the senate of The United States; 44th Congress, 2rd Session, Report No. 703, March 2, 1877 by Various

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

VARIOUS

**IN THE SENATE OF THE UNITED
STATES; 44TH CONGRESS, 2RD
SESSION, REPORT NO. 703,
MARCH 2, 1877**

16163B

Mar 1877

WANGSOTT LIBRARY

IN THE SENATE OF THE UNITED STATES.

MARCH 2, 1877.—Ordered to be printed.

Mr. JONES, of Nevada, from the Monetary Commission created under the joint resolution of August 15, 1876, submitted the following

REPORT:

The commission created under the joint resolution of August 15, 1876, submit the following report:

The resolution creating the commission and defining its duties was as follows:

Resolved by the Senate and House of Representatives, That a commission is hereby authorized and constituted, to consist of three Senators, to be appointed by the Senate; three members of the House of Representatives, to be appointed by the Speaker; and experts, not exceeding three in number, to be selected by and associated with them; with authority to determine the time and place of meeting, and to take evidence, and whose duty it shall be to inquire—

First. Into the change which has taken place in the relative value of gold and silver; the causes thereof, whether permanent or otherwise; the effects thereof upon trade, commerce, finance, and the productive interests of the country, and upon the standard (of) value in this and foreign countries;

Second. Into the policy of the restoration of the double standard in this country; and, if restored, what the legal relation between the two coins, silver and gold, should be;

Third. Into the policy of continuing legal-tender notes concurrently with the metallic standards, and the effects thereof upon the labor, industries, and wealth of the country; and

Fourth. Into the best means for providing for facilitating the resumption of specie payments.

The commission as organized consisted of Messrs. John P. Jones, Lewis V. Bogy, and George S. Boutwell of the Senate, Messrs. Randall L. Gibson, George Willard, and Richard P. Bland of the House of Representatives, Hon. William S. Groesbeck, of Ohio, and Prof. Francis Bowen, of Massachusetts. George M. Weston, of Maine, was appointed secretary.

The sessions of the commission were held in the city of New York until the re-assembling of Congress in December last. They have since been held in the city of Washington.

Immediately after the creation of the commission, circulars were issued to bankers, publicists, and commercial men in this country, and to eminent financial authorities in Europe, and (through the State Department) to the representatives of the United States in foreign countries. These circulars contained interrogatories which were intended to elicit the widest possible information upon all the topics covered by the resolution of August 15, 1876. The chambers of commerce in the leading cities in this country were invited to furnish, and did furnish, lists of the persons most likely to be able to give information.

A large number of persons appeared before the commission, who were orally examined. In addition, numerous written papers from various sections of this country were received in answer to the circulars of the commission. These papers, as well as the oral testimony taken down by stenographers, are reported herewith.

Our ministers abroad have exhibited a patriotic and intelligent zeal in collecting official and other information in the countries to which they are accredited. The documents which they have furnished are very valuable, and some of them not attainable except through official applications. Some of our ministers have added able and interesting original papers. All these documents and contributions are herewith submitted.

The commission are much indebted to the Secretary of State for his prompt and courteous co-operation in facilitating their communication through his Department with our ministers abroad.

They are also indebted to the Bureau of Statistics, which promptly and courteously furnished all the information asked for.

Several gentlemen in Europe, eminent as financial authorities, have addressed communications to the commission, which are among the submitted papers. One of these gentlemen, M. Cernuschi, appeared personally before the commission, and furnished important and valuable information, which will be found in the reported testimony. The thanks of the country are due to him and to the other distinguished citizens of foreign nations who have made these disinterested efforts in the elucidation of a question important to the welfare of mankind.

There are also submitted herewith special reports of the secretary of the commission upon European and American legislation in respect to subsidiary coinage and upon other subjects.

In respect to the preparation of the minute on the production of silver in the United States, it may be stated that, in 1873, a new body of paying ore was discovered in one of the mines of the Comstock lode in Nevada. Similar bodies of nearly equal extent had been previously discovered and exhausted in the Spanish-American silver-lodes and in the Comstock lode, without attracting universal attention or arousing universal fear that the commerce of the world was about to be deluged by a flood of silver, but in the present instance, through persistent and infectious exaggerations in respect to the extent and richness of the new ore-body, the most visionary expectations and unwarranted fears became universally epidemic. The estimates of the value of the ore in sight ranged from \$300,000,000 to five times that amount, all of which was generally believed to be in silver. The probable out-turn of this new bonanza is a leading topic in the report of the British silver commission, (1876,) which contains, among other evidence on the subject, a quotation from a German newspaper, the *Reichsanzeiger*, of March 14, 1876, which gives, as foremost of the "three principal causes for the depreciation of silver:"

1st. The discovery of the great and celebrated silver-mines in Nevada, which in reality produce fabulous quantities of silver, the production for the current year being valued at five hundred million francs.

Deeming it of the first importance that these estimates and statements should be subjected to a practical and careful scrutiny, this commission employed Mr. Alexander Del Mar, a gentleman technically qualified for such an investigation, to visit the mines in person, and ascertain from original sources their past and prospective production, and also generally to inquire into the silver production of the United States, and its sources.

The result of this mission will be found in the *Minute on the Silver*

Production of the United States, referred to above. Minutes prepared by Mr. Del Mar on the coinage of the United States since 1792, annual production of silver throughout the world, annual production of gold throughout the world, and on other subjects are also reported herewith.

The yield of every mine in Nevada, annually, for sixteen years, has been ascertained with precision, and of the larger mines the yield by months. The statistics have as yet been collated only for the calendar years 1871 to 1876, inclusive; the previous years, being of less importance in the present connection, have been left for future attention.

In addition to this work, the testimony of the persons in San Francisco who have compiled the generally-accepted statistics of the production of the precious metals in this country, was taken with the view of ascertaining their methods of computation and the reliability thereof.

Briefly, the investigation shows that the product of the Big Bonanza thus far has not exceeded \$52,500,000 during the four years that it has been worked, making an annual average of about \$13,000,000, of which 45 per cent. was gold, leaving for the average annual product of silver from this ore-body a fraction over \$7,000,000.

Taking all the mines of the Comstock lode together, during sixteen years of unprecedented activity in mining, assisted by the most perfect and powerful mechanical appliances, there have been found some twelve or thirteen ore-bodies, which have yielded, altogether, about \$240,000,000, or an annual average of \$15,000,000, of which about forty-seven and one-half per cent., or \$7,125,000, was gold, leaving \$7,875,000 as the average annual production of silver.

The silver product of the State of Nevada has been collated only for the six years ended December 31, 1876. During this period the average annual product was \$19,000,000, and for the year 1876 by itself only \$28,000,000, instead of \$100,000,000 so confidently stated by the *Reichsanzeiger*.

The silver product of the United States during the same period was \$155,000,000, making an annual average of \$26,000,000; the product for 1876 by itself was \$38,200,000. When these returns are contrasted with the computations which have hitherto obtained currency, it will be seen that the latter have uniformly and greatly exaggerated the production of silver in this country.

America, since its discovery, has been the chief source of the world's supply of the precious metals; and, as the proportion of silver in that supply was much greater prior to the California gold discoveries than it was in the Old World, either before or after the discovery of America, the opening of the American mines was followed by, if it did not cause, a considerable, although slow, widening of the relation between the two metals. Humboldt (*Fluctuations in Supply of Gold*, published in 1838) says:

The relative value of gold and silver fluctuated during the first hundred years subsequent to the discovery of the new continent between 1 to $10\frac{1}{2}$ and 1 to 12; in the last two centuries, between 1 to 14 and 1 to 16.

Their relative value settled, however, about the middle of the seventeenth century, at between 15 and 16 to 1. In England it was fixed by Sir Isaac Newton, in 1717, at about $15\frac{1}{2}$ to 1. At the commencement of this century (1803) France conformed to the mean of the relations existing at that time by fixing it at $15\frac{1}{2}$ to 1. The fluctuations in the relative market value of gold and silver were unimportant during the present century until 1873, when the German and American laws to demonetize silver were enacted. The determination of Germany to enact such a law had been previously announced by the decree of December

4, 1871, and the American movements to the same end, which seem to have been better understood in Europe than in this country, were commenced as early as 1868.

The general money system of Europe had been that of the double standard until 1873. The conspicuous exceptions were Holland, which had been during much the larger part of its history a single silver standard country, and England, which had adopted the single gold standard in 1816 by law and in 1821 in fact. In consequence of the apprehensions of a fall in the value of money, or, what amounts to the same thing, a rise in wages and in the price of property, excited by the California and Australian yield of gold, Belgium adopted a single silver standard in 1850, and the German States in 1857. Belgium, however, returned to the double standard in 1861.

Germany and the United States demonetized silver in 1873. At that time it was neither depreciated nor unsteady in value, nor had any change occurred in the relative production, consumption, or distribution of the precious metals to indicate its depreciation in the future, nor was any actual or probable depreciation assigned as a reason for its demonetization. The average flow of silver to India was undisturbed, and the Big Bonanza in the Comstock lode was undiscovered. Manifestly, the real reason for the demonetization of silver was the apprehension of the creditor classes that the combined production of the two metals would raise prices and cheapen money unless one of them was shorn of the money function. In Europe this reason was distinctly avowed.

It cannot be successfully controverted that the sole causes of the recent disturbance in the relative value of gold and silver were the demonetization of silver by Germany, this country, and the Scandinavian states, and the closure of the mints of Spain, Holland, and the Latin Union against it. Twelve months ago two other causes were insisted upon, namely, the falling off of the India demand for silver and an enormous actual and anticipated yield of silver by the Comstock lode. The Asiatic demand is fully restored, and the actual silver production in Nevada is now not only more correctly understood, but discussion has established the general conviction, which has always been that of the soundest authorities, that no increase in the production of the precious metals which is at all probable would have any immediate appreciable effect upon either their combined or relative value.

Humboldt (*Fluctuations, &c.*, 1838) says :

In the modern world, the universality and rapidity of communication, which restore the equilibrium as well as the amount of the accumulated masses of gold and silver already existing, tend to render still more stable the relative value of the metals. * * * The enormous masses of precious metal already accumulated in Europe render any considerable or continued variation in the relative value of gold and silver impossible. Experience has shown this. In England, for instance, in the ten years from 1817 to 1827, more than 1,294,000 marks of gold [$\$180,959,000$] were converted into money, and yet this monopoly of gold only raised the proportion of it to silver from 1 to 14.97 to 1 to 15.50. * * * Any increase in the production which our imagination could call into existence would appear infinitely trifling compared with the accumulations of thousands of years now in circulation.

Changes in the relative value of the two metals are entirely different from changes in their absolute value or, in other words, their value as compared with all other things. Thus one metal may have fallen greatly as compared with the other, and at the same time not only may not have lost, but may even have increased in purchasing power. In describing a divergence in the relative value of the metals, without reference to the purchasing power of either, it is as correct to say that one has risen in value as to say that the other has fallen. In fact, looking only

to the relation of the metals, both things have occurred. One has fallen and one has risen, each relatively to the other, to the full extent of the divergence. In order to ascertain whether silver has fallen or gold risen since 1873, not relatively to each other, but relatively to all other things a comparison must be made between general prices in gold and silver respectively, then and now. Such a comparison would show that the purchasing power of gold has increased since then in all countries, and that the purchasing power of silver has decreased in none.

The discussion of the use of silver as money involves several questions, which, if not divisible, are distinguishable; or, in other words, if so intimately connected as not to be susceptible of a separate decision, they are yet so distinct that it will subserve the purpose of both clearness and convenience to consider them separately.

The first is, whether the universal employment of silver as money co-extensively and concurrently with gold in times past has been, upon the whole, justified by adequate considerations.

The second is, whether, if so justified heretofore, new conditions have arisen to make this employment of the two metals inexpedient at the present time.

The third is, whether the discarding of either of the two metals as money, would not cause such a fall in the prices of commodities and property, and consequently impose such unjust and ruinous burdens on debtors, individual and national, as to be justifiable on no plea of convenience, and defensible only on the plea of absolute necessity.

The fourth is, whether the employment of silver as money by the United States is a practicable policy in view of its actual demonetization in several countries and of its threatened demonetization in others.

The fifth is, whether, if the policy be practicable, it is demanded, or otherwise, by the commercial, industrial, and financial interests of the United States.

1.

OBSERVATIONS UPON THE GENERAL QUESTION OF EMPLOYING THE TWO PRECIOUS METALS AS MONEY.

The question of the desirability and utility of using both gold and silver as money metals has been decided in the affirmative by the general judgment and practice in all historical times. This statement may possibly require some explanation in respect of India and China, which contain the two greatest masses of human population, and, upon common estimates, rather more than one-half of the total population of the globe. Gold cannot take the place of silver as the money of those regions, because gold is too valuable to measure the small earnings and expenditures of their inhabitants. In India, under the British administration, silver is the only legal-tender. What the legal tender may be in China is obscure, but in respect to the inhabitants of both China and India, and more especially in respect to the ruder populations in other parts of Asia and in Africa, the legal-tender quality of money is of far less importance to them than it is to the highly civilized populations of Europe and America. The ramified system of credits, frequently on long time, and sometimes perpetual, which seems inseparable from a high civilization, is unknown to the majority of the human race, to whom the principal use of money is to make purchases, and not to pay debts. The amount of gold is small as compared with the amount of silver in the East. Gold is not the money of the East, nor are the prices there influenced

by its scarcity or abundance as they are by the scarcity or abundance of silver. But it is readily accepted as a precious commodity, at about its silver value in London.

In the presence of this general judgment of mankind in favor of using both the precious metals as money, it will be sufficient to state summarily some of the considerations which justify this judgment.

The fluctuations in the aggregate current supply of the two metals are less frequent and less violent than are the fluctuations in the supply of either metal, and consequently the fluctuations in the value of the two, used together as money under the double standard, are fewer in number and less in degree than would be the fluctuations in the value of either one of them, and the chances of avoiding the evils of an insufficient supply of money are much greater. No considerable simultaneous increase of both has occurred since the Christian era, with the single exception of the period when the mines of the New World were opened. Whenever one of the metals has been produced in unusual quantities, the production of the other has generally remained stationary or has declined, so that variations in the aggregate production have been restrained within endurable limits. Thus, there was no increase of the silver yield when gold was produced in unusual quantities from the Brazilian mines and during the first half of this century from the Russian mines. The production of silver remained steady during the first fifteen years of the working of the gold-fields of Australia and California, and did not increase until their productions declined.

Gold and silver are both fit for money, by all the necessary qualities of indestructibility, resistance to chemical changes, divisibility, general steadiness of combined production, and amount of combined stock, which is small enough to make them precious, and at the same time large enough to render them convenient in ordinary handling. They are the only metals which combine these qualities. With augmenting capital, increasing population, the continued spread of civilization and stable government, increased efficiency of machinery, and improved processes of mining, it may be that the production of gold and silver will be increased; but under the conditions named an increased production would be necessary for the preservation of the equilibrium between money and all other things.

The considerable difference in the value of the same weight of the two metals recommends the use of both as money. Gold, in any condition of purity heretofore adopted in coinage, cannot be used for ordinary retail transactions. A gold coin of the value of an average day's labor in Europe, or even in America, would be too small for handling; and in Asia, a gold coin measuring a month's wages would, be inconveniently small. It is very doubtful if any contrivance of coinage could make gold answer the purposes which silver has always answered in the smaller exchanges. The expedient of a gold coin of which the principal weight and bulk should be alloy may be suggested, but the genuineness and real value of such a coin would elude ordinary means of verification; and it is doubtful if it could ever be made to command that ready and universal confidence essential to money. It would be an experiment full of hazard. Silver is especially adapted for coins of small value, which are the only ones used by the masses of mankind, and may be used without inconvenience in the largest transactions as modern appliances have made it feasible to handle even the largest sums of silver without inconvenience. The two metals together fill but scantily the measure of the money needs of the world and they can only fill it upon

the condition that both are money in the fullest sense; and nothing is such money if it be restricted in its legal-tender function.

The combined stock of gold and silver is so large in comparison with the amount of their current production that variations in their current supply affect stocks only in a minute degree. A certain percentage of the current supply is constantly needed to keep the stock of the precious metals good against loss by accident, abrasion, and their absorption in the arts. But this is not all that is required. The rapid increase of the world in population and commerce demands a corresponding increase of the stock of the precious metals, in order that the relation between money and all other things may not be disturbed and that the ruin of productive interests by falling prices may be avoided. The greatest gold yield ever known was during the five years ending with 1856. The annual average production during that period was \$150,000,000, while the silver production during the same period averaged annually only \$40,000,000. This was an enormous increase of the annual gold supply and consequently in the aggregate supply; but the excess of supply in any one year was only an imperceptible addition to existing stocks, and so rapid was its absorption by the increased demands of business, that its effect on prices was not visible for several years, and the maximum increase of prices finally produced, and which was soon lost, did not exceed twenty per cent. Tooke says, (*History of Prices*, vol. 6, pages 158-194,) that notwithstanding the increase of metallic supplies from 1848 to 1856, there was in 1856 no "*corresponding increase of general prices; nor, in the case of large groups of commodities, any increase of prices whatever, but, on the contrary, prices rather sunk to a lower, than rose to a higher, level.*"

The stocks of gold and silver being much greater now than in 1848, they would be less affected by any new discoveries even of the same importance as those of California and Australia. So, also, new supplies of the precious metals absolutely as great as those of the years following 1848, would be of far less consequence in their relation to the vastly increased amount of commodities, exchanges, and population of the present time.

It is one of the common estimates that in 1848, the date of the California discoveries, the bullion value of the world's stock of plate, coin, and bars was \$2,800,000,000 in gold and \$4,000,000,000 in silver, but of coin and bars alone \$1,200,000,000 in gold and \$2,200,000,000 in silver. The total production of gold and silver in the five years ending with 1856 was \$950,000,000, being an addition of only 14 per cent. to the total stock, inclusive of plate, or of 28 per cent. to the stock in coin and bars. The total production of gold alone in the same years was \$750,000,000, which was an addition of 25 per cent. to the entire stock of gold including plate, and the still greater addition of 62½ per cent. to the stock of gold in coin and bars. In the twenty-eight years ending with 1875, the aggregate production of gold and silver was \$4,582,000,000, which was an addition of 67 per cent. to the stock in 1848 of coin, bars, and plate, and of 135 per cent. to the stock of coin and bars. But in the same twenty-eight years, the production of gold alone was \$3,215,000,000. This was an addition to the gold stock in 1848 in coin, bars, and plate of 115 per cent., and to the stock in coin and bars of 268 per cent. Estimates of the amount of the world's stock of the precious metals in 1848, or in any year, vary considerably, but on any estimate the two facts are illustrated that annual supplies affect stocks of the precious metals slowly, and that the stock of either one of the metals is more exposed to eccentric enlargement than is the aggregate stock of the two.