

CALIFORNIA STATE UNIVERSITY, NORTHRIDGE

YELLOW MONEY: CHINA, THE SILVER QUESTION, AND THE RISE OF THE
AMERICAN WEST

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DEDICATION

This thesis is dedicated to my husband Jeff, whose ceaseless support and encouragement is a blessed gift in my life. For my three girls, McKenzie, Tylar, and Kennedy, thank you for sacrificing your mother the times she needed it the most. To my fellow colleagues Cheryl Wilkinson, Rebekah Harding, and Joe Monteferrante, thank you for always being there for me. I am also grateful for my committee members Dr. Tom Devine and Dr. Merry Ovnick. Dr. Devine has patiently tolerated my passion for eccentric topics in economic history, and I have highly regarded and appreciated his insights on how to improve my work. Dr. Ovnick gave me a special gift when she accepted my first article for publication, for which I will always be thankful. Her attention to detail has taught me how to be a better researcher. I am incredibly indebted to my chair, Dr. Richard Horowitz, who despite his busy schedule agreed to guide my thesis research. He has been the ideal blend of tough yet supportive, giving me the confidence I needed that my topic has potential. I also want to thank other faculty members at CSUN who have played a pivotal role in my development as both an undergraduate and graduate student, including Dr. Jeffrey Auerbach and Dr. Nan Yamane, with special thanks to Dr. Joyce Broussard and Dr. Josh Sides. Lastly, I want to express my gratitude for the support I have received from Hedy Carpenter, the Director of Graduate Studies, and CSUN's finest asset for all of its graduate students. My research funding would not have been possible without her endorsement. I am also thankful for the Associated Students and the significant financial support they have provided which has enabled me to present my research at a number of conferences. It has been a long journey towards finishing my Masters, and I am filled with gratitude knowing that my next steps will be that much steadier, and much more capable, because of the people who have supported me along the way.

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ABSTRACT

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This thesis addresses an unexplored area in U.S.-China relations to explain the United States' implementation of the gold standard during the nineteenth century. Existing scholarship indicates that the celebrated international Gold Standard Era (1870-1914) resulted from national government policy shifts during the 1870s that preferred a common monetary metal for trade purposes. In consequence, gold and bimetallic nations, including the United States, abandoned silver due to a belief that gold possessed superior properties as a store of value. However, I find that both economists and economic historians have failed to consider China's prominence within the world economy as a dominant silver consumer and how this dynamic affected silver's decline as a global monetary metal. By the 1860s, when the U.S. acquired its own silver supplies in the American West, bankers and government officials preferred to send silver dollars abroad to China and not for domestic circulation. This practice formed the structural conditions that engendered the U.S. political silver crisis and subsequent Populist movement during the 1880s and 1890s. Furthermore, the efforts of William Chapman Ralston, a prominent California banker, to corner the Pacific silver market, solidified the United States transition from a *de facto* to a *de jure* gold standard in Coinage Act of 1873. Ralston deserves credit for the notorious "Crime of '73," when the U.S. silver dollar was demonetized. Ralston's connections to prominent U.S. Senators and mint officials enabled him to substitute the 420 grain Trade Dollar, a silver coin designed for export to China, in place of the traditional 412 grain U.S. silver dollar. Ralston's efforts to coin silver for China disclosed how U.S. perceptions about silver and the silver dollar's purpose within the U.S. economy was shaped by the United States' economic relationship with the Asian nation.

Introduction

Between 1873 and 1903, the international gold price of silver fell from its peak of \$1.32 per ounce to a mere 50 cents.¹ This unprecedented fall posed a problem for the United States, an exporter of one of the world's largest supplies of silver, and marked the political emergence of the "Silver Question." For as global silver values declined, the United States' struggle to abandon bimetallism during this period was tied to unprecedented turmoil across the broad spectrum of the U.S. body politic. Thus, Gilded Age Americans discerned their economic well-being as intimately linked to either a gold or bimetallic standard. Notwithstanding, why did gold win during this era and why did the United States eventually reject silver? What particular qualities did silver represent that prevented the metal from obtaining fixed exchange rates internationally?

The Gilded Age "Silver Question" is closely tied to its progenitor, the "Chinese Question," as many Americans continued to see China as an uncivilized nation and global supplier of cheap labor. Still, scholars have not recognized that the money debate was racially affected by U.S. relations with, and perceptions of, Asian countries that operated on a silver standard. Of critical significance, the United States' economic relationship with China shaped how Americans perceived silver and the silver dollar's purpose within the American economy. Consequently, the heated debate over silver in the U.S. and the subsequent Populist movement reflected China's influence as the purchasing power of gold rose with the fall of silver. These influences extended back to the late eighteenth and

¹ Frank H.H. King, *The History of Hong Kong and Shanghai Banking Corporation. The Hongkong bank in Late Imperial China, 1864-1902, On an Even Keel*. Vol.1 (Cambridge: Cambridge University Press, 1987), 261; Grant H. Smith, *The History of the Comstock Lode: 1850-1997* (Reno: University of Nevada Press, 1998), 143.

early nineteenth centuries, when the United States was a key exporter of Spanish silver dollars for China, a process that led to the legislated demise of the U.S. silver dollar.

The United States exported significant quantities of Spanish silver to China until the 1830s, when the popularity and widespread acceptance of London's six-month bills (which were paid for in gold), redirected silver flows to London. In consequence, the U.S. silver dollar ceased to operate within the American economy as a monetary unit of account during the 1850s. This was also due in part to gold discoveries in Australia and California beginning in 1848, which created a belief that the supply of gold was sufficient to offset government demand for monetary needs. Yet during the 1860s, when the United States acquired an impressive native stock of silver in Nevada's Comstock Lode, the prevailing attitude favored minting silver coins for export to China and recalibrating the U.S. silver dollar coins to correspond in weight and size with the Mexican silver dollar, a coin preferred in China above all other forms of silver specie.

However, during the mid-1870s, after the silver dollar was famously demonetized in the "Crime of '73," Americans bitterly contested the merit of the rarely seen U.S. silver dollar. Contrary to conspiratorial claims that silver had been demonetized to benefit Northeastern bankers and British bondholders, the silver dollar had really been eliminated to benefit the Bank of California, the West Coast's largest commercial bank, that was attempting to define itself as key center for international exchange. William Chapman Ralston, president of the Bank of California, convinced politicians and mint officials to create the Trade Dollar, a silver coin designed for export to China which replaced the silver dollar within the 1873 Coinage Act in order to capitalize on the movement of silver flows to China.

Yet as silver values declined worldwide from 1876 to 1896, silver interests and Populists argued that the United States needed to adhere to a bimetallic standard. They believed that because the weak exchange rate between silver and gold reduced silver's purchasing power in the international market, silver values needed to be raised to protect the American economy. Essentially, Populists could not compete with cheap agricultural exports produced by silver-standard nations. Moreover, U.S. tariffs during this period did not include agricultural products. Understanding attitudes toward silver during this era in U.S. monetary history is critical due to the emergence of the International Gold Standard Era (1870-1914). Because many Americans viewed silver as a monetary metal dominated by Asian consumers, namely China, India, and Japan, the United States' struggle with bimetallism during this period reflected silver's changing role as a culturally undesirable form of currency. Thus, the U.S. defense of the gold standard demonstrated efforts to create U.S. economic policy that would enable the nation to compete within a global economy by taking into account how silver factored within an international world order.

This paper examines China's impact on the United States' use and perception of silver's monetary purposes in seven parts. First, it provides an overview of the silver dollar's demise within the U.S. economy during the early nineteenth century due to China's preference and demand for silver coins. Second, it appraises new evidence revealing the United States' intent to coin silver dollars exclusively for China during the 1850s and 1860s. Next, it revises our understanding of the infamous Coinage Act of 1873 by showing that it originated from San Francisco banker William Chapman Ralston's efforts to corner the Pacific silver market by legislating the silver Trade Dollar

for China. The following section unearths the Trade Dollar's impact on the United States' monetary policy. Fifth, this paper advances a new interpretation of the Gilded Age "Silver Question" as a racist reflection of U.S. fears about China as a global supplier of cheap labor. Populists contributed to these fears because they perceived that silver's debasement ensured competition in the form of cheap cotton and wheat exports from silver standard nations. Finally, this paper contends that the United States' turn to the gold standard was a reaction to Asia's global dominance as a silver consumer.

Historical Role of the Spanish Silver Dollar and the Formation of the United States Currency Supply, 1789-1857

An examination of China's currency development during the eighteenth and nineteenth centuries provides an unusual but useful window into global trade patterns and silver flows within an industrializing world.² Under the Qing dynasty, the Chinese government operated under a bimetallic monetary system that consisted of copper "cash" (small round coins with square holes stored on strings), and silver, usually in the form of ingots known as sycee. This unregulated system lacked uniformity, requiring Chinese money changers called shroffs to determine the value of the various sizes of silver and copper currency used for business transactions. The Chinese government fixed the ratio between the two metals at one haikwan tael of silver to one thousand copper coins.³ However, market conditions usually determined the actual exchange rate, which periodically proved to be unstable and unreliable.⁴ At the same time, the government required tax payments in silver, which increased the demand for foreign silver imports due to China's lack of a dependable geological supply and periodic restrictions against mining. As a consequence, China failed to regulate a stable monetary supply for its

² Dennis O'Flynn and Arturo Giráldez maintain that "the single market most responsible for the birth of globalisation was the silver trade. The most dynamic end-markets for silver in the world resided in China." Dennis O'Flynn and Arturo Giráldez, "Path Dependence, Time Lags, and the Birth of Globalization: A Critique of O'Rourke and Williamson," *European Review of Economic History* 8, no. 1 (April 2004), 86.

³ Lin suggests that "the relation between silver and copper coins was like that between quarters and the hundred-dollar bill in the American currency system." Man-houng Lin, *China Upside Down: Currency, Society, and Ideologies, 1808-1856* (Cambridge: Harvard University Asia Center and Harvard University Press, 2006), 8.

⁴ Yen-P'ing Hao, *The Commercial Revolution in Nineteenth Century China: The Rise of the Sino-Western Mercantile System* (Berkeley: University of California Press, 1986), 34-35.

people.⁵ By the late eighteenth century, the number of imported foreign silver dollars increased substantially due to the standardized weight and fineness that the coins provided.⁶ During the early 1800s, Spanish Carulos pesos were desired above all other foreign silver coins in certain Chinese ports in Southeast Asia and commanded a significant premium of 6 to 8 percent.⁷ After the nations of Spanish America won their independence from Spain during the 1810s and 1820s, the Mexican peso (also referred to as the Mexican dollar) replaced the Spanish Carulos as the dominant silver coin within the global economy.⁸ Moreover, economic historian Yen-p'ing Hao emphasizes that silver dollars “gradually established themselves as a unit of account in competition with the tael system.”⁹ Accordingly, silver dollars became preferred over other forms of sycee for commercial payments in treaty port cities.¹⁰

In addition, because the Chinese government did not regulate China's money supply, foreign efforts to import silver were not controlled by the state. As Richard von

⁵ Economic historian Man-houng Lin's analysis of China's silver usage notes that changes in China's demand for the precious metal could wreak havoc on international foreign trade patterns. Furthermore, Lin observes that China's economy experienced prolonged periods of financial crisis as a direct result of the nation's vulnerability to global silver exchange rates. This caused deep social unrest during the nineteenth century and “posed a dire threat to the authority of the state.” Man-houng Lin, *China Upside Down*, 1-26.

⁶ Ibid.

⁷ Historian Richard von Glahn observes that around 1800, Spanish Carulos pesos minted under the Spanish kings Carlos III and Carlos IV dominated South China markets as the primary monetary standard. The Spanish peso was culturally preferred due to its availability and consistency in size, shape, and intrinsic value. However, the Carulos pesos were not accepted (or even recognized) all over China. Typically, both the northern and inland parts of China did not receive Spanish coins. Richard von Glahn, “Foreign Silver Coins in the Market Culture of Nineteenth Century China,” *International Journal of Asian Studies* 4, no. 1 (2007): 51-56.

⁸ Alejandra Irigoien, “The End of a Silver Era: The Consequences of the Breakdown of the Spanish Peso Standard in China and the United States, 1780s-1850s,” *Journal of World History* 20, no. 2 (June 2009): 239.

⁹ Hao, *Commercial Revolution*, 44.

¹⁰ Hao also notes that during the tea and silk season, dollars typically received high premiums over other forms of silver. Ibid, 45.

Glahn has observed, Spanish coins were not universally valued among the different provinces.¹¹ Therefore, in order for the United States, or any other country, to export silver coins to China, the coins needed to be identified and accepted within trade networks controlled by Hong or Hokkien merchants. Acceptance by these merchant groups held greater importance for the reception of foreign silver dollars than recognition by the Chinese government. Furthermore, as British control expanded throughout China's southern provinces during the latter half of the nineteenth century, Canton, Hong Kong, and particularly Shanghai, represented critical commercial hubs linked to broader trade networks across the southeast.

Spanish silver dollars were also an integral component of the United States' trade development with China during the nation's formative years. S. Wells Williams' 1856 commercial guide for merchants engaged in the China trade noted that silver bullion was once a substantial American export into China, and that the precious metal played a critical foothold for U.S. merchants in Canton during the early years of the American Republic.¹² Because the United States could not provide other trade articles of interest to China, silver formed the bulk of U.S. exports into that nation.¹³ By tracing the volume and distribution of this silver, economic historians Alejandra Irigoin and Richard von Glahn emphasize the significance of North American merchants as intermediaries of

¹¹ von Glahn, makes the distinction that “[b]y the second quarter of the nineteenth century clear variations in regional use of foreign coins (both genuine and counterfeit) can be seen.” Futhermore, von Glahn observes, Spanish Carolus pesos were primarily used among the southern coastal provinces. von Glahn, “Foreign Silver Coins,” 67-72.

¹² S. Wells Williams, *Commercial Guide, Consisting of a Collection of Details and Regulations Respecting Foreign Trade with China, Sailing Directions, Tables, &c. Fourth Edition*. (Canton: Office of the Chinese Repository, 1856), 356. William Schell, “Silver Symbiosis: ReOrienting Mexican Economic History,” *Hispanic American Historical Review* 81, no. 1 (February 2001): 130-131.

¹³ Irigoin, “The End of a Silver Era,” 204-225.

silver commerce during the early nineteenth century.¹⁴ Irigoin notes that the “structure of the silver trade changed substantially” because of U.S. involvement.¹⁵ Shortly after the American Revolution, U.S. merchants became China’s main provider of silver and supplied nearly 97 percent of China’s foreign silver supply between 1807 and 1833.¹⁶ This quantity of silver represented one-third of Mexico’s silver coinage.¹⁷ Richard von Glahn maintains that because the United States’ mint price for silver of 15:1 with gold was higher than the world price of 15.6:1, Mexican pesos flowed into the United States during the late eighteenth century.¹⁸ This flow fundamentally altered silver’s employment within the U.S. by ending the coinage of American silver dollars in 1804. Thus, in 1806, Mexican pesos were granted legal tender, replacing the American silver dollar. The bulk of these coins financed the United States’ China trade.¹⁹

Fundamentally, this merchant trade can be interpreted as causing instabilities within the U.S. money supply due to the constant exportation of silver coins to Asia. As a young republic, the United States employed both silver and gold for monetary use, however, Americans frequently complained about the scarcity of silver specie and

¹⁴ Irigoin, “The End of a Silver Era,” 209. von Glahn, “Foreign Silver Coins,” 62.

¹⁵ Ibid, 238.

¹⁶ Irigoin notes that the first American dollar appeared in Canton in 1796. Ibid, 210.

¹⁷ von Glahn, “Foreign Silver Coins,” 62.

¹⁸ Ibid.

¹⁹ The U.S. *Democratic Review* noted in 1848 that the large quantities of silver formerly shipped to China from the United States had been significantly reduced due to the availability of bills paid for in gold that were advanced by London for a six-month period. This meant that silver began being routed to London and then forwarded on to China for trade payments. This change took place during the late 1820s when Hong merchants accepted payments payable on account in London. *U.S. Democratic Review* 23 (1848): 79-81.

blamed Asia for the loss of their coins.²⁰ Economic historian David Martin notes that Spanish pesos were the preferred coin for export followed by the U.S. silver dollar.²¹ Richard von Glahn argues that China's unregulated monetary system meant that foreign Spanish silver coins were not just important for their commodity value, but for providing a consistent standard of value within China.²² The familiarity of the size and design of these coins allowed peasants, laborers, and others unable to skillfully evaluate a silver coin's intrinsic value to have a much needed medium of exchange.²³

In consequence, China's monetary needs indirectly impacted the United States' first coinage laws when, in 1792, Alexander Hamilton proposed that the U.S. silver dollar be the same size and weight as the Spanish Carulos in order to "be more conformable to that which obtains in the commercial world generally."²⁴ Hamilton preferred a bimetallic monetary system in order to maintain a flexible money supply. Unfortunately, the U.S. silver dollar was incorrectly sized based on the underweight sample provided to the mint. Instead of weighing 416 grains of silver as Hamilton advocated, the new dollar only weighed 412 grains. Even so, Hamilton emphasized gold's superior value over that

²⁰ In 1819, an article widely reprinted in East Coast newspapers bitterly protested the importation of Chinese goods due to the loss of American silver specie. A Mr. "C. Rajinerque" proposed that Americans should produce their own tea supply to prevent further loss of silver coins. February 12, 1819, *The New York Spectator*; February 16, 1819, *Boston Daily Advertiser and Repertory*; *The American Beacon*, February 22, 1819; *Norfolk and Portsmouth Daily Advertiser*, February 22, 1819; *New York Commercial Advertiser*, February 22, 1819, *The Yankee*, July 1, 1819; See also complaints of silver exports to China in *The Free Trade Advocate and Journal of Political Economy* 1 (1829): 106-107.

²¹ David A. Martin, "Bimetallism in the U.S. Before 1850," *Journal of Political Economy* 76, no. 3 (May-June 1968): 429. David A. Martin, "The Changing Role of Foreign Money in the United States, 1782-1857," *The Journal of Economic History* 37, no. 4 (December 1977): 1011.

²² von Glahn, "Foreign Silver Coins," 70.

²³ *Ibid.*

²⁴ *On the Establishment of a Mint. Communicated to the House of Representatives, January 28, 1791.* 1st Cong., 3d sess., 1791, No. 24, 1.

of silver, and acknowledged that the latter was vulnerable to being exported to the Eastern hemisphere.²⁵ Hamilton stated:

Gold may, perhaps, in certain senses, be said to have greater stability than silver: as, being of superior value, less liberties have been taken with it, in the regulations of different countries. Its standard has remained more owing to the use made of silver in the trade with the East Indies and China. It is less liable to be influenced by circumstances of commercial demand. And if, by reasoning of analogy, it could be affirmed, that there is a physical probability of greater proportional increase in the quantity of silver than in that of gold, it would afford an additional reason for calculating on greater steadiness in the value of the latter.²⁶

Hamilton, who played a critical role as the first United States Secretary of the Treasury, recognized early on that gold was preferable for monetary stability, but that silver provided flexibility for the purposes of trade. Nevertheless, Hamilton proposed discontinuing the use of foreign silver by 1817, and Spanish silver in particular, but his advice went unheeded until 1857.²⁷

During the first half of the nineteenth century, Americans sent their good silver abroad and permitted their remaining domestic specie supply to be polluted with broken bits and pieces of foreign currency.²⁸ Thus, the Coinage Acts of 1834, 1853, and 1857 worked to eliminate the use of foreign money within the United States and to end the exportation of U.S. silver coins, which consisted of silver dollars and half dollars. New

²⁵ Historian James Fichter discerns that by the eighteenth century, Americans understood “East Indies” to be a vague term, which included China, India, the Mascarenes, and Southeast Asia, including the Indian Ocean and East Asian littoral. James R. Fichter, *So Great a Proffit: How the East Indies Trade Transformed Anglo-American Capitalism* (Cambridge: Harvard University Press, 2010), 3.

²⁶ *On the Establishment of a Mint. Communicated to the House of Representatives, January 28, 1791*. 1st Cong., 3d sess., 1791, No. 24, 3.

²⁷ German thalers and French francs also circulated in America during this period, but not as prominently as the Spanish peso.

²⁸ David Martin observed that due to the export of Spanish pesos and American silver dollars and half dollars, the United States money supply contained an embarrassing amount of broken and worn down foreign silver coins. Martin, “The Changing Role of Foreign Money,” 1009-1015.

York Senator Nathan Sanford, whose arguments later informed the 1834 Act, presented his views on the issue to congress in 1830. According to Sanford,

The disorders which are inevitably generated by the currency of diminished coins, exist in this country, and are increasing; and we are silently and gradually deprived of a large portion of our best coins. The diminished coins which have hitherto been the principal cause of mischief in our country, are the Spanish coins which circulate as equivalent to the coins of our own mint.²⁹

Sanford's critique reflected a prevailing view in America that silver could not remain in circulation as long as silver-consuming nations, specifically China and India, consumed the bulk of the world's supply.

The Coinage Act of 1834 placed the United States on a *de facto* gold standard by changing the mint ratio between gold and silver to 16:1, instead of 15:1, in order to eliminate the exportation of the U.S. silver coins.³⁰ The Coinage Act of 1853 strengthened these efforts by reducing the silver content of half dollars while raising the legal value to prevent their export, and by limiting the payment of debts with subsidiary silver so as not to exceed \$5.00. Finally, the Act of 1857 ended the custom of assigning legal tender to Spanish pesos within the United States. And as historians David Martin and Neil Carothers have maintained, these efforts to place the United States on a *de facto* gold standard emerged from a desire to eliminate the use of foreign silver money and to end the export of U.S. silver coins to Asia.³¹ Therefore, roughly forty years prior to the

²⁹ U.S. Congress. Senate. Nathan Sanford, "Report on the Current Coins, Made to the Senate of the United States, Jan. 11, 1830" in *Appendix to Gales & Seaton's Register*, 21st Cong. 1st sess., 1830, 82.

³⁰ Michael D. Bordo and Finn E. Kydland, "The Gold Standard As a Contingent Rule," in *The Gold Standard and Related Regimes: Collected Essays*, ed. Michael D. Bordo (Cambridge: Cambridge University Press, 1999), 213.

³¹ Neil Carothers, *Fractional Money: A History of the Small Coins and Fractional Paper Currency of the United States* (Reprint, 1930, New York: Augustus M. Kelley, 1967), 122-150; Martin is not clear where

Coinage Act of 1873 and the demonetization of the U.S. silver dollar, one can argue that that the United States ended its experiment with bimetallism because the China Trade monopolized silver dollars and silver pesos.³² Between 1806 and 1840, 412-grain silver dollars were rarely minted by the U.S. government. Furthermore, between 1840 and 1870, the quantity of the silver dollars coined reflected only about 2 percent of all subsidiary silver coinage.³³ China's preference for silver dollars would set the stage for the financial debates of the latter half of the nineteenth century, when the United States acquired its own silver supplies in the American West.³⁴

the demand for silver coin stems from and why. Martin, "The Changing Role of Foreign Money," 1015, 1017.

³² It is important to recognize that U.S. trade statistics during this period do not discern between silver and gold exports, which makes it difficult to quantify the extent that U.S. silver supplies were intended for China, or for London to in turn be shipped for China. Furthermore, monetary historians who discuss world silver flows, including Richard von Glahn, Alejandra Irigoin, Man-houng Lin, Dennis O. Flynn, Arturo Giráldez, and William Schell, Jr., are not in agreement as to what drives them. As silver flows begin to be discussed in conjunction with broader global trends outside of the Opium trade, the influencing factors remain complex and numerous. William Schell's work demonstrates that throughout the nineteenth century, the exportation of Mexican pesos into China was shaped by U.S. Cotton exports and the Civil War, the California Gold Rush, British investment in California quicksilver during the 1860s, Chinese migration, the fall of Mexico's Porfirian Regime, and global deflation. Schell, "Silver Symbiosis," 89-133.

³³ Calculations are based on U.S. Mint Reports from 1838 to 1873.

³⁴ The timing of the California Gold Rush, which coincided with gold discoveries in Australia during the 1850s, also affected U.S. silver exports. The widespread abundance of gold deposits caused that precious metal to decline in value, causing silver values to rise. Consequently, the United States recognized gold to be an ideal store of value due to its availability.

1850s – 1860s, San Francisco

As early as 1857 it appears that the San Francisco Mint was considered the ideal locale for the coinage of silver dollars to be exported to China. The *New Orleans Picayune* credited P.A. Roach, a San Francisco merchant and later anti-Chinese activist, with urging the Secretary of the Treasury to coin silver in San Francisco in order to pay the salaries of U.S. Ministers and Consuls residing in China. The *Picayune* noted Roach's claims that the government was required to pay excessive premiums due to the exchange rate in China, which also posed a hardship for American merchants.³⁵ Roach's request came at a time when the silver dollar could theoretically be exchanged for \$1.03 worth of gold at U.S. Mints.³⁶ The timing of silver discoveries in Nevada during the spring of 1859, ten years after the California Gold Rush, enabled the West coast to consider exporting Nevada silver to China.

By 1859, *Hunt's Merchant Magazine* called attention to the growing silver trade off the Pacific coast between San Francisco and China. The article, which had compiled a number of excerpts from California publications, documented the phenomenon of the export of Mexican dollars. These imported silver coins and bars, received directly from Mexico, motivated San Francisco merchants to request the coinage of silver dollars at the San Francisco Mint.³⁷ Correspondence between Charles Helms, superintendent of the San Francisco Mint, and James R. Snowden, Director of the U.S. Mint, reveals how the West Coast desired to fill this demand. Helms inquired:

³⁵ Editorial, *New Orleans Picayune*, April 22, 1859.

³⁶ In 1856, Great Britain's *Bankers' Circular* journal observed that France and Austria had exported vast quantities of silver coins to the Asia since 1848. The journal estimated that in the past decade at least £100,000,000 in European silver had been sent to Asia. *Bankers' Circular*, November 11, 1856.

³⁷ Editorial, *San Francisco Daily Bulletin*, February 26, 1859.

We are now attracting to our shores large quantities of silver, in bars, from Mexico, for which we pay in silver coins. By reference to your [Director Snowden's] letter of the 4th August last, I find that you say that "silver deposits may be received, but they are only payable in *silver dollars* or in fine *silver bars*." We have never received any dies for silver dollars, nor am I aware of the reason why this branch has never made that denomination of coin. I would therefore suggest that the coinage of silver dollars, (if it be not contrary to the policy of the government) would relieve us of just one-half the labor now necessary in the coinage of large quantities of Mexican silver.³⁸

Helms's preference to coin silver dollars at the expense of the U.S. government for export to China occurred a few years prior to the discovery of silver in Nevada. Thus, San Francisco's desire to export these coins provides critical evidence that silver dollars, in contrast to other forms of money, marked China's ability to impact world silver flows.

Helms's request also represents an important shift regarding the changing role of the silver dollar within the United States. The *San Francisco Bulletin*'s reprint of an article from the *Mercantile Gazette* in 1859 supports this view:

Recently, our merchants engaged in the China trade, have experienced much difficulty in obtaining Mexican silver dollars for shipment. The rates have been nominally from 12 to 14 cents premium, on this description of coin, although but a comparatively small amount can be had at even these rates. Notwithstanding the fact that the banks of the city and the U.S. Branch Mint are full to overflowing with United States silver coins (half dollars and smaller denominations) yet our trade with China languishes for suitable means of exchange with that country. The cause of this anomalous condition of affairs is well known to our mercantile community, and arises from the difference between the Mexican dollar and the half dollars of United States coinage.³⁹

Because U.S. silver half dollars were too small to compete effectively with the Mexican dollar and were considered a lesser form of subsidiary money, it is during the late 1850s

³⁸ [Anonymous], "Silver in San Francisco," *Hunt's Merchant Magazine and Commercial Review* 41 (July to December 1859), 211.

³⁹ Editorial, *San Francisco Bulletin*, February 26, 1859.

that silver began to be viewed as desirable export for China in order to limit exchange-rate expenses.

By late 1859, the San Francisco Mint coined a limited quantity of silver dollars for export to China. The *New York Times* recognized that the California branch mint was minting silver dollars for use in the China trade. The *Times* emphasized that these dollars would not enter domestic circulation and were to be exclusively coined for merchants who provided their own bullion.⁴⁰ San Francisco Mint reports indicate that 15,000 silver dollars were struck.⁴¹ However, by 1861, Mint records indicate that the West Coast mint, for reasons that remain unclear, stopped manufacturing silver dollars. Yet within the same year, the Philadelphia Mint coined 164,000 dollars.⁴² The Secretary of the Treasury's report indicates that the silver dollar "was supposed to be needed for our China and East India trade; but our consular advices are to the effect that our silver dollars are very reluctantly taken at the ports, and not at all in the interior of China, They are believed by the Chinese to be of less value than they really are."⁴³ It is likely that the small amount of silver dollars sent abroad failed to gain favor in China. It is also plausible that mint officials decided to stop issuing coins for the west coast in order to supply the Northeast with money due to the Civil War. Throughout the 1860s, silver

⁴⁰ Editorial, *New York Times*, June 4, 1859.

⁴¹ *Report of the Secretary of the Treasury on the State of the Finances for the year ending June 30, 1860*, 36th Cong., 1st sess., 1860, S. Doc. 3, 74.

⁴² *Report of the Secretary of the Treasury on the State of the Finances for the year ending June 30, 1861*, 37th cong., 2d sess., 1861, S. Doc. 64.

⁴³ *Report of the Secretary of the Treasury on the State of the Finances for the year ending June 30, 1861*, 37th cong., 2d sess., 1861, S. Doc. 63.

dollars were coined at Philadelphia in incremental amounts of no more than 58,000 per year.⁴⁴

However, when Nevada's Comstock Lode was discovered in 1859, and silver began flowing to San Francisco during the 1860s, both government officials and western silver interests again contemplated minting silver for China. As early as 1866, John Jay Knox, a Treasury Department clerk who was promoted to Comptroller of the Treasury in 1867, noted that silver in the form of bars and Mexican silver dollars was being exported from San Francisco to China and Japan. Knox calculated that this silver export trade was valued at seven million dollars per annum.⁴⁵ Of great importance is Knox's suggestion that "it is worthy of consideration whether it would not be to our advantage to increase the standard weight of silver coin, and perhaps again put in circulation the silver dollar, making it exactly of the value of the Mexican dollar."⁴⁶ Knox's critique denotes the first time the U.S. silver dollar was recognized as needing to be resized in order to effectively compete with the Mexican silver dollar.

At roughly the same time the U.S. silver dollar was being considered as a vehicle to send U.S. silver to China, international discussion over the need to stabilize exchange rates between foreign currencies was underway at the International Monetary Conference held in Paris in 1867. The United States representative at the conference was Samuel B. Ruggles (1880-1881), an important individual on the New York financial scene, who also belonged to the powerful New York Chamber of Commerce. Ruggles was also a close

⁴⁴ *Report of the Secretary of the Treasury on the State of the Finances for the year 1867* (Washington: Government Print Office, 1868), 337.

⁴⁵ *Report of the Secretary of the Treasury on the state of the finances for the year 1866*, 39th cong., 2d sess., 1866, S. Doc.4, 265.

⁴⁶ *Ibid.*

confidant of Secretary of State William H. Seward. As early as 1848 Seward recognized New York's potential to develop a strong trade base with the Orient. He opposed the establishment of a U.S. Mint in California due to his preference for New York, for "it was there that coin was to be used as the 'medium of exchange' . . . and the network of canals and roads . . . would eventually tie New York with the Pacific and, of course, extend its domination to the Orient as well as Europe."⁴⁷ Seward's ambitions to secure New York's position as the center of a financial empire were shared with Ruggles, whom Seward handpicked to represent the United States at the 1867 World Monetary Reform Conference in Paris. The conference encouraged commercially trading nations to develop a monetary system of uniform weights and measures to simplify commercial exchanges.⁴⁸

Ruggles actively sought to reform U.S. currency standards to comply with the international goals proposed in Paris.⁴⁹ The conference had raised concerns that the world was about to be flooded with silver, including from "the innumerable rich lodes on the Pacific Slope of the United States."⁵⁰ Furthermore, Ruggles' report to the U.S. Committee on Finance called attention to how

The Pacific railway will open to us the trade of China, Japan, India, and other oriental countries . . . For years, silver, for reasons not fully understood, has been the object of unusual demand among these Asiatic nations and now forms the almost universal medium of circulation, absorbing rapidly the silver of coinage . . . Our own monetary system . . . is not suitably adjusted in this respect. The silver dollar, for instance, a

⁴⁷ Paolino, *Foundations of American Empire*, 81-82.

⁴⁸ William P. Blake, ed., *Reports of the United States Commissioners to the Paris Universal Exposition, 1867* (Washington: Government Printing Office, 1870).

⁴⁹ Ernest Paolino notes that early as 1865 Ruggles, appealed to President Johnson about creating a coin uniform with worldwide "weights and measures." Paolino, *Foundations of American Empire*, 84.

⁵⁰ Blake, *Paris Universal Exposition*, 295.

favorite coin of . . . the distant Asiatic, has well-nigh disappeared from domestic circulation, to reappear among the eastern peoples, with whom we more than ever seek close intimacy.⁵¹

Ruggles also began a steady stream of correspondence with Ohio Senator John Sherman, then chairman of the Senate Committee on Finance.

Sherman and Ruggles both recognized that Asia's preference for silver coinage marked a critical opportunity for the United States to adjust coinage laws for international trade purposes. Sherman, in discussing the feasibility of an international gold standard with Ruggles, emphasized that "[a] common gold standard will regulate silver coinage, of which the United States will furnish the greater part, especially for the China trade."⁵²

Furthermore, Sherman ventured that

Congress alone can change the value of our coin . . . As coin is not now in general circulation with us, we can readily fix by law the size, weight and measure of future issues We can easily adjust the reduction with the public creditors in the payment or conversion of their securities, while private creditors might be authorized to recover upon the old standard . . . allow me to say in conclusion, that I heartily sympathize with you and others in your efforts to secure the adoption of the metrical system of weights and measures.⁵³

In later years, Sherman reflected on the challenge to secure an international gold coin that would require a reconciliation between the American dollar and the British pound due to objections from bullion dealers:

Senator Morgan of New York thought it would interfere with the profit of New York brokers in changing dollars into pounds . . . it would have interfered with the exchanges of New York and London, the great money centers of the world. It would have interfered with bullion dealers who make profit in exchanging coins; but the whole of was for

⁵¹ Blake, *Paris Universal Exposition*, 296; Senate Committee on Finance, "Report to Accompany Bill no. 217", 40th Cong., 2nd sess., Rep. Com. No. 117, 1868, 10.

⁵² Report of Mr. S.B. Ruggles, May 18th 1867, *International Coinage*, 40th Cong., 2nd sess., 41.

⁵³ *Ibid*, *International Coinage*, 41-42.

the benefit of each country.⁵⁴

New York would continue to provide fodder for discussion on international monetary relations when Anson Burlingame, U.S. Consul to China, visited the city in 1868.

A group of prominent New York citizens invited Burlingame and members of the Chinese Embassy to the city to encourage closer Sino-U.S. relations. The banquet featured New York traders, politicians, newspapermen, and financiers, including Samuel B. Ruggles. Ruggles' speech addressed monetary unification with China and its importance to China's integration in world commerce. Ruggles called attention to an announcement in a Paris newspaper that discussed how

a company in China had undertaken the work of striking silver coins, of European fashion, of one franc, ten francs, and twenty francs, bearing on their face the head of the Chinese Emperor, and on the reverse the flying dragon, the long established emblem of the Empire. I cannot but regard such a creature as tolerably fitted to "break the ice" in this monetary effort, especially in Asia.⁵⁵

Ruggles' monetary aims were partially realized when in 1868, Sherman also introduced bill S. 217 that proposed discontinuing the silver dollar and adjusting the weight of the silver half-dollar so that two half dollars would equal France's five-franc piece.⁵⁶ In Sherman's report on International Coinage, he illustrated China's preference for the silver dollar, and credits Ruggles' opinion on the matter, for:

As they prefer this piece we would do well to increase rather than discontinue its coinage, for we must not deprive ourselves of the advantages which its agency will afford, and "it would be useless to send

⁵⁴ John Sherman, *John Sherman's Recollection of Forty Years in the House, Senate, and Cabinet* (Chicago: The Werner Company, 1895), 349-350.

⁵⁵ Speech of the Hon. Samuel B. Ruggles, *Banquet to His Excellency, Anson Burlingame, and his Associates of the Chinese Embassy by the Citizens of New York, Tuesday, June 23rd, 1868* (New York: Sunbook and Job Printing Press, 1868), 56.

⁵⁶ Steven P. Reti, *Silver and Gold: The Political Economy of International Monetary Conferences, 1867-1892* (Westport: Greenwood Press, 1998), 49.

dollars to Asia inferior in weight and value to its well-known Spanish and Mexican prototype.”⁵⁷

Sherman believed that because the United States was a debtor nation, the country would benefit from a currency system based on a gold standard that employed international coinage methods.⁵⁸ For even though Great Britain operated on a gold standard, the nation ran a negative balance of trade with both India and China. If the United States could supply enough silver to prevent its gold from being exported to offset its negative balance of trade with Great Britain, the U.S. would theoretically benefit from a coinage system that supported silver’s role in Asia. These policies, Sherman argued, would “reduce the cost of exchange paid by debtors when borrowing from the international financial markets.”⁵⁹ However, Sherman and Ruggles’ plan to implement international coinage policies stalled during the transition between the Johnson and Grant administrations, and despite renewed discussion, Congress would not agree to change U.S. coinage standards.

⁵⁷ Report of Senator John Sherman, July 7, 1868, *International Coinage*, 40th Cong., 2nd sess., 41.

⁵⁸ Reti, *Silver and Gold*, 50.

⁵⁹ Report of Senator John Sherman, 41.

Coinage Act of 1873

Between 1868 and 1873, bill S. 217 underwent a series of revisions that led to the Coinage Act of 1873, also known as the notorious “Crime of ’73,” due to the demonetization of the U.S. Silver Dollar. Scholars have traditionally recognized the “Crime of ’73” as a historical myth perpetuated by bimetalists who claimed that a powerful coalition of moneyed interests and political officials conspired to demonetize silver in order to inflate the value of public securities.⁶⁰ However, extensive debate over whether a “crime” was committed has been inconclusive. During the 1960s, economic historians writing on the silver dollar’s elimination in the 1873 Coinage Act maintained that the demonetization of silver was an unintentional result that occurred during a revision in the mint laws to update U.S. monetary standards. Thus, historians Allen Weinstein and Richard Hofstadter and monetary economist Milton Friedman have concluded that “there was no crime of 1873.”⁶¹ Moreover, while the evidence indicates that the intent to demonetize silver played a significant role in the drafting of the Coinage Act, and that “evidence of some collusion among public officials” occurred, no laws were broken; rather, the demonetization of silver represented a series of confusing and misleading events.⁶² Scholars generally acknowledge that the Coinage Act was a legitimate piece of legislation exclusive of conspiracy theories and ulterior motives that

⁶⁰ Allen Weinstein, “Was There a ‘Crime of 1873’?: The Case of the Demonetized Dollar,” *Journal of American History* 54, no. 2 (September 1967): 307.

⁶¹ See also historian Irwin Unger’s work on silver politics during the specie resumption period. Unger also finds conspiracy theory claims to be unfounded. Irwin Unger, *The Greenback Era: A Social and Political History of American Finance, 1865-1879* (Princeton: Princeton University Press, 1964), 331; Weinstein, “Was There a ‘Crime of 1873’?,” 325; Richard Hofstadter, “Free Silver and the Mind of ‘Coin’ Harvey,” in *The Paranoid Style in American Politics and Other Essays* (New York: Alfred A. Knopf, 1965), 268-279; Milton Friedman, “The Crime of 1873,” *Journal of Political Economy* 98, no. 6 (December 1990): 1159.

⁶² Weinstein, “Was There a ‘Crime of 1873’?,” 325-327.

avored gold over silver. However, scholars have overlooked an important aspect of the Act that resulted in the creation of the Trade Dollar, a silver coin designed solely for export to China.

Even though the 1873 act replaced the silver dollar with the Trade Dollar, the latter is consistently overlooked and dismissed in the scholarly debates that focus on the “Crime of ’73.” Nevertheless, the commercial coin provides an invaluable window from which to view the structural conditions that shaped U.S. silver policies and the accompanying political agitation from the 1870s to the 1890s. Unfortunately, scholars have dismissed the coin’s pivotal role in U.S. history, viewing it instead as an obscure monetary device that represented little more than a commodity for export.⁶³ Contrary to prior interpretations, the Coinage Act of 1873 really manifested San Francisco banker William Chapman Ralston’s efforts to corner the Pacific silver market by capitalizing on China’s reliance on foreign silver imports.

In 2011, political scientists Samuel DeCanio and Richard Bensel reopened the debate by drawing on new evidence that implicated William C. Ralston, a risk-taking, charismatic banker who represented the Bank of California.⁶⁴ DeCanio asserts that bankers did conspire to demonetize silver as evinced through the actions of Ralston and future director of the mint H.R. Linderman. DeCanio claims that Ralston bribed mint bureaucrats and influenced legislative leaders to demonetize the silver dollar. Later,

⁶³ Alexander E. Outerbridge, Jr., “Origin and History of the Trade Dollar: The Trade Dollar as a Currency,” *Bankers’ Magazine* 58, no. 3 (March 1899): 383; David Pletcher considered the coin’s experimental use “nearly a total failure;” David M. Pletcher, *The Diplomacy of Involvement: American Economic Expansion across the Pacific, 1784-1900* (Columbia: University of Missouri Press, 2001), 123; Richard Hofstadter acknowledged the Trade Dollar’s limited use in the Orient and does not question the coin’s implementation within the 1873 Coinage Act; Hofstadter, “Free Silver,” 279.

⁶⁴ Numismatist Robert R. Van Ryzin also recognized Ralston’s efforts to influence H.R. Linderman in order to support the coinage of Trade Dollars. Robert R. Van Ryzin, *Crime of 1873: The Comstock Connection: A Tale of Mines, Trade, and Morgan Dollars* (Iola: Krause Publications, 2001).

many of these individuals not only denied their involvement, but took up the “free silver” mantle to further disprove their guilt. As a consequence, Ralston’s actions were connected to the “free silver” movement.⁶⁵ Bensel, however, sharply disagrees with DeCanio. Bensel’s examination of DeCanio’s evidence leads him to conclude that while DeCanio raises an interesting argument, it is not clear that Ralston’s actions constituted bribery.⁶⁶ Furthermore, at no point does DeCanio link Ralston to the intent to demonetize silver, and he concludes that “The ‘Crime of ’73” may, in the end, be so complex that no jury will ever reach a verdict in this case.”⁶⁷ Still, DeCanio emphasizes that Germany’s demonetization of silver in 1871 posed a concern to Ralston and his constituents, and that a flood of silver threatened to overwhelm U.S. silver markets and reduce the value of Ralston’s holdings. Finally, regardless of whether Ralston interfered with silver’s monetary properties, his actions denote an effort to conspire with government officials to benefit the Bank of California.⁶⁸

Indeed, understanding the circumstances that surround the “Crime of ‘73” is a complicated and tedious task, and efforts to entirely unravel the tangled knot may never be fully realized. While scholars, including DeCanio and Bensel, have acknowledged Ralston’s involvement behind the creation of the Trade Dollar, the coin has never been identified as the main reason why the many politicians who agreed to its creation so vehemently denied a surreptitious intent to demonetize silver. Consequently, the likely

⁶⁵ Samuel DeCanio, “Populism, Paranoia, and the Politics of Free Silver,” *Studies in American Political Development* 25 (April 2011), 1-26.

⁶⁶ Richard Bensel, “Comment on ‘Populism, Paranoia, and the Politics of Free Silver,’” *Studies in American Political Development* 26 (October 2011), 190-199.

⁶⁷ Ibid.

⁶⁸ Samuel DeCanio, “Just Because You’re Paranoid Doesn’t Mean They Aren’t Out to Get You: Rejoinder to Bensel,” *Studies in American Political Development* 25 (October 2011), 200-205.

reason these same politicians publicly supported remonetizing silver was because their involvement in the “crime” was less about demonetization and more about providing a wanted market for silver. The Trade Dollar was presented to Congress as a solution that would simultaneously provide the U.S. with a silver market in China and solve the crisis of silver’s looming devaluation. Politicians and government officials were further convinced that the Trade Dollar would help the United States gain a stronger foothold in the elusive China trade. However, these claims were misleading, because the Trade Dollar was really a banker’s scheme to capitalize on silver exchange rates and potentially offset London as the center of the world’s silver exchange market with San Francisco.

The Coinage Act of 1873, the fourth revision to U.S. coining laws since 1792, placed the United States on a *de jure* gold standard. The act also created a new position for a U.S. Director of the Mints, assigned new powers of financial responsibility to both the Mint Director and U.S. Secretary of the Treasury, and significantly reduced the cost of coining gold and silver bullion. The Act also required the San Francisco Mint to rely on private local refiners to treat bullion, and it recalibrated U.S. subsidiary coinage to reflect European standards of measurement. Finally, the Act eliminated the standard American silver dollar, replacing it with the Trade Dollar, a silver coin exclusively intended for foreign use in China and not intended for domestic circulation. The Trade Dollar was assigned a limited legal value of up to \$5 in the payment of debts to prevent it from being exchanged for gold, and the coin was not to be used in the payment of customs duties.⁶⁹

Economist Milton Friedman and historians Allen Weinstein and Paul O’Leary maintain that the demonetization of the traditional silver dollar resulted from U.S. fears

⁶⁹ Report of the Secretary of the Treasury, Cong. Rec., 43rd Cong., 1st sess., 1873, Ex. Doc. 2, 482-483.

that silver values would drastically decline as a result of Germany's move to the gold standard in 1871.⁷⁰ More plausible, and staunchly contested here, is that the silver dollar was demonetized in order for bankers and bullion exporters to capitalize on the silver exchange rate market due to China's reliance on foreign silver imports. During the five years leading up to the 1873 Coinage Act, the bill had evolved from a series of revisions that included changing the American silver dollar from 412 ½ grains to 384 grains, a metrical weight that corresponded to the five-franc silver piece proposed at the Paris Monetary Convention.⁷¹ When the Senate voted on the final Coinage Act, however, the silver dollar was removed in the final draft and replaced with the larger 420 grain Trade Dollar, thereby bypassing congressional discussion when the Act went into effect. In 1878, California Senator Aaron A. Sargent even admitted: "It is true [that] the bill finally passed under a suspension of the rules," an acknowledgement that the Act had been passed without the opportunity for further debate.⁷²

Yet both Ruggles' 384-grain international coin and Ralston's 420-grain Trade Dollar were slated to be included in the final Coinage Act as late as January of 1873, one month before the Act was signed into law. The *Globe* indicates that California Senator Eugene Casserly opposed an international silver dollar. Indeed, he stated that "[w]e cannot have an international coinage on the basis of our silver coin unless our silver coin

⁷⁰ Paul M. O'Leary, "The Scene of the Crime of 1873 Revisited: A Note," *Journal of Political Economy* 68, no. 4 (August 1960): 388-392; Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1857-1960* (Princeton: Princeton University Press, 1960), 113-116; Weinstein, *Prelude to Populism*, 1-32.

⁷¹ Weinstein, *Prelude to Populism*, 24-30.

⁷² Editorial, *Sacramento Daily Union*, March 11, 1878.

is up to the standard of all the nations with which we expect to have relations.”⁷³ In his response to Casserly, Ohio Senator John Sherman explained that the Trade Dollar and the International Dollar were to serve two distinct purposes. The 384-grain international coin corresponded with French metrical coinage measurements, whereas, Sherman stressed, the “trade dollar has been adopted mainly for the benefit of the people of California, and others engaged in trade with China.”⁷⁴

Curiously, government records do not provide much insight into the origins of the Trade Dollar or explain why it was important enough to replace the traditional U.S. silver dollar. What is known is that John Jay Knox, Deputy Controller of the Currency, wrote a proposal in April of 1870 that marked the first time Congress contemplated a commercial coin. Knox wrote:

The coinage of the silver dollar piece . . . is discontinued in the proposed bill . . . The present gold dollar piece is made the dollar unit in the proposed bill, and the silver dollar piece is discontinued. If however, such a coin is authorized, it should be issued only as a *commercial dollar*, not as a standard unit of account, and of the exact value of the Mexican dollar,* which is the favorite for circulation in China and Japan and other Oriental countries.⁷⁵

By 1891, nearly twenty years after Knox’s involvement in the Act, he recounted his actions in an interview given to the Committee on Coinage, Weights, and Measures to explain why the Trade Dollar replaced the international silver dollar. Knox stated that, “[t]he Senate substituted a trade dollar weighing 420 grains in place of the dollar of 384 grains, *in accordance with the wishes of the dealers in bullion upon the Pacific coast, that*

⁷³ *Cong Globe*, 42d Cong., 3d sess., p. 672 (Jan. 17, 1873).

⁷⁴ *Ibid.*

⁷⁵ The * is Knox’s reference to: “Assuming the value of gold to be fifteen and one-half times that of silver, the French five-franc piece is worth about ninety-six and one-half cents (96.4784), the standard Mexican dollar \$104.90, our silver dollar piece \$1.03.12, and two of our half-dollar pieces 96 cents.” John Jay Knox, *Mint and Coinage of the United States*, April 25, 1870, 41st Cong. 2nd sess., Mis. Doc. No. 132, 11.

being considered by them as the most advantageous weight for a coin to be used for shipment to China and Japan.”[emphasis added]⁷⁶ Knox elaborated on the involvement of west coast interests in the Act noting that the Trade Dollar’s weight “was fixed by Cashier Ralston of the Bank of California, and Mr. E.B. Elliott and myself proposed to him to substitute a commercial dollar of 25 grammes of *pure silver*, which he declined, and I have the correspondence on this subject.”⁷⁷ Consequently, because Ralston did not want a silver coin of comparable size to France’s five-franc piece, the international silver coin was stricken from the final list of U.S. silver coins by February of 1873.

Part of the confusion that surrounds the Act is due to Knox’s later claim that the idea for a commercial dollar originated with E.B. Elliott, an official in the Treasury Department.⁷⁸ However, Hong Kong Attorney General Julian Pouncefort had telegraphed Ralston on April 6th, 1870, to let Ralston know that:

Regarding the dollar that may be legal tender in Hong Kong besides those of the Hong Kong Mint; Mexican dollar as a standard and any other dollar of no less value or of equivalent value may be authorized by the Governor of Hong Kong as currency in Hong Kong.⁷⁹

Moreover, Elliott did not make his observations about a commercial dollar until June 10, 1870, whereas Knox’s proposal for a commercial dollar appeared before the Committee on Finance April 25, 1870, nineteen days after Ralston’s telegraph.⁸⁰ It is also important

⁷⁶ United States, and John Jay Knox, *Interview of John Jay Knox, President of the National Bank of the Republic, New York: Before the Committee on Coinage, Weights, and Measures of the House of Representatives, Upon the Coinage Act of 1873 and the Silver Question. Saturday, February 21, 1891* (Washington: G.P.O., 1891), 13.

⁷⁷ United States, and John Jay Knox, *Interview of John Jay Knox, 13.*

⁷⁸ *Ibid*, 9.

⁷⁹ Julian Pouncefort to W.C. Ralston, January 6, 1870, Ralston MSS.

⁸⁰ Willem, *The Trade Dollar*, 55; John Jay Knox, *Mint and Coinage of the United States*, 11; In 1917, Porter Garnett claimed that his father, Louis B. Garnett, who managed Ralston’s San Francisco refinery,

to note Pauncefort's emphasis on the Mexican dollar as a standard of value, which averaged 416 grains. The 384-grain silver coin, intended to replace the standard 412 ½-grain dollar, could not succeed in China. Because the 416-grain Mexican dollar commanded a higher premium in China than other forms of silver bullion, Ralston and his conspirators wanted a coin that would effectively compete, and ideally replace, the Mexican dollar.

In 1873 the 412-grain Trade Dollar replaced the standard American silver dollar with few explanations regarding its purpose and without extended congressional discussion. John Sherman would later comment in 1890:

It is sometimes said that they did not know the silver dollar was dropped. Whose fault was that? Anybody who would read the bill would see it. There it was, put in the place of the dollar that was dropped, the trade dollar, in order to favor our Western friends in transporting their silver to China.⁸¹

Sherman, adamant that he was not opposed to the coinage of silver, maintained in the early 1890s that the free market, and not the government, controlled the value of silver, and that “the Senate substituted a trade dollar weighing 420 grains in place of the dollar of 384 grains in accordance with the wishes of the dealers in bullion upon the Pacific coast, that being considered by them as the most advantageous weight for a coin to be

created the idea for the Trade Dollar in Fall of 1872. Yet it is unlikely that Garnett should receive sole credit as the coin's creator based on the earlier evidence that rules him out, though he was perhaps a key influence in proposing that the Trade Dollar should be of finer grain and heavier weight than its Mexican competitor. In Knox's commentary on the 1873 Coinage Act in 1891, he claimed that Ralston determined the Trade Dollar's size and silver content. Immediately following the passage of the Coinage Act, Linderman wrote Ralston, stating that “If it had not been for Mr. Ralston, Garnett, and [Linderman] the coinage bill would never have passed.” However, only Ralston, and not Garnett or Linderman, would financially benefit from the coin's passage. Porter Garnett, “The History of the Trade Dollar,” *The American Economic Review* 7, No. 1 (March 1917), 91; John Jay Knox, *Mint and Coinage of the United States*, 11; H.R. Linderman to W.C. Ralston, March 9, 1873, Ralston MSS.

⁸¹ Sherman, *Recollections*, 11-12.

used for shipment to China and Japan.”⁸² However, at no point in the five years prior to the passage of the Coinage Act did Congress discuss the Trade Dollar, how it would be used, and who it would benefit, least of all “bullion dealers.” More than likely someone influenced Knox to substitute the Trade Dollar in place of the silver dollar in the final version of the Coinage Act voted on by the Senate. Most likely, Ralston was this person.

Ralston’s correspondence indicates that he and Knox were acquainted as early as 1869 when Knox wrote to Ralston:

that which may be done in case the bank does not wish to give up its charter and the bill passes; by being first [Ralston] can not only increase . . . [his] reputation as an able financier but also put money in [his] purse"; would like to have [Ralston's] views and his suggestions on the proposed act; if he wishes to organize under the act if passed, [Mr. Knox] can very likely be of service.⁸³

While not specific enough to implicate Knox’s actions as subterfuge, the correspondence indicates that Knox was agreeable to advancing Ralston’s financial holdings. Moreover, in 1891, Knox recalled his role at the time of the “crime.” Knox claimed that “[m]y report . . . recommended the discontinuance of the coinage of the silver dollar and the coinage of a commercial dollar for circulation in Oriental countries.”⁸⁴ Again, at no point in Knox’s testimony that covered the series of events leading to 1873 did he explain why a commercial dollar for export was necessary.

It appears that Ralston attempted to influence the coinage bill as early as 1868, though it remains unclear when the ever-scheming banker began to formulate his own intentions for a San Francisco “Trade Dollar” that would override Ruggles’ New York

⁸² Sherman, *Recollections*, 11-12.

⁸³ John Jay Knox to W.C. Ralston, November 16, 1869, Ralston, MSS.

⁸⁴ Knox, *Interview of John Jay Knox*, 19.

International coin in the final Coinage Act. Ralston's correspondence indicates his involvement in shipping silver overseas to China and Japan as early as 1865 through his agents employed by the Oriental Bank at London in Hong Kong and Yokohama, Japan.⁸⁵ Furthermore, historian David Lavendar notes that despite Ralston's general popularity among financiers, many San Franciscans regarded Ralston with suspicion due to his close involvement with the San Francisco Mint which conflicted with his role as a banker and investor in mining stock.⁸⁶ In June of 1868, Ralston's agenda appeared in Sherman's 1868 coinage bill in the form of a request that the San Francisco Mint employ private refiners to process both gold and silver bullion, an act that elicited loud protest from other San Francisco refining companies who spoke out against Ralston to the Senate Committee on Coinage.⁸⁷ Ralston, who owned San Francisco's Assaying and Refining Company, understood the numerous technical costs associated in bullion production and sought to reduce these costs by soliciting government assistance. He wanted an exclusive contract to refine all the Mint's bullion, and he requested changes to the Mint bill to relieve bankers of the high costs involved in extracting silver from silver-laced gold bullion in order to smelt coins and bars. Ultimately, these savings would benefit Ralston

⁸⁵ Lees & Waller, New York to William Chapman Ralston, January 30, 1865 and February 1, 1865. Ralston MSS.

⁸⁶ Ralston owned extensive shares in the Ophir mine, which was connected to Nevada's Comstock Lode. David Lavendar, *Nothing Seemed Impossible: William C. Ralston and Early San Francisco* (Palo Alto: American West Publishing Company, 1975) 145-146, 283-285.

⁸⁷ John Jay Houston to W.C. Ralston, Washington D.C., June 25, 1868, Ralston MSS; Donohoe, Kelly and Co., Bankers, et al, San Francisco to the Committee on Coinage, Weights and Measures, January 20, 1869, Ralston MSS.

by limiting refining expenses that would detract from the Trade Dollar's small margin of profit.⁸⁸

By 1869, Ralston had acquainted himself with powerful figures in Washington who could influence the United States' mint and coinage laws. This included H.R. Linderman, a well-connected mint officer, along with Secretary of the Treasury George S. Boutwell and Senators Samuel Hooper, Samuel Axtell, William Darrah "Pig Iron" Kelley, Comptroller of the Currency John Jay Knox, and other members of the Coinage, Weights, and Measures Committee.⁸⁹ Ralston had also established close ties with California Senators Aaron Sargent and Eugene Casserly, who willingly promoted Ralston's interests in Washington.⁹⁰ Ralston's correspondence, which includes a cashed bank note from the Bank of California, indicated that he paid Linderman up to \$8,500 for his assistance in passing the Coinage Act.⁹¹ Furthermore, Ralston adamantly expressed to Linderman his concerns about keeping his intentions under wraps from members of Congress.⁹² Samuel DeCanio believes that Ralston wanted the Trade Dollar created to

⁸⁸ John Willem notes that the Trade Dollar's profitability hinged on the reduction of refining expenses due to the high costs of shipping silver to China, which included freight and insurance. Willem, *Trade Dollar*, 68.

⁸⁹ DeCanio, "Populism, Politics, and the Paranoia of Free Silver," 6; William D. Kelley to William C. Ralston, August 10th, 1869 Ralston MSS; Samuel Axtell to William C. Ralston, February 6th, 1871, Ralston MSS; Charles N. Felton, Office of U.S. Assistant Treasurer, San Francisco, to William C. Ralston, December 13th 1872 and December 19th 1872, Ralston MSS .

⁹⁰ Eugene Casserly to William C. Ralston, July 30^h, 1870, Ralston MSS; Aaron A. Sargent, Committee on Appropriations, to William C. Ralston, January 31st, 1872.

⁹¹ H.R. Linderman to William C. Ralston, March 26, 1871, Ralston MSS.

⁹² *Ibid.*

provide “an international outlet for Ralston’s silver that would exist after the elimination of the domestic market for silver coinage.”⁹³

DeCanio’s assumptions are incorrect. Ralston was first and foremost a banker, and as a banker he viewed silver as a medium of exchange that allowed him to profit from his cut realized from selling silver and silver notes to individuals engaged in trade with China. It is doubtful that Ralston’s primary interest was to obtain an outlet for U.S. silver, despite his mining stock holdings. Prior to 1873 Ralston already had an international outlet for silver, and the U.S. domestic silver market primarily consisted of subsidiary silver coinage and limited manufacturing uses, including silverware. The U.S. had printed greenbacks in preference over the silver dollar since the Civil War. Moreover, Ralston successfully sold silver bars and Mexican dollars on orders from London, and to merchants engaged in trade with China, in order to capitalize on the silver exchange business.⁹⁴ Essentially, the Trade Dollar was nothing more than a small piece of bullion stamped with the words “In God We Trust.”

The coin’s sole advantage to Ralston was due to San Francisco’s location, and not the United States’ demand for a silver market. San Francisco had it all: the lucrative Comstock lode with its seemingly endless silver supply, the U.S. Mint branch established within the city’s boundaries, and the geographical virtue of being closer to China than either London or Mexico. Because Mexico placed an 8 percent tariff on the exportation of its silver dollars, Ralston and other bankers discerned this tariff to be cutting into their

⁹³ DeCanio, *Populism, “Paranoia, and the Politics of Free Silver,”* 12.

⁹⁴ Yoshida, Kiyonari, Special Japanese Commission, San Francisco, May 1st, 1873. To [William C.] Ralston, Ralston MSS; Historian David J. St. Clair notes that statistical data on San Francisco silver exports to China from the 1850s to the early 1880s is still unknown due to inaccurate government records from this period. David J. St. Clair, “San Francisco’s Pacific Exports, 1850-1898,” in *Studies in Pacific History: Economics, Politics, and Migration*, Dennis O. Flynn, Arturo Giráldez, and James Sobredo, eds. (Burlington: Ashgate, 2002), 40-42.

profit margin.⁹⁵ Ideally, the Trade Dollar would eliminate this fee. Moreover, Ralston had strong ties with the Pacific Mail Steamship Company, due to the firm's account with the Bank of California, which enabled Ralston to conveniently ship Trade Dollars to China, helping him save on additional insurance and interest costs. Beginning in 1872, the Pacific Mail began a new federally-subsidized monthly service to San Francisco, Yokohama, Shanghai, and Hong Kong, port cities where Ralston had already established banking relations. Finally, as a banker, Ralston received gold as payment in exchange for Trade Dollars, or other forms of silver.⁹⁶ Thus, he had no incentive to promote a legal silver dollar out of preference for the gold standard. A legalized silver dollar would have required the Bank of California to draw on its gold reserves.

In 1883, *Banker's Magazine* ridiculed the notion that the Trade Dollar would provide the U.S. with an ideal outlet for U.S. mining products:

[For] even if we had accomplished the impossible thing excluding Mexican silver dollars entirely from the Chinese market by substituting the American trade dollars, that would have been no advantage to our silver mining interest. The price of silver would not have been thereby raised. No new use or market would have been found for it, nor would any existing supply of it have been cut off or reduced. The production of silver by Mexican mines would not have been in any degree affected, and nothing could or would have happened except that so far as less Mexican dollars were sent to China, precisely as many more would have been sent to London to be diffused over the world from that central point of silver distribution. The competition as sellers between mines of silver in this country and mines in Mexico would have remained as active as before. The effect of that competition upon the price would have been in no degree affected by the past if it had occurred that we had monopolized the trade of the Chinese by a style of coinage which happened to please some of their special whims and humors. The market for silver is world wide, and its price results from, and is fixed by, forces operating everywhere.⁹⁷

⁹⁵ Willen, *The United States Trade Dollar*, 46.

⁹⁶ Garnett, "History of the Trade Dollar," 91-93.

⁹⁷ "The Trade Dollar," *The Bankers Magazine and Statistical Register*, 18 (July 1883 – June 1884), 170.

Banker's Magazine further scoffed at the idea that the Trade Dollar would ever have been able to monopolize China's silver market due to the coin's heftier 420 grains.

The value of silver per grain is the same whether it is put up in packages of coins of 100 or 500 grains. It is true that we command the Chinese market as against the Mexicans by selling more grains for the same money, but it is hardly conceivable that the contrivers of the Trade Dollar scheme could have intended any such folly as that, and it is certain that the interests of our silver producers would not have been promoted by that policy.⁹⁸

Essentially, Ralston, Garnett, Linderman, and Co., had devised an overweight silver token that under no circumstance had any financial benefit. This failure would be evident when Ralston's Trade Dollar arrived in China.

Ralston's ambitious nature was both a blessing and a curse, enabling him to build a vast financial empire in California that included banking, shipping, mining, railroad, land-grant, and construction interests. At the same time, he had leveraged the Bank of California's assets to the hilt, and the firm teetered dangerously close to failing on a number of occasions.⁹⁹ His former partner, William Sharon, once declared:

If he got into anything there was no end to it. He never beat a retreat until he struck the ocean. In building the Pine Street house it was to cost \$25,000. The first thing I know it was up to \$225,000. In building the Palace Hotel he wanted to get some oak planks for it and he bought a ranch for a very large sum of money and never used a plank from it. When he wanted to make the furniture for the Hotel he bought the Kimball Manufacturing Company. I said to him, "If you are going to buy a factory for a nail, a ranch for a plank, and a manufactory to build furniture, where is this thing going to end?"¹⁰⁰

⁹⁸ Ibid, 171.

⁹⁹ Ira B. Cross, *Financing an Empire: History of Banking in California*, Vol. 1 (Chicago: The S.J. Clarke Publishing Co., 1927), 402-407.

¹⁰⁰ Quoted in Ira B. Cross, *Financing an Empire*, 403.

Much the same could be said about Ralston and his ambitious lobbying for the Trade Dollar, except in this case Ralston needed a federal mint for a coin.

Yet Ralston's bank, in addition to other California banks, faced unique circumstances due to its geographical isolation from the East Coast. The West Coast was known for its preference for hard money due to the affluence of its mines and accustomed habits of its people. Historian Ira Cross notes that "from the days of gold down to 1917-18, travelers and easterners were astonished to find so much gold and so many silver dollars in circulation in California. One of the most common and ready means of identifying a newcomer was his request for paper money."¹⁰¹ At the same time, Californians' aversion to paper money prevented west coast banks from developing into banking corporations.¹⁰² During the early 1870s, Ralston's Bank of California was the premiere bank on the west coast, and the only commercial bank available in San Francisco, with \$2,000,000 in assets on hand.¹⁰³ Accordingly, great faith was placed in the Trade Dollar to help San Francisco realize its potential as a center for international exchange. Following the Civil War, New York had emerged as the United States' banking center while San Francisco remained peripheral on the financial landscape. Indeed, by the 1870s, most of the merchant trade from China entered through New York City.¹⁰⁴

During the late nineteenth century, London, the world's financial capital, operated as the center of the silver exchange market. Vast currents of bullion, Mexican dollars,

¹⁰¹ Ira B. Cross, *Financing an Empire*, 289.

¹⁰² Ibid.

¹⁰³ Ibid, 402-407.

¹⁰⁴ David Pletcher, *The Diplomacy of Involvement: American Economic Expansion across the Pacific, 1784-1900* (Columbia: University of Missouri Press, 2001), 97.

and doré silver flowed to London and then on to India and China to be used in commercial transactions.¹⁰⁵ The advent of instant communication through the telegraph enabled San Francisco to begin to profit from this stream of money, and London began to wire the West Coast its orders for silver to be shipped to the East, including China, India, and Japan.

Despite initial claims that the Trade Dollar was intended for direct shipment to China, London tended to draw significant quantities of both silver bullion and silver coin for shipment to China and India.¹⁰⁶ Beginning in 1873, Trade Dollars were shipped from San Francisco to London bullion houses for reshipment to Singapore and China. Chinese merchants in San Francisco purchased the coins as well, but in smaller quantities.¹⁰⁷ Nevertheless, those who supported the coinage of Trade Dollars deemed it appropriate to send silver to China. The *Philadelphia Inquirer* maintained that a solution had finally been found for the enormous quantity of silver extracted from U.S. mines, for “[t]hese Eastern barbarians prefer silver to gold in coinage, and thereby they serve a useful purpose to the Christian nations, in which gold is preferred, and in some of which no other description of coin is legal tender.”¹⁰⁸

Unfortunately, California and Nevada were ill-equipped to enter the “money mechanics” of the international exchange, a sad fact considering the China market

¹⁰⁵ Doré bullion is unrefined silver bullion mixed with a high percentage of gold. Nevada silver mines typically contained doré, which required a special refining process to separate the gold from the silver.

¹⁰⁶ Editorial, *Sacramento Daily Union*, August 18, 1873.

¹⁰⁷ Editorial, *New York Herald*, August 16, 1873.

¹⁰⁸ Opinion, *Philadelphia Inquirer*, January 1, 1874.

represented the largest portion of the world's silver market.¹⁰⁹ However, because silver was primarily routed through London prior to arriving in China, opportunities for bankers to profit from this silver stream of money mainly existed in the form of transportation costs. While merchants could pay cash for silver purchased in London, a bill of exchange was required in San Francisco to be paid in full to London within 60 days.¹¹⁰ This meant that silver could technically be shipped from San Francisco to Shanghai faster than payment was expected, allowing the owner of the bill of exchange to pocket the savings on interest, freight, and insurance.¹¹¹ However, as this scheme proceeded, San Francisco's price of silver soon rose at par to the London price, which eliminated the initial savings from shortened transportation expenses. Ralston's challenge was to secure direct financial ties between San Francisco and China that could divert silver flows from London and minimize San Francisco's dependency on London's market price.

Yet, a curious aspect about the Trade Dollar's origins was the legislature's failure to discuss a plan for reception in China following the coin's inception at the mint. Members of Congress and mint officials who consulted on coin, including ring-leader H.R. Linderman, do not appear to have had any knowledge as to whether Chinese merchants would want their silver creation. At no point leading up to the Trade Dollar's minting did Congress consult with merchants engaged in the China trade or bankers adept at understanding the world's silver market, with the exception of Ralston.

Ralston had a long-term correspondence with a banker named John Robertson who worked for the Oriental Bank of London's branch in Yokohama, Japan. Robertson's

¹⁰⁹ Willen, *The Trade Dollar*, 67.

¹¹⁰ *Ibid*, 67-68

¹¹¹ *Ibid*.

insight on China and Japan's silver exchange markets helped Ralston implement the Trade Dollar overseas. He advised Ralston that the Trade Dollar would not be received in China unless it was declared a legal form of currency, and that "a few dollars spent officially might result in an official proclamation in that place."¹¹² Robertson played an important role in promoting the coin to bankers both in Japan and in China, and advised Ralston to start in Hong Kong. "Trade Dollars are not accepted in Shanghai and the best I can do is 72 Shanghai taels current for \$100," he told Ralston. "Hong Kong is the point to start first with trade dollars."¹¹³ Thanks in large part to Robertson, Ralston's dollars were introduced in South Asia, China, and Hong Kong following initial shipments of Trade Dollars to Robertson at the Oriental Bank.

It also appears that Ralston turned to George Seward, the U.S. general consul stationed in Shanghai, to accomplish this task. In August of 1873, Seward wrote to Ralston that he "does not have much opportunity to promote the matter in Shanghai but will do all [he] can in that respect, the position should be in the hands of a friend, as otherwise it would do more harm than good."¹¹⁴ Though Seward does not specify what he is agreeing to, Seward's correspondence to both H.R. Linderman and Congress regarding the Trade Dollar provides critical insights on the coin's acceptance overseas.

George Seward, nephew of Secretary of State William Seward, was the first U.S. Consul General to be stationed in China, and he was a long-time proponent of developing Sino-U.S. trade relations. When the U.S. Monetary Commission asked Seward to report

¹¹² John Robertson, Oriental Bank Corporation, Yokohama Japan, to William C. Ralston, September 8, 1873, Ralston MSS.

¹¹³ John Robertson to William C. Ralston, October 21, 1873, Ralston MSS.

¹¹⁴ George Seward to William C. Ralston, August 25, 1873, Ralston MSS.

on the Trade Dollar's success overseas, he provided it with the most detailed and accurate assessment about United States' commercial coin. Seward also conferred with the Tsung Li Yamen, a controlling board for Chinese government foreign affairs comprised of princes and ministers, in order to ensure the Trade Dollar's acceptance as legal tender in China.¹¹⁵ Each port city required a special proclamation to allow bankers, merchants, and government officials to receive the coin as payment for customs, goods, and duties.

From Seward's correspondence it is clear that he possessed an extensive knowledge of China's silver markets and its effects on commerce. He commented that:

When the tea and silk markets opened, it was found that there was not silver enough to meet the demand, more particularly, when silk, owing to a short supply in Europe, ran up greatly in price. In the face, therefore, of cheap silver in Europe it was dear here. Upon a single shipment of the metal from San Francisco, of about £80,000 sterling, one of the banks cleared over 30 percent profit. The rise in exchange did not come soon enough, however, to insure to the benefit of the importers of cotton goods, who had made large sales at the beginning of the year.¹¹⁶

The United States government also relied on Seward to implement a mint in China to coin additional silver. And though a mint was temporarily established, the Chinese government refused to cooperate with Seward and other U.S. officials who wanted China to regulate the exchange rate between silver and gold. Moreover, Chinese officials did not support foreign attempts to interfere with their currency system through the recommendation of changes that challenged existing currency practices. Additionally, by 1878, the Committee on Expenditures in the State Department charged Seward with

¹¹⁵ Jules Davids, ed., *American Diplomatic and Public Papers, the United States and China: Series 2, the United States, China, and Imperial Rivalries, 1861-1893* (Wilmington, Del: Scholarly Resources, 1979), 163.

¹¹⁶ *Ibid*, 219-220.

embezzling government funds and fixing silver exchange rates in China, though these charges were not proven.¹¹⁷

Although early newspaper reports claimed the Trade Dollar was a successful export to China, the U.S. coin was not received all over China.¹¹⁸ While some port cities accepted the coin at face value, most ports undervalued its silver content by declaring it at par with the Mexican dollar. This initial devaluation posed a problem for Ralston and Linderman, who were trying to justify the coin's export. Though existing records indicate Ralston's anxiety to secure the coin's acceptance, it remains unknown how long he would have been willing to export the coin at a devalued rate.¹¹⁹ At the same time, it is plausible that Ralston and Linderman expected a lengthy period to pass before the Trade Dollar could command a market premium comparable to the older Spanish Carulos peso. Even so, the Trade Dollar failed to command a premium high enough to justify its existence. The coin's greater silver content did not produce a competitive advantage over Mexican dollars. Moreover, the Trade Dollar was also competing with 416-grain silver Japanese yen valued at the same rate as Mexican dollar. Historian Endymion Wilkinson notes that Japanese yen were accepted in China from 1871 to 1897, a significantly lengthier period than the Trade Dollar's short-lived status in China between 1873 and

¹¹⁷ *Journal of the House of Representatives of the United States*, 46th Cong. 1st sess., March 18th, 1879 (Washington Government Print Office: 1879), 442-443. During his impeachment hearing it was discovered that his record books had been destroyed, and he was pardoned thanks to the efforts of his cousin, Assistant Secretary of the State Department, Frederick W. Seward, and General James A. Garfield. Nevertheless, his reports on China's currency system were important in reassessing the Trade Dollar's usefulness. Opinion, *New Orleans Daily Picayune*, April 8, 1878.

¹¹⁸ Editorial, *Sacramento Daily Union*, August 18, 1873; Opinion, *San Francisco Bulletin*, October 17, 1873; Opinion, *Philadelphia Inquirer*, December 27, 1873; Opinion, *New York Herald*, January 1, 1874.

¹¹⁹ John Robertson to William C. Ralston, October 21, 1873, Ralston MSS.

1878.¹²⁰ Because the Trade Dollar was heavier, it is plausible that its silver content was worth more to Chinese customers melted down into bullion. Had the Trade Dollar been coined at 416 grains instead of 420 grains it could have had the potential to acquire greater staying power in China.

¹²⁰ Endymion Porter Wilkinson, *Chinese History: A Manual* (Cambridge: Harvard University Asia Center, 2012), 250.

The Trade Dollar and the Fall of Silver, 1876-1896

Had the Trade Dollar never been created, Americans may well have grappled with the “Silver Question” in an entirely different manner. The Trade Dollar symbolized an Asian influence on U.S. monetary affairs by representing a division between “civilized” and “barbaric” nations in terms of how silver was to be exchanged between the two. Gold-standard nations were afforded fixed exchange rates and an increased purchasing power of silver. On the other hand, silver-standard nations were considered economically backwards and overpopulated with cheap unskilled labor. Hence, as silver became profoundly vulnerable on the exchange market, it also became culturally downgraded as a form of money within the United States. Therefore, while the phrase “the Silver Question” was widely used by Americans during the late nineteenth century to determine what, if any, role silver should have in the United States’ monetary system, it had also emerged from American fears about Asia and falling prey to a monometallic silver standard. Correspondingly, the “Chinese Question” had earlier laid the ideological groundwork to support and advance these fears, labeling China as a debased barbaric nation that threatened to overpopulate the U.S. with cheap labor.

The debate to reinstate the original U.S. silver dollar was not solely about the old-fashioned dollar, but about the newfangled Trade Dollar’s ambiguous role within the American monetary system. Since the coin’s inception, the Trade Dollar was considered legal tender within the U.S. for the payment of debts of up to five dollars. In later years, Linderman claimed that the legality assigned to the Trade Dollar was a mistake, however, his claim may have been intentionally misleading, considering that the coin’s legal status

advanced its legitimacy to the world as a commercial experiment.¹²¹ Linderman and his co-conspirators likely claimed ignorance about their wrongdoing because they did not want to fuel conspiracy theories. Nevertheless, this legal-tender feature received national attention when the world silver market nosedived in 1876.

Because Trade Dollars were considered legal tender, they began circulating in the United States when the silver market began to decline in 1876. The *Daily Alta California* complained about “the present glut of silver coin in California.”¹²² The paper noted the main problem was the over-production of Trade Dollars for private interests. The *Daily Alta* opinion piece expressed great frustration with the Trade Dollar’s interference in the local money supply. Because Trade Dollars were originally coined for export, their value was vulnerable to fluctuating market conditions. The intrinsic silver value of the Trade Dollar hovered near \$.98 to \$.85 on the dollar. Furthermore, the article contended that Trade Dollars “interfere with and depreciate the silver coin of the United States, [and that] the coinage of trade dollars in unlimited quantities should be stopped, and the export of silver bars could go on the same as before.”¹²³

A *New York Times* editorial featured Senator Sherman’s remarks on the impending specie resumption bill in light of the flow of Trade Dollars entering the country. Sherman expressed concern that “if the trade dollar should continue as legal tender with silver depreciated the whole country would soon be overwhelmed with that silver, not at par in gold. The question of coinage was an international one.”¹²⁴ Sherman

¹²¹ H.R. Linderman, *Money and Legal Tender* (New York: G.P. Putnam and Sons, 1877), 56.

¹²² Editorial, *Daily Alta California*, February 10, 1876.

¹²³ Opinion, *Daily Alta California*, February 10, 1876.

¹²⁴ Editorial, *New York Times* April 11, 1876.

further noted that “silver coin had depreciated silver to the point that it “arrested the flow of silver into India and China for the first time in 200 years, and it was a settled fact that the silver from all of the mines in the world had steadily flowed into those Asiatic countries.”¹²⁵ By 1876 the gold to silver ratio had fallen from 1:15.5 to 1:20. Within the same year, the government had restored the legal tender of the old silver dollar to appease rising complaints that silver had misleadingly been demonetized, and the Trade Dollar lost its legal tender status.

Historian Irwin Unger notes that silver was traditionally considered “hard money” and did not garner attention from soft money advocates until 1877.¹²⁶ Nevertheless, once silver entered congressional debate as part of the fractional coinage provision of the 1876 Resumption Act, the concept of silver as promoting monetary fallacy emerged politically as the “Silver Question.” Prior to this time, silver was not a source of debate within the U.S. political realm. But because Senator John P. Jones of Nevada, a “silver millionaire,” was a key sponsor of the act, Greenbackers lashed out, accusing Jones of manipulating government policy to line his own pockets.¹²⁷ Moreover, the timing of impending legislation to resume specie payments coupled with inflationary Civil War financing measures and silver’s decline on the international market had created the perfect storm to contest silver’s role as money within the United States.

¹²⁵ Editorial, *New York Times* April 11, 1876.

¹²⁶ Unger, *The Greenback Era*, 329.

¹²⁷ Ibid. To date there is no published biography on Nevada Senator John P. Jones (1829-1912) despite the Senator’s extensive involvement in U.S. policy making and his remarkable acquisition of wealth in the American West. Jones secured his fortune by owning silver mines and land in both Nevada and California. He was also long-time rival of Comstock Kings William C. Ralston and William Sharon. In addition to the “Silver Question,” the Senator was an influential figure in American politics. He played a significant role in Western land development and in determining railway lines in California and Nevada during the Gilded Age and Progressive Era. Michael J. Makley, *The Infamous King of the Comstock: William Sharon and the Gilded Age in the West* (Reno: University of Nevada Press, 2006), 81-83.

Arguably, the Trade Dollar played a greater role in the drive to remonetize silver than historians have previously recognized. Most scholars maintain that Trade Dollars were eliminated due to lack of demand and because of the trouble the coins posed for consumers, bankers, and labor as a result of their domestic circulation. However, the Trade Dollar forced mining interests and government officials to reconcile with the changing conditions of the international silver market.¹²⁸ In December of 1877 the *San Francisco Bulletin* observed that dispatches from Washington indicated a “quiet movement” was about to “substitute the trade dollar for the ‘dollar of the Fathers’ when the proper time arrives.”¹²⁹ The article claimed that if Trade Dollars were adopted as a legal unit of account, their higher silver content would place the silver dollar at a ratio of 17 to 1 with the standard gold dollar unit.¹³⁰ Henri Cernuschi, a prominent French banker and economist, cautioned U.S. Monetary Commission members that the Trade Dollar was not the most desirable form of silver in Asia and that its size would seriously impede efforts to restore bimetallism at a 16 to 1 ratio. Cernuschi explained that

if trade-dollars and silver bullion rule proportionately, it is certain that the trade-dollar is not preferred in Asia to bullion. I would add, that the more you will export of trade-dollars, the less you will export of bullion. For reviving the value of silver, you must not rely on the exportation of the metal, but on the adoption of bimetallism by yourself and by Europe.¹³¹

¹²⁸ In a letter to the editor from New York printed by the New Orleans *Daily Picayune*, a reader with the initials “A.G.” inquired “Can you inform me the actual value of the trade dollar, and why it should be at such a heavy discount in proportion to the ordinary dollar?” To which the editor responded that “The trade dollar is worth more intrinsically than the subsidiary silver coin . . . but the lower quotation is simply in consequence of the use to be made of it.” Opinion, *Daily Picayune*, August 30, 1876.

¹²⁹ Editorial, *San Francisco Bulletin*, December 28, 1877.

¹³⁰ Ibid.

¹³¹ United States Monetary Commission, 508.

Cernuschi, an ardent bimetallist, believed that commercially developed countries would still depend on silver for trade purposes due to the metal's prominence in China and India.

In 1876, Senator Jones laid the ideological groundwork to reinstate silver as an integral component of America's money supply. The first politician to promote the white metal's special properties, Jones was also a former proponent of the gold standard. Yet silver's fall in price on the world market quickly converted the senator to the silver school.¹³² In theory, if the silver dollar became legalized the market price of silver would benefit from a government-issued mint ratio between gold and silver. It also meant the U.S. government would require vast quantities of silver to coin the long-forgotten dollar. In a speech delivered to the United States Senate in April of 1876, Jones insisted that the nation should return to the days of her bimetallic past for the moral benefit of the American people.¹³³

Jones' speech marks the first-known publicity effort not only to politicize silver, but to employ racial tactics that linked silver to China and India. Jones argued that the United States had "practically abolished one of the precious metals, [and this] was a grave wrong; a wrong committed . . . in the interest of a few plutocrats in England and in Germany and as certainly in the interest of the entire pagan and barbarian world."¹³⁴ The senator assigned pagan and barbaric properties to silver due to its use in Eastern

¹³² Leonard Schlup, "Nevada's Doctrinaire Senator: John P. Jones and the Politics of Silver in the Gilded Age" *Nevada Historical Society Quarterly* 36, no. 4 (Winter 1993): 247. Weinstein, *Prelude to Populism*, 53-81.

¹³³ John P. Jones, *Resumption and the Double Standard: The Impossibility of Resuming Specie Payments in the United States without Restoring the Double Standard of Gold and Silver. A speech delivered in the Senate of the United States by John P. Jones, Senator from Nevada* (Washington: 1876).

¹³⁴ *Ibid.*

countries, including China, Japan, and India.¹³⁵ Jones emphasized, in crude and unsophisticated terms, the dangers of sending America's silver product to Asia. He stated:

Observe . . . the effect which the enormous folly of demonetizing silver in certain states of Europe and in the United States has had upon the currency of Asia . . . it will be seen that the currency of Asia has more than doubled since 1848, and probably chiefly since 1862. This currency is estimated to have amounted to \$700,000,000 in 1803, \$900,000,000 in 1848, and \$2,100,000,000 in 1872, chiefly in silver. . . The increase of [Asia's] circulating medium has, therefore, been almost absolute, and it must have had the effect of enhancing the present level of prices in those countries three times more than that of 1803.¹³⁶

In addition to Jones' claim that Asia's money supply had increased because it imported the bulk of the world's silver, he contended that this abundance of silver led to inflation within that region, which raised price levels. Jones professed that the U.S. purchase of Chinese goods would cost more U.S. dollars in terms of gold if China received too much silver, and that this would hurt America's overall purchasing power. Jones also employed racist and discriminatory terms to warn the Senate that demonetizing the silver dollar meant that the United States was advancing the economic prosperity of Chinese and other Asian peoples. At the same time, Americans were being denied access to capital with which to further their own advancement in wealth. Jones explained:

This result is due to the demonetization of silver, and from this cause some \$200,000,000 of silver, which would otherwise hold place in the money of that country, have either been melted up or exported; reduced either to plate or shipped to Asia. In the one case, lost almost irretrievably to civilization, so far as its agency in measuring values and stimulating industry is concerned; in the other, gone to help add to the strength and commercial resources of a semi-barbarous world.¹³⁷

¹³⁵ John P. Jones, *Resumption and the Double Standard*.

¹³⁶ *Ibid.*

¹³⁷ *Ibid.*

Thus, if Americans reinstated the silver dollar as a monetary unit of account, America could limit Asia's use of its resources and hold an advantage over that region. And while Jones' wild claims lacked adequate supporting evidence, his ideas were powerful enough to spark a debate about silver's role within the United State.¹³⁸ From both a cultural and economic standpoint, Jones' speech appears to signify a shift regarding how Americans perceived silver's relationship to gold. Prior to 1876, silver was benignly viewed as a subsidiary monetary metal.¹³⁹ Other countries that employed silver included China, India, Japan, South America, Russia, and a variety of European countries, most notably France, Spain, and the Netherlands. However, after 1876 and the introduction of "The Silver Question," silver began to be viewed as an Asian metal with the "Asiatic dollar" posing a challenge for the legislature.¹⁴⁰

Jones mobilized congressional support for silver by chairing and organizing the U.S. Monetary Commission of 1876. The Commission was tasked with assessing the employment of bimetallism by taking into consideration "India and China, which contain . . . more than one half of the total population of the globe."¹⁴¹ The final report determined that:

There may be merchants, wedded to an accustomed routine, who believe that it is only through the circuitous and clumsy expedient of a bill of exchange on London that America can pay silver in China. But this will not be credited by the active men of the present generation who can better realize that we have now a great and opulent city on the Pacific, within thirty days' steaming of Japan and China, which is the gateway of our

¹³⁸ Schlup, "Nevada's Doctrinaire Senator," 246-262; Weinstein, *Prelude to Populism*, 53-81; Unger, *Greenback Era*, 335-336.

¹³⁹ Neil Carothers, *Fractional Money*, 122-137.

¹⁴⁰ Opinion, *San Francisco Bulletin*, February 24, 1875.

¹⁴¹ United States Monetary Commission, 5.

silver mines, and which would hold their products always in large stock if silver were remonetized. London, at any rate realizes it, and it is stated in a recent number of the Economist, of that city, that “London merchants now pay for their tea and spices by telegraphing to San Francisco orders for the shipment of American silver.” And if it is not true to-day, the time is not distant when it will be true, that to whatever extent commercial and bankers’ acceptances are used by us in the East in lieu of coin, they can be obtained in San Francisco more advantageously than in London. Some of the greatest banking houses in Europe, including the Messrs. Rothschild, are already represented by agencies in San Francisco.¹⁴²

It appears that the Commission was strategically arguing for the removal of the Trade Dollar and the reinstatement of the silver dollar.

Furthermore, the Commission’s report addressed claims that Trade Dollars would grant the United States access to the long-desired China trade. The Commission interviewed New York merchant and President of the New York Chamber of Commerce, F.F. Low. Low’s testimony illuminated the many misunderstandings that surrounded both silver and the Trade Dollar. Low informed members of the commission that silver would not provide the U.S. with any advantage in China due to London’s significance as the world’s center of exchange. He comments:

Some time since Mr. Ruggles put in my hands a letter addressed to General Dix (from T.W) upon the subject of the trade with China, claiming to show that trade with China would be “secured” by the use of silver—meaning, by the use of silver, as I understood the article, the making of silver a standard of value in our country. I did not suppose that silver under any circumstances could be more useful than it is now, in the prosecution of our trade with China. It goes there to pay for what we buy; but it is not the merchant who sends the silver so much as it is the banker. The shipment of silver for the purchase of exchange is a banking operation rather than a commercial transaction.¹⁴³

¹⁴² United States Monetary Commission, 116.

¹⁴³ Ibid, 144-145.

Low insisted that U.S. merchants who engaged in trade with China did not rely on silver coins due to their bulk and inconvenience. Moreover, merchants paid for their silver bank notes in gold. He notes:

we send a letter of credit for this reason; that bills are drawn on the London banker at six months' sight; the goods bought with the proceeds come here and are sold, and converted into gold, which is used to cover the bills drawn. If we should buy silver or gold and pay for it in currency, and send it to China for investment, we would not know, at the end of the a year, or when the goods might be expected, whether gold would be at a premium of 5, 10, or 15 percent.¹⁴⁴

Low was also opposed to remonetizing the Trade Dollar for domestic use due to London's preference for payments in gold. But he did not rule out the potential for New York to replace London as the center of exchange "if silver was of sufficient abundance in this country."¹⁴⁵

The Monetary Commission critically evaluated insights provided by Low and other U.S. merchants to determine silver's role in the China trade, and the commission's report contributed to the Trade Dollar's demise. The commission determined that the Trade Dollar was being devalued in China due to the coin being placed on par with the smaller Mexican dollar, which resulted in a loss on the coin's intrinsic silver content. In addition, because the Trade Dollar was not money, it could not earn interest by being stored in bank vaults, which prevented a sufficient quantity from being kept on hand to meet the silver market's ebbs and flows. The commission decided:

It would seem from this that there is now no certainty of an ability in San Francisco to fill at once an order for even a sum comparatively so small as half a million of dollars. If dollars are useful at all in our Asiatic trade there, there should be a capacity there to fill any day an order for ten times that amount. Such a capacity would exist if dollars were money and therefore

¹⁴⁴ United States Monetary Commission, 145.

¹⁴⁵ Ibid, 152.

formed a part of the resources of banks and bankers. Undoubtedly, also the Government could create such a capacity by a general rule of keeping on hand at the San Francisco mint five millions of trade dollars . . . The advantage to commerce may justify the expenditure, but it will be rendered unnecessary by the restoration of the old legal tender dollar.¹⁴⁶

In consequence, U.S. Mints stopped coining Trade Dollars in 1878.¹⁴⁷ However, as historian Allen Weinstein has noted, mining interests, including the Comstock's Bonanza Kings (John W. Mackay, James G. Fair, James C. Flood, and William S. O'Brien) who also comprised a controlling interest in the Bank of Nevada, preferred to export Trade Dollars rather than remonetize the silver dollar.¹⁴⁸ Aside from Senator John P. Jones, the Comstock Kings represented the only likely group to directly benefit from legislation favoring silver values.¹⁴⁹ Yet the Bank of Nevada's hesitation to sell silver to the

¹⁴⁶ United States Monetary Commission, 202.

¹⁴⁷ Did the Trade Dollar utilize enough of the United States native silver stock to be profitable? According to David J. St. Clair, Trade Dollars "consumed about 23 percent of the silver mined at the Comstock Lode." David J. St. Clair, "American Trade Dollars in Nineteenth Century China," in *Pacific Centuries: Pacific and Pacific Rim History Since the 16th Century*, Dennis O. Flynn, Lionel Frost, and A.J.H. Latham, eds. (New York: Routledge, 1999), 152.

¹⁴⁸ At the end of 1877, Secretary of the Treasury John Sherman ordered the coinage of Trade Dollars to be stopped immediately at all U.S. Mints, which included Philadelphia, Carson, and San Francisco. Pacific coast banks requested Sherman's orders to be rescinded, and Trade Dollars were coined a final time at the beginning of 1878. However, it is interesting to note Sherman's emphasis that Trade Dollars were only to be coined to meet existing demand when his real intent was to end the coin's existence. Sherman claimed the coin was an "embarrassment," to which H.R. Linderman maintained that "in exchanging a trade-dollar for a dollar in United States currency, the gold value of which is 97 33/100 cents, depositors realize a gain of something over 1 ½ per cent. Should Congress hereafter authorize the coinage of a silver dollar for circulation, the government will no doubt promptly furnish all that may be required." But Trade Dollars were not legal tender and banks would not accept them, even at a discount. What is more plausible, is that Sherman no longer believed that American silver should be coined and exported at government expense in order to support bullion dealers and burden the public with Chinese money. *Letter from the Secretary of the Treasury communicating, an answer to a Senate resolution of May 10, 1878, information in relation to the suspension of the receipt of deposits at the several mints for coinage into trade-dollars in October, 1877*, 45th Cong., 2d. sess., 1878, S. Doc. 80.

¹⁴⁹ Historian Allen Weinstein observed that the so-called "Bonanza Kings" were not ardent promoters of the silver dollar and seldom instigated sales to the U.S. Treasury, rather, "the government knocked regularly at the Nevada Bank's doors with silver purchase proposals." Allen Weinstein, "The Bonanza King Myth: Western Mine Owners and the Remonetization of Silver," *The Business History Review* 42, no. 2 (Summer 1968): 195-203.

government in order to comply with the terms of the 1878 Allison-Bland Act correlates with the bank's preference to send Trade Dollars to China. Trade Dollars provided an outlet for free and unlimited coinage on the world market with the potential to command a premium once the coins became widely valued among the various Chinese trading ports. Unfortunately, the traditional silver dollar of only 412.5 grains, which became known as the "Morgan Dollar" after 1878, could not be exported because its intrinsic silver content was lower than the coin's nominal value. This meant that silver exports were once again confined to the less profitable form of silver bars, and San Francisco continued to export silver Mexican Dollars.¹⁵⁰

Thus, in 1879, John Sherman, as United States Secretary of the Treasury faced a dilemma: was the United States' monetary policy effective enough to manage both national and international demands? Concurrently, why was the Trade Dollar at odds with both? Sherman alone had the power to continue or discontinue the coinage of Trade Dollars.¹⁵¹ By 1879, \$35,959,000 Trade Dollars had been coined, with an estimated 5 to 6 million returning to the United States through New York City, and to a certain extent California, between 1876 and 1885.¹⁵² The circulation of the coins proved problematic for citizens who received them as payment for wages. Furthermore, Trade Dollars were difficult to exchange at banks, and shops and grocers disliked accepting them for

¹⁵⁰ Ironically, because most of the new silver dollars coined between 1878 and 1904 were stored in U.S. Treasury vaults and not used for domestic circulation, the coins were melted down into bullion for export to India in accordance with the terms of the 1918 Pittman Act. Due to negotiations by the British government on behalf of India, the Act was passed in order to provide India with an adequate supply of domestic silver coinage following World War I. Dickson Hammond Leavens, *Silver Money* (Bloomington: Principia Press, Inc., 1939), 145.

¹⁵¹ *Letter from the Secretary of the Treasury communicating, an answer to a Senate resolution of May 10, 1878.*

¹⁵² *Silver Coinage. Notes of Conference Between the Committee on Coinage, Weights, and Measures and the Secretary of the Treasury and the Director of the Mint, Cong. Rec., 45th Cong., 2d. sess., 1878, Mis. Doc. 37, 5; Willem, Trade Dollar, 103-115.*

payment in exchange for goods and services. In a meeting held in 1879 that included the Committee on Coinage, Weights, and Measures of the House of Representatives, the Secretary of the Treasury, and the Director of the Mint, the question was raised as to whether Trade Dollars should be legal tender and replace the silver dollar as a monetary unit of account. Aside from the evidence produced by the U.S. Monetary Commission that indicated the Trade Dollars were too large to restore silver to a 16 to 1 ratio with gold, Sherman objected to remonetizing Trade Dollars on the grounds that the Chinese would benefit disproportionately, for:

it would be a discrimination against our own miners in the price of silver bullion and in favor of the holder of these dollars in China. . . .if we should now make it exchangeable for the standard silver dollar, and equal the gold dollar, it would be worth for that purpose 14 to 15 cents more than it is worth as bullion, and the owners of this bullion in China . . . would get the benefit of that difference.¹⁵³

Sherman also maintained that it would impair the public credit and force the United States to a monometallic silver standard by permitting the free and unlimited coinage of silver to the detriment of U.S. gold supplies.¹⁵⁴

Sherman's efforts to prevent a monometallic silver standard are consistent with U.S. efforts to uphold the gold standard despite requirements imposed by the 1878 Bland-Allison Act and 1890 Sherman Silver Purchase Act. While these Acts mandated the U.S. government to purchase large quantities of silver on government account to mint silver dollars, scholars generally concede that government silver purchases primarily functioned

¹⁵³ *Silver Coinage*. 5-6.

¹⁵⁴ *Ibid*, 5-18; Opinion, *New York Times*, May 9, 1879.

to appease silver interests.¹⁵⁵ The Bland-Allison Act, named after Missouri Senator Richard P. Bland and Iowa Senator William Allison, required the U.S. government to purchase 2 to 4 million ounces of silver per month. The government would pay the market (London) price for the silver, which it then coined into standard silver dollars. Succeeding the Bland Act was the 1890 Sherman Silver Purchase Act that expanded the quantity of silver purchased by the government to 4.5 million ounces per month. However, the passage of the purchase act was only possible due to a compromise by Western mining interests and Southern farming interests whose support was necessary for Republicans to secure the passage of the 1890 McKinley Tariff. The tariff set import duties to 49.5 percent at a time when over 65 percent of government revenue derived from tariff duties.¹⁵⁶ Government finances were strained by a decline in import revenue and Washington's commitment to purchase silver. According to Richard Bense, the Sherman Silver Purchase Act was dismantled because it helped precipitate an immense quantity of gold leaving the country that nearly depleted the nation's gold reserves.¹⁵⁷

Yet aside from the power struggle kindled by national politics, both the Bland Allison Act and Sherman Silver Purchase Act were drafted within the framework of a larger world order that relied on silver as an international form of currency. Congressional efforts to understand silver's role as both a commodity and a form of money recognized that the most populated countries in the world, China and India, depended on silver for trade purposes, and that their populations, when combined, largely

¹⁵⁵ Weinstein, *Prelude to Populism*, 305; Timothy J. Botti, *Envy of the World: A History of the U.S. Economy and Big Business* (New York: Algora Publishing, 2006), 120; Richard Bense, *The Political Economy of American Industrialization, 1877-1900* (Cambridge: Cambridge University Press, 2001), 300-301.

¹⁵⁶ Botti, *Envy of the World*, 120.

¹⁵⁷ Bense, *Political Economy of American Industrialization*, 301.

superseded those of all gold standard nations. In 1878, Massachusetts congressman Benjamin Butler urged remonetizing silver to his colleagues. Butler wanted to foster trade relations based on the United States' proximity to China and India. Butler explained:

Being the greatest silver-producing country of the world now, I think it is unstatesman-like and unwise, nay, ruinous to the commercial prosperity of this country, that we, a silver-producing nation, lying nearer on the great Pacific, in fact, than any other commercial nation, to the nations of Asia, where four hundred out of the six hundred million on earth who are known to use stamped money use silver only, should not take advantage of the good gift that God has sent us in our silver mines, to utilize in the best possible way His good providence, drawing closer the bond of commerce between them and us, until the teas and silks of China, the hemp and spices of India, the beautiful products of Japan shall come to the world through the ports of the Pacific coast and be distributed by our merchants, leaving the rich guerdon of its freights in transportation to our steamships and railroads, and the commissions for the handling of this vast traffic as profits to our merchants; so that San Francisco, although on the far western water, because its nearer connection to the east, shall more than rival New York on the eastern side of the continent.¹⁵⁸

Butler's argument demonstrates in part why the United States' silver supply had value for government officials beyond its benefitting silver-mining states and southern farming interests.

Even so, during debates that led to the 1878 Bland-Allison Act, New York Republican Representative Jeremiah W. Dwight countered claims that silver represented an international form of currency despite the majority of the world's population employing that metal. Employing racist rhetoric, he emphatically contended that:

It has been part of the "cunning tactics" of the supporters of this bill to assert with no small parade of rhetoric that silver is the currency of the world and only a small minority of the earth's population hold the gold standard. It is equally true that a very large majority of the world's population is still either in a semi-civilized or barbarous state. Among

¹⁵⁸ *Congressional Record: Containing the Proceedings and Debates of the 45th Cong., Tuesday, February 26th, 1878*, Cong. Rec., 45th Cong., 2d. sess., 1878, (Washington: Government Printing Office, 1878), 1354.

those peoples silver may be the standard, but if you quote them on this point as authority why not take them on others? Why should we use knives and forks, we, an insignificant forty million of Americans, when China's four hundred million use chop-sticks? . . . How dare we wear a full head of hair when our antipodes have a silver standard and a pig-tail? If Britain's little isle chooses to eat beef, let us discard the gold-loving minority and confine ourselves to a silver standard and rats and rice for breakfast because China does.¹⁵⁹

Dwight's views were also consistent with arguments against remonetizing silver and government silver purchases that ultimately culminated in the Sherman Silver Purchase Act. Therefore, U.S. efforts to stabilize silver prices through silver purchases can also be interpreted as a struggle to secure silver's acceptance as a monetary metal due to racial beliefs about Asia's dominance as a silver consumer. Essentially, Republican efforts to preserve the gold standard exhibited fears about silver's role within not just the national economy, but within a global economy populated by countries that traded and operated on a silver standard.¹⁶⁰

¹⁵⁹ *Congressional Record: Containing the Proceedings and Debates of the 45th Cong.*, 1253.

¹⁶⁰ In 1894, Senator Edward O. Wolcott of Colorado requested President Cleveland to enter treaty negotiations with Mexico to permit U.S. Mints to coin Mexican dollars. Wolcott's efforts were unsuccessful largely in part because Mexico opposed the idea. Editorial, *New York Times*, April 7, 1894; Editorial, *Baltimore Sun*, April 10, 1894. Opinion, *London Times*, April 14, 1894.

Silver and the “Chinese Question”

“[T]he insatiate devotion of the white man to the yellow money would lead to the transfer of the industrial supremacy of the world to the yellow man with the white money.”—W.T. Stead, 1894.¹⁶¹

As the “Silver Question” gained political traction as a cause to help the farmer, the miner, and the generally financially downtrodden, these respective groups supported a push to legalize silver at a 16:1 parity with gold. However, the proponents of such a course were not merely seeking to reduce their debts through inflation, but also to protect themselves from competition with low-cost Chinese labor in the American West and across the Pacific. Contemporary literature and news articles that appraised the Silver Question during the 1890s advanced similar arguments used by anti-Chinese protestors during the 1870s and 1880s to limit the threat of cheap Asian labor. Thus, while the Chinese Question signified the domestic racial and economic-based tensions between Chinese immigrants and white laborers, the Silver Question reflected the fears of white labor—and economists, politicians, and farmers—on a more global scale: that the United States as a gold-standard nation could not effectively compete with producers from silver-standard countries. Accordingly, if silver was legally fixed at 16:1, it would be less vulnerable to fluctuation on the world market, and silver-standard nations would not be able to underprice American producers with low-cost exports.

Surprisingly, scholars have not yet examined this potentially racial aspect of the Silver Question.¹⁶² Though historian Thomas J. McCormick’s thesis, that American

¹⁶¹ W. T. Stead, *The Splendid Paupers: A Tale of the Coming Plutocracy* (London: Review of Review, 1894), 31.

¹⁶² A survey of the key works that evaluate the labor aspect of the Chinese Question and subsequent Chinese Exclusion Era do not incorporate in their discussions the silver controversy that appeared near the end of the nineteenth century. Likely because the list of works mentioned below primarily address the national political motivations to exclude the immigration of Chinese laborers, little attention has been paid

policymakers struggling to alleviate the dismal economy of the 1890s looked to China as the ideal market to absorb the overproduction of U.S. goods, comes close.¹⁶³ In his critique of the money controversy, McCormick observes that American bimetallicists believed that a bimetallic gold and silver standard would provide a unique trade advantage. That by opening up sorely needed access to Asian markets where the silver standard reigned supreme, the U.S. economy could escape the slump overproduction had caused.¹⁶⁴ However, McCormick contends, the 1893 Panic only reinforced gold-standard defenders' insistence that gold, and not silver, would stabilize the U.S. dollar, and that a stable dollar was vital for stimulating trade and financial growth.¹⁶⁵ While McCormick's work primarily addresses the "glut thesis," a popular economic theory at the time that claimed an overproduction of goods created economic depressions, he correctly observes that Americans were divided over bimetallicism due to Chinese influences.

Nevertheless, the "Silver Question" came into American consciousness during the protracted Chinese Exclusion Era (1882-1946). One curious individual who stressed

to how anti-Chinese attitudes either transferred, or related, to other pressing economic questions of the day. The works I have consulted include: Mary Roberts Coolidge, *Chinese Immigration* (New York: Henry Holt and Company, 1909); Rosanne Currarino, *The Labor Question in America: Economic Democracy in the Gilded Age* (Urbana: University of Illinois, 2011); Andrew Gyory, *Closing the Gate: Race, Politics, and the Chinese Exclusion Act* (Chapel Hill: University of North Carolina Press, 1998); Shirley Hune, "Politics of Chinese Exclusion: Legislative-Executive Conflict 1876-1882," *Amerasia* 9, no. 1 (1982); Gwendolyn Mink, *Old Labor and New Immigrants in American Political Development: Union, Party, and State, 1875-1920* (Ithaca: Cornell University Press, 1986); Stuart Creighton Miller, *The Unwelcome Immigrant: The American Image of the Chinese, 1785-1882* (Berkeley: University of California Press, 1969); David R. Roediger, *The Wages of Whiteness: Race and the Making of the American Working Class* (London: Verso, 1991); Elmer Clarence Sandmeyer, *Anti-Chinese Movement in California* (Urbana: University of Illinois Press, 1939); Alexander Saxton, *The Invisible Enemy: Labor and the Anti-Chinese Movement in California* (Berkeley: University of California Press, 1975).

¹⁶³ McCormick argues that during Cleveland and McKinley's administrations, American efforts to gain influence within the Pacific reflected thoughtful deliberation and planning to develop foreign trade markets as opposed to more obvious motives, including war or public opinion. Thomas J. McCormick, *China Market: America's Quest for Informal Empire, 1893-1901* (Chicago: Ivan R. Dee, Inc., 1967), 8-10, 17-19.

¹⁶⁴ *Ibid.*, 31.

¹⁶⁵ *Ibid.*, 29-34.

silver's divisive effects between the Eastern and Western hemisphere in terms of labor and world trade development was the amateur British economist Moreton Frewen. Frewen, a figure generally unknown among historians, successfully promoted his silver views to both government officials and the American public during the 1880s and 1890s. Frewen believed that the Anglo world could not remain competitive with Asian countries that operated on a silver standard. In 1894, Frewen's query, "how the white man with the yellow money is to meet the competition of the yellow man with the white money," was popularly disseminated throughout Great Britain and featured at times in Congressional discussion in the U.S.¹⁶⁶ Frewen's views appear to have been widely accepted in the United States at the turn of the century.

Moreton Frewen was married to Clara Jerome, daughter of Wall Street financier Leonard Jerome and the elder sister of Lady Randolph Churchill, and was socially well connected in both Great Britain and the United States. During the 1880s, Frewen promoted western mining interests and even owned a large cattle-ranch in Wyoming. He spent the bulk of his time working to accomplish two goals: getting rich quick and promoting bimetallism to the English-speaking population, which included England, the United States, Australia, and New Zealand.¹⁶⁷ While his unsound financial speculation

¹⁶⁶ *Engineering Magazine: An Industrial Review* 23, no. 3 (1897): 828. In 1895, Senator Teller of Colorado presented Frewen's views to Congress, that "the thoughtless demonetization of silver has brought about a one sided contest for industrial supremacy between the 'yellow man with the white money' and the white man with the yellow money . . . for it is a contest in which the white man is destined to be hopelessly defeated so long as our legislators see fit to provide their armies of skilled laborers with a weapon—gold—possessing only a quarter of the power of the same implement when used by the Asiatic. *The Eastern Bimetallic League-Gold Monometallism; the upas tree of Great Britain; Further notes illustrative of the blighting effect on British Industries; With a Hypothetical Example of the Cost of Monometallism*. 54th Cong., 1st sess., 1895. S. Doc. 29. Teller's characterization of the exchange problem would appear in later congressional discussion during the twentieth century. *Hearings and Arguments before the Committee on Banking and Currency of the House of Representatives on Proposed Currency Legislation*, 60th Cong. 1907-8 (Washington: Government Print Office, 1908), 177.

¹⁶⁷ Moreton Frewen Papers, Box 10-11, 1893 to 1896, Library of Congress.

prevented Frewen from being taken seriously as an investor, his ideas about silver and Asia were widely promulgated through newspapers, trade journals, congressional debates, and by politicians who supported the silver movement.¹⁶⁸ Frewen's correspondence indicates that he was connected to Senator John P. Jones of Nevada, Senator Hiram Lodge of Ohio, Senator Richard P. Bland of Kentucky, Senator Anthony Higgins of Delaware, Senator James K. Jones of Arkansas, Senator Edward O. Wolcott of Colorado, and even William Jennings Bryan. In turn, these men, who worked to promote silver interests in the legislature, at times used Frewen's arguments to bolster claims that bimetallism held greater benefits than the gold standard. Senator Henry M. Teller of Colorado cited Frewen's views in trying to demonstrate the hypothetical cost of gold or monometallism. According to Teller,

the silver question is less an economic than a race question. It is to be regretted that the wage-earning classes of Great Britain, Europe, and the United States do not appreciate this view of the subject, as the thoughtless demonetization of silver has brought about a one sided contest for industrial supremacy between the "yellow man with the white money" and the white man with the yellow money . . . for it is a contest in which the white man is destined to be hopelessly defeated so long as our legislators see fit to provide their armies of skilled laborers with a weapon—gold—possessing only a quarter of the power of the same implement when used by the Asiatic . . . seeing that in the West a gold dollar or 5s. piece will only employ one skilled artisan for a day, whereas in the East it will provide four and five men.¹⁶⁹

¹⁶⁸ H. Kopsch, "The Currency Question in China and Japan" *The Bimetallist* 2 (1896): 68-69; William Edgar Geil, *A Yankee on the Yangtze; being a narrative of a journey from Shanghai through the central kingdom to Burma* (New York: A.C. Armstrong and Son, 1904), xiv; James F.A. Hudson, *A Silver Symposium: Being an Analysis of the Money Issue; containing Vital Facts on Free coinage with Unanswerable Questions affecting this campaign* (Pittsburg: The Dispatch Publishing Company, 1896), 78; American Mining Congress, *Report of Proceedings of the American Mining Congress, Twelfth Annual Session, Goldfield, Nev., Sept.27-Oct.2,1909* (Denver: American Mining Congress, 1909), 179. W.J. Weston, *Banking and Currency* (London: University Tutorial Press, Ltd., 1922), 69; *San Francisco Call*, 1896; *Sunday School Journal and Bible Students Magazine*, January 1905; *Financial Review of Reviews*, 1909; *North American Review*, 1909; *New York Financier*, June 15, 1919; *Pacific Marine Review*, 1919.

¹⁶⁹ 54th Cong. 1st. Sess., *The Eastern Bimetallic League-Gold Monometallism*, 289.

Frewen's main argument held that white labor could not effectively compete with Asian labor as long as silver lacked a fixed parity to gold on the international market.¹⁷⁰

Countries that operated on a silver standard, which included China and India, paid their workers in wages far below that of white workers. In consequence, because gold held greater purchasing power than silver, Asian nations were able to out-compete gold standard nations, particular in the exportation of cotton and wheat crops. Finally, Frewen believed that the greater the disparity between silver and gold, the greater the advantage Asia held over Europe and the United States.

Frewen's beliefs merit attention because his ideas about silver did not occur in a vacuum, but surfaced as a response to diverging currency values which had clinched China and India's status as global suppliers of cheap labor. Because industrialized gold-standard nations functioned on gold prices, they would inevitably be crushed by competition from Asia's labor pool that could effectively underbid workers in Europe and the United States. During the nineteenth century, Asia was perceived as a region that exported agricultural goods with a labor force that had great potential to work within other industrial sectors within the global economy. The driving force behind this potential was the vast size of China and India's populations. Thus, the American Populist movement, when viewed as a rebellious response to international competition from silver-standard nations, reflects Populist fears that they could not produce wheat and cotton as cheaply as Asia.

¹⁷⁰ Moreton Frewen, *Silver of the Fifty-Third Congress* (London: Effingham, Weldon, and Co., Royal Exchange, 1893), 1-24.

The Populist Movement

Frewen's views are strikingly similar to those of the Populists, sharing a common concern about the rising disparity in the exchange rate between silver and gold.

However, scholars who focus on the American Populist movement have not fully recognized how broader global themes factored into Populist agitation. Historians who have examined Populism have primarily concentrated on the intellectual, political, and social factors that emerged from the post-Civil War context to forge the last great third-party movement in American history. From an economic standpoint, scholars traditionally attribute the creation of northeastern national banking institutions that controlled the nation's credit and distributed an excess of government-issued greenbacks for raising widespread concerns regarding America's financial development.¹⁷¹

Consequently, efforts to contain inflation and rein in corporate power politically divided financial conservatives and anti-monopolists. By 1896, political debate culminated in a final showdown between silver and gold, debtors versus creditors, and financial capitalists and an agrarian class forced to come to terms with a modern capitalistic order that failed to protect the role of farmers within the corporate economy.¹⁷²

Populists are often characterized in the historical literature as a debtor agrarian class struggling to reconcile to the nation's industrial change and economic disparity.

Historian James Turner has argued, however, that this struggle was not merely a battle between the "haves and have nots." Instead, Turner maintains, "Populism resulted

¹⁷¹ Lawrence Goodwyn, *Democratic Promise: The Populist Movement in America* (New York: Oxford University Press, 1976), x; Charles Postel, *The Populist Vision* (New York: Oxford University Press, 2007), 4-14; Gretchen Ritter, *Goldbugs and Greenbacks: The Antimonopoly Tradition and the Politics of American Finance in America, 1865-1896* (New York: Press Syndicate of the University of Cambridge, 1997), 3-7.

¹⁷² Postel, *Populist Vision*, 5.

specifically from the ‘ending of the frontier’—not in [Frederick Jackson] Turner’s sense of the drying up of free land, but in a wider sense of the curtailment of social isolation.”¹⁷³ Anne Mayhew concurs, finding that the historical evidence does not support contemporary views that Populist economic circumstances were as dire as they claimed them to be. Instead, Mayhew views the Populist movement as “a response to commercialization,” that is, farmers feared rising prices and the rising operating costs within a sophisticated commercial system that placed farmers in direct competition with national markets.¹⁷⁴ These interpretations of Populist anxieties reflect scholars’ efforts to determine “just what exactly were Populists reacting to?”

Historians have primarily trained their focus on Populist agitation as occurring exclusively within a national sphere and have largely ignored global conditions. In suggesting that U.S. historians explore insurgent movements within an international context, Jay Sexton notes that nineteenth-century Populists “are all too often viewed in isolation.”¹⁷⁵ A critical exception to this trend, political scientist Jeffrey Frieden, has argued that gold politics was as much about the impact of the exchange rate on relative prices as it was about inflation.¹⁷⁶ Frieden, in considering what a devalued dollar meant for U.S. exporters, argues that Populists viewed a “depreciated silver standard” as an opportunity to elevate the prices of key Populist exports, including wheat, cotton, and

¹⁷³ James Turner, “Understanding the Populists,” *Journal of American History* 67 (September 1980), 354-373.

¹⁷⁴ Anne Mayhew, “A Reappraisal of the Cause of Farm Protest in the United States, 1870-1900,” *The Journal of Economic History* 32, no. 2 (June 1972): 464-457.

¹⁷⁵ Jay Sexton, “Historiographical Reviews: The Global View of the United States,” *The Historical Journal* 48, no. 1 (2005), 268.

¹⁷⁶ Jeffrey A. Frieden, “Monetary Populism in Nineteenth Century America: An Open Economy Interpretation,” *Journal of Economic History* 57, no. 2 (June 1997): 390-391.

minerals that received little protection from foreign competition in the form of tariffs.¹⁷⁷

Frieden emphasizes that monetary populism in nineteenth-century America occurred in an open economy, and not a closed economy, as scholars have traditionally understood the movement.¹⁷⁸ He finds that “[i]n an open economy support for an expansionary monetary policy often comes from those who would benefit from a depreciation of the exchange rate—not simply from those who would be served by an inflating away of their nominally denominated debts.”¹⁷⁹

However, Frieden’s thesis that Populists looked to silver as the mechanism to raise the price of their exports does not consider how U.S. relations with China factored into the “Silver Question” and monetary populism. Historians Mark Summers and John Hicks have observed that silver was the only plank in the Populist platform that nationally rallied voters. Moreover, Populists understood at a sophisticated level that China and India threatened their agricultural exports, which included wheat and cotton, since these nations could export their goods at a significantly lower rate on the world market. And while it is important to recognize that further research is necessary to determine what, if any, was the actual quantitative fiscal impact that silver’s devaluation held for American exporters, Populist fears of crop devaluation is more consistent when viewed in relation to these conditions.

By the same token, despite the United States’ efforts to protect its manufacturing concerns with tariffs, such levies did not protect agricultural production.¹⁸⁰ According to

¹⁷⁷ Jeffrey A. Frieden, “Monetary Populism,” 369.

¹⁷⁸ *Ibid.*, 390.

¹⁷⁹ *Ibid.*, 391-397.

¹⁸⁰ Peter Gourevitch paints an industrialist versus farmer critique in his examination of the American

the *Omaha World Herald*, William Jennings Bryan, the poster boy for the silver movement, reportedly proclaimed that

the United States cannot maintain such a balance of trade as will keep gold at home, if all the export trades of silver-using Asia are to be subsidized by the present low rates of exchanges . . . Therefore the United States should adopt free coinage in order to raise the rates of exchange between India and Europe, between China and Europe, between Japan and the Malay peninsula and Europe. Such was and such is today the silver issue. The low gold price of silver; or to employ the more scientific terminology, the present low rate of European exchange with silver-using countries, is subsidizing the exports of silver-using countries, and is thereby making it increasingly difficult for the United States . . . to maintain a favorable balance of trade.¹⁸¹

Furthermore, Populist interests were distinctly separate from Silver Republicans, including Senator John P. Jones, regarding the remonetization of silver. Whereas the Silver Republicans from the mining states were primarily interested in raising the market price of silver, Populists were more concerned with obtaining an international fixed rate that placed silver and gold at a 16:1 ratio.¹⁸² Richard Hofstadter also notes another important distinction between American bimetallists and international bimetallists. He states that national silver proponents operated under the delusion that the United States alone could raise silver's value, ignoring the metal's inevitable decline due to international market conditions. On the other hand, international bimetallists, a minority

Populist Movement. By implementing a comparative study to examine what determined tariff levels in France, Germany, Great Britain, and the United States, Gourevitch concludes that the respective political systems of these countries, which were idiosyncratic to one another, were not important determiners to explain policy outcomes. Gourevitch observes that the power structure between "victors and losers" despite the nation of origin is consistent across the board. It is clear that the divisions between "producers over consumers, heavy industrialists over finished manufacturers, big farmers over small, and property owners over laborers," ultimately characterized policy measures that would protect the former's interest to the detriment of the latter. Peter Alexis Gourevitch, "International Trade, Domestic Coalitions, and Liberty: Comparative Responses to the Crisis of 1873-1896," in *International Political Economy: Perspectives on Global Power and Wealth*, eds. Jeffrey A. Frieden and David A. Lake (New York: Routledge, 2000), 102-107.

¹⁸¹ Opinion, *Omaha World Herald*, November 16, 1897.

¹⁸² Friedman and Schwartz, *Monetary History*, 118.

silver interest group, prioritized an international consensus for bimetallism as opposed to the United States acting alone.¹⁸³

A common example Populists employed to demonstrate the exchange-rate disparity between the U.S. silver dollar and Asian currency was to show that two Mexican silver dollars could be purchased for the price of a single U.S. silver dollar at local banks.¹⁸⁴ This clearly illustrated that silver was not equal the world over, and unless exchange rates for silver were stabilized, as was gold, between trading nations, American farmers were at a disadvantage. Marion Butler, a senator from North Carolina and president of the Farmers' Alliance, introduced a bill in Congress in 1896 that promoted the legalization of Mexican dollars, Trade Dollars, and even silver Japanese yen.¹⁸⁵ Butler's efforts, though unsuccessful, characterized what Populists viewed to be at the very root of the problem: that they could not compete with silver-standard nations due to exchange-rate inequalities.

Not all literature on the Silver Question includes discussion on China and other Asian nations, but the region is a recurring theme in publications that examine the weaknesses associated with the gold standard. S.C. McCormick's 1895 publication, *Dear Dollars and Cheap Commodities*, reassured silver opponents that the United States would not experience a flood of silver coming from Asia.¹⁸⁶ Moreover, McCormick

¹⁸³ Hofstadter, "Free Silver," 288-289.

¹⁸⁴ Opinion, *Sacramento Daily Union*, September 26, 1896.

¹⁸⁵ Silver Japanese yen were 416-grain silver coins similar in size to the Mexican silver dollar. Japan began coining them in 1873 for export to China. Opinion, *Dallas Morning News*, May 2, 1896; Editorial, *San Francisco Call*, September 16, 1896.

¹⁸⁶ S.C. McCormick, *Dear Dollars and Cheap Commodities; Appreciating Money and Falling Prices: The Remedy—Free Coinage of Silver* (Eumis: S.C. McCormick, 1895), 50.

observed, bankers refused to consider silver as money because Asiatic nations used it as such.¹⁸⁷ McCormick noted that

surely [bankers] are not going to give up their dear, precious gold for a quantity of despicable, degraded Asiatic silver. . . . If the Asiatics can not get gold for their silver, what can they get? Nothing but products. And when the exchange was made and the products carried back to Asia, those who had been instruments in making the exchange might appropriately say to their Asiatic brothers: ‘We bring you back perishable products of the American farm and factory in lieu of your silver money which we gathered up and carried off in ships; and, now, henceforth and forever, brothers of Asia, have no more money The undoubted truth is that an inhabitant of China, India, or Japan can with a silver dollar buy very much more of all essential commodities necessary to his comfort, according to his tastes and way of life, than an inhabitant of this country can with a gold dollar buy here of the essential commodities necessary.’¹⁸⁸

McCormick’s views clarified the problem that Americans, and not just Populists, were facing. As long as China and other Asiatic countries operated on a silver standard and silver continued its decline as commercially developed nations turned to gold, the United States would suffer in the long run at the expense of both labor and industry.¹⁸⁹

Senator William M. Stewart’s take on the silver issue also advanced fears that the United States was vulnerable to Asia as an undesirable consequence of the gold standard. In speaking out against advocates who supported a “cheaper” way of living due to the trend in declining prices, Stewart argued:

The absurdity of this stale argument is illustrated by the object-lesson presented by China. There everything is cheap; wages are from three to ten cents a day, and the people live on less than it costs to feed American chickens. All the wealth in the country is owned by a few nabobs and mandarins. Do the people of the United States want such cheapness? If

¹⁸⁷ McCormick, *Dear Dollars and Cheap Commodities*, 50-52.

¹⁸⁸ *Ibid.*

¹⁸⁹ Another fine example that mirrors McCormick’s claims is Richard Lowry, who also argued that China’s depreciated currency afforded the country with a great trade advantage over the United States. Richard Lowry, *Shall the United States undertake Alone the Free Coinage of Silver at the Ratio of Sixteen to One?* (Chicago: Charles H. Kerr & Company, 1896), 199-200.

they do they want Asiatic civilization. Besides, falling prices are more disastrous than the stationary cheapness of Asia.

Essentially Stewart argued that the fall in prices over the past twenty years reflected a need to implement the unlimited free coinage of silver in order to stop the fall in prices.

While his views are problematic due to the United States' inability to stabilize the international silver exchange rate, his ideas denote how China was used as an object lesson to argue for or against the merits of silver as a monetary standard of value.

At the same time, a striking similarity shared by both silver and gold proponents was their mutual recognition that the Chinese economy affected, and was affected by, the United States' move to adopt either a gold or bimetallic standard. Political groups that supported silver, which included Populists, Silver Republicans, and Democrats, argued that if the United States relied on the gold standard, American producers would be threatened by cheap Asiatic labor and exports. Gold standard advocates, primarily northeastern Republicans, argued conversely that if the United States adopted a bimetallic standard it was the equivalent of selecting a silver standard. During the Gilded Age, a number of Americans feared what it meant to be a silver standard nation.¹⁹⁰ In 1892,

Bankers Magazine weighed in on the issue:

The other adherents to the discarded standard are the barbaric powers in Asia such as China, Cochin China, Japan, Siam, and Persia. The silver-producing States in America are anxious that the United States should resume the open coinage of silver, but there is more likelihood of silver coinage in that country being decreased rather than increased, as both candidates for the Presidency are opposed to local bimetallism, or any

¹⁹⁰ According to a *New York Times* editorial, John Sherman opposed the free coinage of silver because "he was ashamed that a great nation like [the United States] should be content to lower its standard of value to join China, Japan, and the South American States, and to leave the great company of commercial nations which now hopefully stood by the best standard of value. For, whatever might be said of silver, no one would question that in the great business transactions of life silver would not answer the purpose. It would be measured by the ton. Gold alone was the standard of value. While a silver standard might not bring ruin upon the country, still it would be a lowering of our flag, which [Sherman] trusted the United States would never agree to." *New York Times*, January 14, 1891.

measure that would tend to disturb the ratio between the currency and gold. To sum up, it may be said that with the exception of Mexico and other silver-producing States, there is a general disposition shown in all enlightened and independent countries to adhere to or to adopt a gold standard.¹⁹¹

A critical point in the article is the association of silver with Asia and “barbarism,” and gold with Anglo-populated countries and “enlightenment.” The *Chicago Daily News Almanac* also noted that gold-standard supporters feared what a silver standard meant for the United States’ development. In an article on the Silver Question, the *Daily News* observed:

Gold monometallists make a large number of general and specific charges against the gratuitous and unlimited coinage of silver. They claim that we would be deluged by the silver of the world; that gold would go to a premium and leave the country; that it would raise prices, while wages and salaries would be slow to advance, and that our civilization would gradually descend to the level of that of Mexico or China.¹⁹²

The consistency with which Gilded Age publications denounced silver due to the white metal’s association with countries considered economically “backwards” by the U.S. has not been discussed by scholars in connection with the United States preference gold.

¹⁹¹ Anonymous, “Three Plans for Establishing a Gold Standard in India,” *Bankers Magazine* 54 (1892), 160.

¹⁹² Geo E. Plumbe, ed., *Chicago Daily News Almanac and Political Registrar for 1896* (Chicago: Chicago Daily News Co, 1896), 180. See also *Gunton’s Magazine’s* take on the Silver Question in a letter to the editor: Editor Gunton's Magazine:

Sir.—A great deal has been published lately about the low wages in silver countries, leaving the inference that free silver would reduce us to the same condition. Is it true that the low wages in China, Japan, Russia, Austria, Persia, India and other silver countries are due to the fact that those countries are on a silver basis, or is there any economic connection between the two? S.E.W Fall, River Mass.

No. It is not correct to say that the low wages in silver using countries are due to the silver standard. Silver money is rather the indication of a low civilization than the cause of it. The use of crooked sticks for plows, canoes for navigation, and tomahawks for weapons of defense are not the cause but the unflinching evidence of barbarism. It is the instinct of mankind to use the methods of commerce, industry, and government suited to their state of civilization. Whenever the people adopt the methods of barbarism it is a sure sign that they are tending towards barbarism. Silver is the money of backward or less advanced countries, for the same reason that iron, copper and shells are the money of the most barbarous people. The civilization makes the kind of money not the kind of money the civilization but any change towards the lower type of money like the change towards a lower type of life or inferior methods of industry is necessarily a step backwards. EDITOR. “Letter to the Editor,” *Gunton’s Magazine* 11 (July – December 1896): 90.

However, the question begs to be asked: How did China factor into the United States move to the Gold Standard?

Conclusion: The United States and the Gold Standard

The International Gold Standard Era, a nearly fifty-year span from the 1870s up to World War I, is generally heralded as a “pillar of the world economy” due to the exchange rate stability it provided within and between industrially developed, and developing, nations.¹⁹³ During this period, Great Britain, the United States, Germany, and France adopted gold as the primary store of value for their respective national currencies. Because these nations’ trade was based on the terms of fixed exchange rates, their ability to sell or purchase goods and services across borders became more predictable and stable. This stability is credited with sustaining unprecedented levels of growth for international trade and world capital flows. It also reflected a closely integrated world economy that merits scrutiny in comparison to the demands imposed by the increasing integration of today’s global economy. Scholars who have addressed the emergence of the gold standard have struggled to explain exactly why it happened in the first place. Gold’s alleged prominence as a store of value and as an exchange mechanism for capital development remains a vexing question. And given the pressing demands to provide exchange rate stability within today’s emerging global economy, understanding how, or even if the world should, once again experience this phenomenon is important for future U.S. economic policy.

Scholars have primarily attributed the widespread adoption of the gold standard to the prominence of British ideas and financial power that emerged during the 1850s and 1860s. London’s status as the world’s leading financial center affirmed and promoted the

¹⁹³ Jeffrey A. Frieden, “The Dynamics of International Monetary Systems: International and Domestic Factors in the Rise, Reign, and Demise of The Classical Gold Standard,” in *Coping with Complexity in the International System*, eds. Jack Snyder and Robert Jervis (Westview: Westview Press, 1993), 137.

vast wealth of the British Empire.¹⁹⁴ Gold discoveries in the American West and Australia during the 1850s also endowed the United States and Great Britain with the world's largest supplies of gold. However, recent scholarship from historian Steven Bryan demonstrates that British influence did not determine whether a country chose gold. Instead, countries were primarily motivated by domestic interests to promote industrialization, or by imperialistic agendas to strengthen military power.¹⁹⁵

Economist Marc Flandreau contends that the International Gold Standard Era was an “accident of history” and reflected the “blatant failure of international cooperation.”¹⁹⁶

Flandreau dismisses claims that the Gold Standard Era resulted from rising silver

¹⁹⁴ Political Scientist Steven P. Reti's examination of the International Monetary Conferences that took place between 1867 and 1892 leads him to conclude that Britain played a central role in explaining why other nations adopted the gold standard. Reti finds that there are two schools of thought that explain why so many nations turned to gold within a similar time frame. The “spontaneous theory,” which claims that nations employed gold in order to benefit from fixed exchange rates with other nations and to maintain a noninflationary money supply, and the “hegemonic order theory,” a power-oriented approach that finds British influence in the world's financial development as attracting nations seeking to acquire British goods. Steven P. Reti, *Silver and Gold: The Political Economy of International Monetary Conferences, 1867-1892* (Westport: Greenwood Press, 1998), 1-2.

¹⁹⁵ Historian Steven Bryan provides an excellent global analysis and fresh take on why lesser-ranked countries abandoned silver. His focus on the influence of British liberalism among peripheral gold standard nations demonstrates that British ideas were not sufficient motivation for smaller powers to adopt gold by the 1890s. Bryan diverges from traditional accounts that cite English economic theory and influence as the basis for an international mass movement to gold. Because most studies typically incorporate English-speaking sources that emphasize the beliefs of nineteenth-century Englishmen, what has emerged is a primarily Eurocentric approach to explain Britain's prowess as gold-standard nation. In his examination of Japan and Argentina's move to gold, Bryan maintains that countries that chose gold did so to promote national interests in terms of either industrial development or military power. Thus, for most nations, self-interest, and not global prestige, factored into monetary policy decisions by the end of the century. Bryan also emphasizes that France, Germany, and the United States were primarily responding to national interests and economic rivalry. Steven Bryan, *The Gold Standard at the Turn of the Twentieth Century: Rising Powers, Global Money, and the Age of Empire* (Columbia University, 2010), 5-18, 42.

¹⁹⁶ It was widely assumed during the 1870s that the French gold indemnity payment to Germany enabled Germany to adopt the gold standard. As a consequence, Germany's move to gold spawned silver's depreciation that continued up to the end of the nineteenth century. However, economist Marc Flandreau demonstrates that France's government acquired short-term bills, from both French and foreign investors, through what are known as *Rente-Thiers*, a form of bonds that were transferred to Germany. As a result, the German government only used a partial amount of revenue derived from the bills to purchase gold. According Flandreau, Germany was planning to use its silver stock to acquire gold for the transition. Marc Flandreau, “The French Crime of 1873: An Essay on the Emergence of the International Gold Standard, 1870-1880,” *The Journal of Economic History* 56, no. 4 (December 1996): 862-897.

production in the U.S., Germany's abandonment of silver during the 1870s, technological explanations that find silver too bulky and heavy for commercial transactions to compete with gold, or the dominance of a creditor class that favored gold.¹⁹⁷ Flandreau contends that because France refused to help Germany's transition to the Gold Standard despite its ability to do, silver lacked a French market required for stabilization purposes through arbitrage. Thus, had France not closed its mints to German silver, "bimetallism might have survived" despite the changes that took place worldwide between 1870-1880.¹⁹⁸

However, the United States employed a significantly different approach in its turn to gold. For the U.S., a number of factors indicate that China and other Asian countries helped shape and solidify the United States' transition from a bimetallic to gold standard nation. Because the U.S. viewed silver dollars as being at risk for export to Asia, the 1834 Coinage Act reflects policymakers' efforts to provide specific forms of subsidiary coinage to meet domestic needs.¹⁹⁹ While U.S. banks held significant deposits of silver up through the 1830s, the form of these deposits primarily consisted of foreign silver currency.²⁰⁰ Efforts to eliminate unwanted foreign currency and prevent native silver

¹⁹⁷ Flandreau, "The French Crime of 1873," 863.

¹⁹⁸ Ibid, 862.

¹⁹⁹ Economist Larry Allen states that the 1834 Coinage Act placed the United States "on a monetary path that led to the adoption of the gold standard." Allen finds that up until 1834, the United States was on a *de facto* silver standard. The Coinage Act signified the first time congress debated the merits of a gold or silver standard. Consequently, the large quantities of California gold that flooded the market during the 1840s led to a greater circulation of gold within the U.S., and "the sight of the silver dollar became a rarity." Larry Allen, *The Encyclopedia of Money* (Santa Barbara: ABC-CLIO, 2009), 76-77. Historian Neil Carothers also noted that prior to the Civil War, "the silver dollar occupied an anomalous position . . . The coin remained as it had been from the beginning, an unknown element in our currency system. A small number were coined annually, but most of them were exported at once to South America or to the Orient." Neil Carothers, *Fractional Currency*, 149.

²⁰⁰ In 1968, economist Peter Temin observed that the United States imported significant quantities of silver specie from Mexico during the 1820s and 1830s that was primarily shipped to China. However, Temin contends, China's decline in silver imports out of preference for bills drawn on London needed to pay for opium imports likely triggered inflation in the United States during the mid-1830s. Temin finds that "it

dollars from being exported to Asia also resulted in the demise of the U.S. silver dollar as a standard unit of account. Yet, by the 1850s, when the West Coast acquired a mint to coin its ore deposits, San Francisco merchants and mint officers indicated a preference to coin silver dollars for export and not for domestic circulation.²⁰¹ This preference occurred prior to the discovery of Nevada's prodigious Comstock Lode in the spring of 1859. During the 1860s, when the United States debated the merits of a unified metric system of coinage with other European nations, it is clear that for the U.S., silver was assigned to China and other Asian countries for trade purposes, and not for domestic use.²⁰² This attitude emerged in light of silver discoveries in the American West and reflected in the creation of the Trade Dollar within the controversial Coinage Act of 1873.

Economist Anna J. Schwartz maintains that in the nineteenth century, "gold represented an ideal monetary standard, both domestically and internationally, because of its unique qualities as a standard of value and medium of exchange."²⁰³ Notwithstanding, why is gold considered a superior store of value instead of silver? Aside from acknowledging that fixed mint ratios between the two metals played an important role in

would not be too misleading to say that the Opium War was more closely connected to American inflation than the Bank War between Jackson and Biddle." Peter Temin, "The Economic Consequences of the Bank War," *Journal of Political Economy* 76, no. 2 (March-April 1968): 269-270; Irigoin, "End of a Silver Era," 230.

²⁰¹ By 1861 the New Orleans Mint was no longer in operation, and the Carson City Mint would not be built until 1866.

²⁰² The economist Alexander Del Mar claimed that the idea of a universal currency, which would result if all nations adhered a monometallic standard, would likely raise "the material comfort of the Eastern countries at the expense of the advanced Western countries by equalizing the economic condition for all." Del Mar doubted that Europe and the United States "were prepared to relinquish these advantages, by adopting in common with other States a system of money which might tend to level all economic conditions." Quoted from Joseph Dorfman, *The Economic Mind in American Civilization, 1865-1918*, Vol. 3, Reprint. 1949 (New York: Augustus M. Kelley Publisher, 1969), 100-101.

²⁰³ Anna J. Schwartz, "Introduction," in *A Retrospective on the Classical Gold Standard, 1821-1931*, Michael D. Bordo and Anna J. Schwartz, eds. (Chicago: University of Chicago Press, 1984), 3.

determining coinage values, it is also important to recognize China's influence in shaping U.S. monetary policy due to that nation's preference for Spanish Carulos pesos, and later Mexican dollars. For the United States, a clear pattern emerged during the nineteenth century in which silver dollars were considered unstable and vulnerable for export to the Asia. This pattern is reflected in the Coinage Act of 1873 when the silver dollar was eliminated from the list of U.S. silver coins as not being competitive enough to replace the Mexican dollar in China.

It is doubtful that the Chinese people were aware their currency habits had radically impacted how the United States developed its monetary practices. Even though roughly 30,000,000 Trade Dollars were sent to China, the coin failed to take root as an American influence on China's silver consumption. Accordingly, the coin became emblematic of the United States' failed relationship with the Asian nation as it ushered in the Chinese Exclusion Era, beginning in 1882. While Chinese immigrants were no longer wanted in the United States, so too was the Trade Dollar a blight on the United States' monetary landscape. The coin's disruption to America's currency practices was perhaps one way the United States received "payback" for its misguided commercial experiment that benefited banking interests to the detriment of the American people. A crime was committed in 1873. However, the "Crime of '73" should be recast as an event that radically altered the United States currency for a period of nearly twenty years, an event based on Americans' misguided ambitions in China.

By the same token, when silver was contested as a monetary store of value during the 1880s and 1890s, it was viewed as a Chinese metal and the mark of an economically primitive country. American producers recognized that because gold's purchasing power

continued to climb as silver values fell, both Asian labor and Asian exporters posed a threat to the U.S. economy due to the exchange-rate disparity. Therefore, the Populist movement and drive to reinstate silver as part of the United States currency system is better understood when framed in this context.

Finally, the United States' struggle to utilize silver as a monetary metal alongside China and India's preference for silver raises fascinating questions, questions that strongly correlate with the United States' current attempt to strengthen its economy within the globalizing framework of the twenty-first century. Primarily, how do nations devise monetary policy that serves domestic consumers while still maintaining a monetary standard competent to service the demands of world trade? This is not merely an issue of exchange-rate instability, but a problem caused by too many nations with dissimilar currency values and rapidly growing economies that will soon overshadow the U.S. economy. U.S. monetary policy during the late nineteenth century attempted to placate too many demands, both domestic and multinational, and failed as a result, nearly bankrupting the country during the 1890s when U.S. gold reserves had all but disappeared. Therefore, understanding the historical antecedents that influenced money's complicated interaction between economic stability, wage purchasing power, and trade relationships, is crucial for the United States' economic recovery in a truly global age.

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