

The Silver Dollar and the Paper Currency

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Joseph P. Carbery, writing from Cincinnati, alludes to the opinion that “gold and silver are in themselves money, independent of any power or agency of the state” and to the opposite one that “the stamp or seal of the supreme power upon any substance converts it into money within its jurisdiction” and then adds:

The money of the United States is just what the government, within the limits of its constitutional power, declares shall be money. This constitutional limit is, that whatever is coined, the coin must have at all times the value of money: of the identical money described in the grant “of power to coin money.” That distinct idea of value possessed the minds of every member of the convention that framed the instrument; and called money that which was so called by everyone, and had been by their ancestry from the earliest landing in America. It was the “value” of the Spanish silver dollar in universal use (circulation) just in the condition of where it was in.

The silver dollar then was, and now is, the unit of value by which all labor and its product must be measured. The Constitution gives power to *coin money* and declares the value thereof; not to print a promise on paper and call it so. Your hostility to the silver coinage, and the inferential advocacy of paper money, is an unpleasant surprise to me, as it must be to all hard-money Democrats. Men will differ on expedencies, but on fundamental principles there should be a clear acceptance by members of a party.

I do not know what party Mr. Carbery has in his mind. I certainly do not belong to any party which requires of me adherence to any fixed opinions on the money question. Nor do I know of any such party as being in existence. There are “hard-money Democrats” and “hard-money Republicans,” “soft-money Democrats” and “soft-money Republicans.” Nor do I see why what he terms my “hostility to the silver dollar and inferential advocacy of paper money” should be a surprise to him or to anybody else. Though I have not had much to say on this matter in *The Standard*, since I believe the money question a subordinate one, yet I have set forth my views in *Protection or Free Trade?* in the chapter entitled “Delusion Arising from the Use of Money.” Nor have I any hostility to the silver dollar. What I object to is that the people of the United States should be taxed to buy silver and coin dollars for which they have no use, and that the nation, the far greater part of whose component individuals need more capital, should keep great hoards of coined bullion lying in treasury vaults, where it is utterly useless to anybody. I have great hostility to that offshoot of the protective system which would have the government make a market for the produce of the silver miners, and regard it, as I regard the whole protective system, as an infringement of the doctrine of equal rights.

Why should the United States buy up silver for which it has no use, any more than it should buy up iron, or copper, or spelter, or wheat, or potatoes, or copies of *The Standard*? Why should the

government become a special providence for silver miners any more than for farmers, printers, barbers, doctors, or bootblacks? If any metal is to be bought up for the sake of creating a demand for it, it ought to be aluminum, since that might stimulate the progress of invention in cheapening the production of the metal of the future and thus hasten the day when aerial navigation will convert warships into old iron and enable smugglers to laugh at customhouse officers. Nor can I imagine where Mr. Carbery has got his notion that the Constitution of the United States fixes the Spanish silver dollar as the standard of the money that Congress shall cause to be coined. The constitutional power to issue money comes from the following clauses of the Constitution:

Sec. 8: The Congress shall have power:

To borrow money on the credit of the United States.

To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures.

There is nothing here about the Spanish silver dollar, nor, if there were, do I believe that the people of 1787 were divinely inspired or authorized to legislate for the people of 1889. As to the nature of money, neither of the parties to which Mr. Carbery refers is right. Gold and silver are not of themselves money, nor yet can money be made by legislative fiat. What makes anything money is the common consent to receive it. Where this exists without it, no intrinsic value is needed. Where this does not exist, governments may stamp and issue and fiat in vain. The history of our own governments, prove this. One especially curious and comical instance is the way in which the caustic pen of Dean Swift, in the celebrated *Drapier Letters* drove the Wood copper coinage out of Ireland in the early part of the eighteenth century, though it was backed by all the flat power of the British government, which vainly offered heavy rewards for the discovery of the author of the *Drapier Letters*, though everybody knew that there was only one man in Ireland who could have written them.

But gold and silver, and in a less degree, copper, do possess certain natural qualities of permanence, portability, and divisibility which peculiarly fit them for use as money so long as intrinsic value is a necessary quality, and which still give to the first of these metals something of the character of an international money as a standard of value and in the settlement of balances. But where there is a credit and confidence behind it sufficiently stable and wide, paper becomes the most convenient and least expensive material out of which money can be made.

The real thing which gives paper money its validity is not the government stamp, but the common consent and general credit which attend it. The check or due bill of a businessman or capitalist of solvent repute will pass current to a certain extent and within certain limits. The check or due bill of a very rich and very well-known man, such as Mr. Astor or Mr. Vanderbilt, will pass current to a larger extent and within larger limits, but the checks or due bills of the government, which has larger resources and is far more widely known than any individual, and which as a tax collector is moreover practically a general creditor of all within its jurisdiction, will ordinarily pass current to a greater extent and over a wider area.

If there were no element of credit in our currency; that is to say, if we had no money but metallic money, and if our coins contained in all cases a value in metal equal to their face and current

value, then there will be no objection to free coinage, for the government, in order to save private individuals trouble and annoyance, which would be very great if they were compelled to undertake it, would, in coining what anyone chose to bring of the coinable metals, be merely acting as the general weigher and assessor.

But so long as there is an element of credit in the currency the government should be the only issuer of money until (what the advance in civilization may sometime give us) an international credit money, guaranteed by all civilized governments and current over the whole civilized world, makes its appearance. The general government should be the only issuer of money, both for the general convenience and the protection (in the true sense of the term) of those who are most liable to have inferior money passed upon them, and because the issuing of credit money for general circulation is a valuable privilege, which ought to be shared by the whole people and not suffered to enrich a few.

We have at the present time in the United States nine kinds of money in circulation. Copper coins, nickel coins, silver coins, gold coins, silver notes, gold notes, national bank notes, and direct treasury notes, or greenbacks. Of these nine kinds of money, only one kind, the gold coins, have an intrinsic value equal to their current value. But this one kind of money, which alone has intrinsic value equal to its current value, is not at all preferred by the people on that account. On the contrary, over the far greater part of the United States (I do not know how it is now in California, as I have not been there for some years), silver notes, national bank notes, or even greenbacks, are preferred to gold as having an equal current value and being more portable; and all these nine kinds of money, differing greatly in intrinsic value and representative character, circulate interchangeably at par with one another.

The induction is irresistible that it is not the intrinsic value of the money, or anything that is pledged for the redemption of the money, or is held by the United States as its representative, but the credit of the government itself which secures the common consent by virtue of which our money circulates. Therefore, it is a sheer waste that we should be buying and hoarding up in treasury vaults immense quantities of gold and silver that might as well be in the mines from which they are taken for any useful purpose they are serving. One uniform currency, consisting of paper and subsidiary coins, the direct issue of the government, and such gold coin as anybody wanted the United States to assay and stamp, would save an enormous sum annually to the people of the United States.

As for the amount of money: that makes no difference; except as to fluctuations in the standard and measure of value. Whether we reckon in dollars and cents, or in cents and hundredths of a cent, makes no difference whatever so long as the relation with other values is the same. But the depreciation or appreciation of a currency is injurious because it changes the real force of contracts, and because of the uncertainty introduced into all business and all pecuniary relations, and the difficulties and wastes involved in passing to a new standard of value.

As for the growth and development of a country requiring more money, the fact is that the effect of the advance of civilization, by increasing the use of checks, savings-bank deposits, and other forms of private credit, and increasing the swiftness and ease of communication, tends to the less use of money.

What the silver men want are two things, or rather there are two classes of silver men, each wanting a separate thing, who are uniting their forces: 1) Those who want the government to buy silver for which it has no need, in the hope that they will get a higher price for their metal, 2) Those who want to depreciate the currency by bringing it to a silver basis. I am opposed to both these projects. But if we must depreciate our currency let us at least do it in the cheapest and most manly fashion, by issuing directly currency enough to do it, without buying hundreds of tons of silver for which we have utterly no use.

For the satisfaction of a number of correspondents of *The Standard* besides those mentioned, I have stated my views on the silver question, as far at least as is now necessary. But I should like to say that in doing so I do not invite more communication on the subject. For a man may be a hard-money man or a soft-money man, and yet, what is more important still, a single taxer, and I think it would be a mistake to devote *The Standard* to the discussion of the money question to the exclusion of the more important matters to which it has given the first place.