

THE MONETARY SITUATION IN GERMANY.

American bimetallists and some of their German friends have recently severely criticised the attitude observed in the late Brussels conference by the German delegates toward bimetallism. I hope, however, to convince impartial readers that the interests of Germany made it impossible on that occasion, and will forbid in future, the encouragement of bimetallism in any way. No one can fairly expect that Germany's monetary policy should be guided by other than German interests. Now, notwithstanding the noisy agitation in the agricultural districts of Germany in favor of bimetallism, I do not hesitate to assert that, so long as the vital interest of the greatest part of Germany's industry and commerce, the interest of our public credit and the interests of our foreign policy are not totally neglected, there is no hope that Germany will participate in any international measure to secure bimetallism.

In order to explain this view, I must give a brief statement, first, of Germany's present monetary situation; secondly, of the origin of the latter; and finally, of the important interests which forbid us, as I maintain, to make any concessions to future bimetallist proposals.

I. GERMANY'S PRESENT MONETARY SITUATION.

According to Dr. Soetbeer's statement,* the total amount of our currency at the beginning of the year 1892 may be estimated at about 3,752,000,000 marks.

* Cf. Ad. Soetbeer, "*Litteraturnachweis über Geld- und Münzwesen, insbesondere über den Währungsstreit, 1871-91.*" Pp. 305, Berlin, 1892.

This was made up as follows :

	Million Mkcs.	Average Amount per head of the population. Mks.
1. GOLD COIN AND BULLION,	2350	47.55
2. SILVER COIN AND SMALL CHANGE.		
(a) Silver "Thalers" à Mk. 3,	440	8.90
(b) Silver small change à Mk. 5, 2, 1, 0.50, 0.20,	452	9.15
(c) Nickel and bronze coins à Mk. 0.20, 0.10, 0.05, 0.02, 0.01,	60	1.21
3. PAPER CURRENCY.		
(a) State notes (Reichskassen- scheine) à Mk. 50, 20, 5,	120	2.43
(b) Bank notes, not issued against specie or bullion, à Mk. 100, 500, 1000,	330	6.68
Totals,	3752	75.92

Hence appears that, at the beginning of the year 1892,* the total credit circulation did not exceed 1402 million mks., *i. e.*, an average amount of 28.37 mks. per head of the population, or 37.4 per cent of the total circulation. The weakest point of this credit circulation is not the paper, but the silver currency. The paper circulation consists of two different elements, bank and state notes. Portions of the bank-notes which are not issued against gold or thalers are covered by bills of exchange. Since the bank-note law of March 14, 1875, German bank-notes, both those issued by the Reichsbank and those issued by the minor banks, may be regarded as first-rate securities, which can be realized at any moment. No bank-note in Germany is legal tender ;

* Since January, 1892, the gold circulation has increased. The bank-note circulation at the end of December, 1892, amounted to 1,327,000,000 marks. Of this, about 355,000,000 marks were not covered by an equivalent amount of bullion, gold and silver coin, state notes or notes of other banks, which are collected for clearing purposes.

but practically the Reichsbank-notes are accepted without the slightest difficulty throughout Germany, while the circulation of the minor banks of issue, in most cases, is only local.

The position of the second element of the German paper circulation, viz., the state notes, is somewhat different. By law, they are to be redeemable in specie on demand, and nobody is obliged to accept them as legal tender, except the public treasury offices. In fact, they are less good than bank-notes. No special fund is provided for redeeming the state notes. These notes, of course, being issued in small denominations, are not used by business men to draw gold for export purposes. In times of peace, during which the Treasury has abundance of specie, nobody wants to exchange the state notes for specie; in times of war, on the contrary, when there may be signs of a panic, and the holders demand redemption, the specie in the Treasury will be devoted to other more urgent demands than the redemption of the state notes. The German state notes are irrational, their existence being justified only by financial exigencies. In principle, it would be the best to cancel the state notes by the Reichsbank and to empower the Reichsbank to issue notes of smaller amounts than one hundred marks. The demand for paper tenders in the denominations of 50, 20 and 5 marks being very great, and at present this not being quite satisfied by the 120 million marks of ill-funded state notes, there could be no danger in permitting a somewhat greater circulation of Reichsbank-notes of the same amounts as the state notes now are, and in increasing correspondingly the annual charge to be paid by the shareholders of the Reichsbank to the Treasury.

After having studied the German paper circulation, we now turn to the very basis of value of the German currency, viz., gold. A good deal of the 2,350,000,000 marks mentioned in the above statement do not form a part of the visible circulation, but are hoarded. One hundred and

twenty millions in gold are kept by the empire, as a special war treasure, without any employment in ordinary times. A very much greater sum of gold is kept in the vaults of the Reichsbank and of the minor note banks. For this amount there is a corresponding sum of bank-notes in circulation, which—as fully covered by specie—were not included in the above statement of paper currency. It is much to be regretted that the Reichsbank does not publish a statement showing how much of its specie is gold and how much silver coin. But it may be assumed as very probable that the amount of German gold coin in the hands of the Reichsbank at present exceeds 300 million marks; to which must be added the gold reserve in bullion and foreign coin, the value of which is exactly given in the published statements of the Reichsbank, from which we learn that this latter reserve amounted to :

42,873,000	marks	on	December 31,	1876,
71,025,000	“	“	“	1881,
353,825,067	“	“	“	1891,
324,692,432	“	“	“	1892.

The gold coins in circulation and the gold reserves in coin and bullion kept by the Reichsbank and by the Treasury are really the backbone of the German monetary system. But gold coins are not the only legal tenders. The thalers must still be accepted for any payment without limit. In contrast herewith, the silver specie in amounts of 5, 2, 1 marks, 50 and 20 pfennig, are legal tender only to the amount of twenty marks; the nickel and bronze coins only to the amount of one mark. The existing amount of thalers cannot, according to law, be increased by new coinage, while the existing amount of small silver money may be so increased, but only correspondingly to the increase of population.

What are the practical consequences of this anomalous situation? The thaler contains 16.666 grammes of pure

silver. The market value of 1000 grammes of pure silver being now about 112 marks, the intrinsic value of a thaler is 1.82 marks in gold. Nevertheless, it must be accepted as three marks. The 5-mark piece contains 25 grammes pure silver, *i. e.*, the value of 2.80 marks in gold. The subsidiary silver coin is enormously overvalued, but this state is supportable, because all provisions which are necessary for the maintenance of overvalued subsidiary coin are applied, viz., the total issue is limited to a certain amount per head; the amount is limited above which the coins lose their quality of legal tender; finally, the opportunity is provided to get gold coins or thalers in exchange for small silver coin. The same precautions are not taken, however, in the case of the thalers. Only the total amount of their circulation is limited, but not the limit to which they must be accepted as legal tender. Hence, it appears that a gold premium and difficulty of conversion can only be avoided so long as the amount of the thalers—compared with the gold circulation and the gold reserve of the Reichsbank—is so small that gold for export purposes may be got without any practical difficulty. Indeed, the London rate of exchange (cable transfer) varies at Berlin precisely between the two gold points, 20.52 and 20.32. The Reichsbank, however, by an imprudent policy, might disturb the credit of the German currency permanently. But up to this time this institution has been governed upon the wise principle, not to hamper bullion dealers by paying notes with thalers. Nor does the Reichsbank ever demand any gold premium, as the Bank of France sometimes does. The power, of course, of the Reichsbank, as the greatest discount house, is sufficient to cause German bullion dealers to be very cautious in demanding gold for export.

From this it will be clear that Germany, although it has not developed such a bullion market as London, has so far been able to maintain gold at par in foreign exchanges by a diligent discount policy, and, moreover, to keep a sufficient

supply of gold in circulation and satisfy the demands of the important industries requiring gold.

As a matter of fact, the monetary system of Germany is very similar to that of France, Switzerland and Belgium. In these countries, as in Germany, the simple gold standard has not been carried out, one kind of silver money as well as gold being legal tender to any amount. Silver coinage is, moreover, suspended, and an increase of currency is only practicable by gold coinage or further issues of bank notes; the par of exchanges being maintained in Germany exactly between the gold points, in France varying a little more, in consequence of the policy of the Bank of France, which often avoids raising the rate of discount and prefers to demand a gold premium in case of a drain for purposes of export.

So the popular argument of some German bimetallists that France and the other Latin countries differ from the so-called monometallist, Germany, by their so-called bimetalism, is quite wrong as a matter of fact.* The only difference is really a formal and merely judicial one. The present "limping" monetary system can be changed into monometallism in Germany by an administrative act, while a change to pure monometallism in France would require an act of legislature. Inasmuch, however, as this change would involve in both countries the selling of silver, which would cause an enormous loss, the government in Germany would hardly undertake the financial operation without the consent of the Parliament, any more than that of France.

II. ORIGIN OF THE PRESENT GERMAN MONETARY SYSTEM.

All the "limping" monetary systems of the present time must be regarded as results of the historical development

* It must be observed, of course, that the amount of the total circulation of silver coins, both five-franc pieces, which are legal tender without limit, and small change, being about 2500 million francs, is much greater in France than in Germany. But the French gold circulation is also a larger one than the German; it is estimated at 4,000,000,000 francs.

of the last two decades. The German system especially, which makes the over-valued five-mark silver-piece a subsidiary coin with limited powers as a legal tender and maintains at the same time the over-valued three-mark silver-piece as legal tender to any amount, can never be justified on *a priori* utilitarian principles; it is nothing more than a somewhat irrational outcome of historic development. In view of this circumstance, it seems expedient briefly to sketch the origin of the present monetary system of Germany.

It would be erroneous to assume that up to the year 1870 public attention in Germany was principally occupied with the question whether a gold standard or bimetallism ought to be the future system. The chief problem, on the contrary, was to unify the seven different monetary systems which existed until 1873. Compared with this, the question how to get rid in some way of the inconveniences of the then prevailing silver standard was only of secondary importance. It may appear somewhat strange that the states now federated in the German Empire did not, during the period of their sovereignty before 1870, find any way to create a uniform monetary system in the same way as they were able to create the *Zollverein*, a voluntary customs-union of sovereign states.

The idea of monetary unions is really an old one in Germany. We meet with such unions in the fifteenth and the following centuries. But one monetary union which should radically unify the monetary system throughout all Germany was not to be attained voluntarily. While the financial interests of the smaller states urgently demanded a union for the purpose of collecting customs-duties, the same financial interests seemed to encourage their jealous struggle for monetary independence. Every sovereign hoped to exploit the foreigners, not his subjects, by issuing base coin. According to this principle, Frederick the Great did not shrink, during the seven years' war, from abusing

the Saxon mint which he had taken possession of, and from smuggling worthless money into circulation, by the coinage of which he is said to have made a profit of eleven millions of thalers. Between 1820 and 1830, some small German states—Coburg, Hildesburghausen and Nassau—followed the example of the glorious Prussian king, and made some profit by debasing the coinage at the expense of the neighbor states.

Although public indignation became general, the German people are very patient, not to say phlegmatic, in political matters. There were some common principles of a monetary policy formulated in treaties on the subject, but no uniform system was adopted. To maintain a separate system of coinage was regarded by the officials of each of the German states as identical with its assertion of independence. It was a regular profession to change florins and kreutzers of Bavaria into thalers of Prussia or the mark banco of Hamburg. The money-dealers earned their commissions, but the greatest part of the productive classes suffered by the system. The variety of the existing monetary systems was not, however, the only mischief which the German business man experienced before 1870. There was a general complaint due to the excessive paper circulation. Nearly every state issued its own state notes, which often were refused at the offices of a neighboring state. Commerce was also greatly hampered by the large number of bank-notes of many various degrees of soundness which circulated through the country. The paper currency, state and bank-notes, which was not issued against specie, between 1867 and 1872, averaged 700,000,000 marks per year. Many sorts of notes were accepted only at a discount. The traffic with these was a special industry, which has disappeared since the reform of our monetary system. There can be no doubt that it would not have been possible to introduce such an amount of notes if Germany had then possessed a sufficient gold circulation. But the latter was at a minimum. Nor were silver certificates introduced, except in Hamburg.

Nothing was more inconvenient than to pay large amounts in the heavy and bulky silver money. Sooner than the agriculturists, the German merchants felt this monetary system to be insupportable. The commercial world, which had to pay and to receive large sums every day, sustained great losses owing to the paper circulation, and first of all realized the need of gold standard coins. The gold coins between 1857 and 1871 were only trade money of varying price, and very rarely were met with.

Some hoped that a single gold standard, as in England, would be adopted instead of the single silver standard, which prevailed throughout Germany with the exception of Bremen; others at that time would have been quite satisfied with national bimetallism, which seemed preferable to the insupportable silver standard. Between 1849 and 1859, in this and in other political questions, the initiative of reform ideas was not taken by the Prussian, but by the Austrian government. Austria wanted to withdraw its excessive paper currency, and hoped that, after the gold discoveries in California and Australia, payments in specie would be cheaper in gold than in silver. So Austria, in the conferences preceding the monetary treaty of 1857, proposed to adopt the gold standard throughout Germany and Austria. This proposal of the Austrian government, which recapitulated the ideas propagated about at 1841 by a Prussian authority, T. G. Hoffmann, was at that time very reasonable. It was not, however, carried through. Some German states, jealous of their sovereignty, of which they believed their mint policy to be a most intimate part, strongly opposed the adoption of the gold standard. Their chief argument can only be regarded now as very unimportant. They maintained that the consequence of the adoption of the gold standard would have been a recoinage of the silver currency into subsidiary coin. Now it would have been necessary, for technical reasons, to concentrate such coinage in one or two great mints. But this concentration at that time

appeared impossible to the smaller states without seriously threatening their sovereignty.

Nevertheless, the economic necessity incessantly urged a radical and uniform reorganization of the monetary system. In 1861, the German Handelstag, which may be compared to the British Chambers of Commerce Congress, recommended to the German governments the adoption of the decimal system and of the mark in value of one-third of a thaler as the future unit. Up to 1870, this mark, divided into ten groschens of ten pfennigs each, was adopted as a basis only in the Ritzebuttel district, near Hamburg.

While many business men between 1860 and 1870, sympathized strongly with those who proposed the adoption of the gold standard, a considerable number of the government officials inclined toward national bimetallism, especially the Prussian minister of finance, Mr. Camphausen, who had, after 1871, an important influence on the monetary policy. He was not an advocate of the gold standard, nor was he isolated in this position. In 1870 no one could foretell the enormous future increase of the silver production and the universal fall in the price of silver. Moreover, it appeared nearly impossible for a poor country, as Germany was deemed to be before 1870, to get the gold necessary for the introduction of the single gold standard. In the southwest of Germany there was some inclination to join the Latin Union, which proposal we now congratulate ourselves was not adopted. In other parts of Germany the "decimal fanatics" displayed great energy in demanding a unit of money containing ten grammes of gold.

Here a very common misapprehension must be mentioned. German bimetallists have spread the theory that the gold standard party and the Manchester party were identical. This, however, is a mistake. Although the three authorities which in 1871, as well as at other periods, influenced the monetary policy most perceptibly, viz., Dr.

Bamberger, Dr. Soetbeer* and Dr. Nasse, sympathized with free trade, it cannot be said that all the leading free-traders in Germany were monometallists. On the contrary, Prince-Smith, one of the leaders of the extreme German free-trade school, recommended, in 1869, emphatically the adoption of bimetallism in our country.

Meanwhile, in consequence of the war of 1870-71, two events took place which were of the greatest influence in Germany's monetary development. The German empire was founded and was invested by the constitution with the powers of unifying the monetary system throughout all Germany by legislation. At the same time, the five milliards francs to be paid by France seemed calculated to facilitate considerably the acquisition of the gold needed for the reform and the withdrawal of the excessive paper currency from circulation.

It cannot now be denied that some faults were committed in these operations. It seems that the fiscal interests had a greater influence on the leaders of Germany's politics at that time than the general interests of the monetary system as a whole. Had it been otherwise the government would have begun the reform by canceling all state notes. This would have diminished the currency during the time when the influx of the French milliards was stimulating speculation and raising prices in an unprecedented way. Far from this, the government prepared to pay off, in the first place, the funded war debt, in order to economize some millions in interest. The capital was paid off just at the period when the fever of speculation was most intense, in a time when every day saw new companies established. It was not until after the legislation reforming the monetary system that the needed regulation of the bank and state-note question began.†

* Dr. Soetbeer in his later years changed his position somewhat in favor of bimetallism.

† The paper currency of the different States was unified in 1874, and, after the crisis had come, a gradual contraction of the total sum of state notes in circulation was insisted upon. The bank reform, advocated during many years by public opinion, was not carried through until 1875.

But these moments were not of such serious consequence as the manner in which the Minister of Finance, Camphausen, treated the problem of selling the superfluous silver. Camphausen did not at all anticipate the fall in the price of silver. So he did not hasten the selling of silver at the right time, holding that a system of national bimetallism would be possible in the future. In 1871, when the gold coinage, the first step in the monetary reform, was resolved upon, it was not the government, but the leading authority of the Reichstag which enforced the complete suspension of silver coinage, which was a necessary preparation for the gold standard. The ratio, 1:15½, was adopted in 1871, as the basis of the valuation of the new gold coin compared with the silver currency which remained in circulation. Between 1871 and 1873 the adherents of the single gold standard warned the government repeatedly. They observed a small fall in the price of silver in the London market and recommended the government to sell the silver before a new fall should take place. Merchants from Hamburg offered at that time—as I am told by a well-informed person—to find a way to effect the sale of all the silver with a minimum loss. The government did not, however, take advantage of a favorable occasion which was never to return.

In 1873 the second step in the monetary reform was taken: a bill empowered the government to withdraw from circulation all the existing silver currency and to employ the silver up to a certain amount for the coinage of new subsidiary coin, the rest to be sold. All the then existing silver currency has since 1873 been withdrawn from circulation except the thalers, the amount of which was still estimated in 1892 at 440,000,000 marks. The Federal Council is still, by the law of 1873, empowered to withdraw the thalers upon any convenient occasion. But this has never been done, and they now represent an investment of German capital which is diminishing in its intrinsic value every year with the gradual fall in the price of silver. They must be taken in Germany as having the value of three marks.

So we find that the greatly over-valued German thaler and the still more over-valued subsidiary coins were originally honestly coined, the thalers during the time when silver was quoted at 60 $\frac{1}{4}$ d. per ounce st., their nominal value, exactly corresponding to that of the metal they contained; the small coins allowing, at the above rate, only a seignorage of twenty marks per kilogramme.

Since the right moment for selling the silver was neglected, the offers of the German government have coincided with the abundant output of the Big Bonanza, Comstock Lode, and with the revolution, beginning in the international market, which was characterized in 1876 by Dr. Bamberger as the dethronement of silver as the ruler of the world. This dethronement was solemnly sanctioned in 1878, when the Latin Union completely suspended silver coinage.

In the party strife of bimetallists and monometallists, it was during the period between 1873 and 1880, that the greatest number of groundless fictions were put into circulation. I must call them such, because no solid argument has yet been found for the common assertion that the fall in the price of silver had for its sole cause the sale of silver in Germany, or for the other assertion that Germany's monetary policy alone forced the Latin Union to suspend the coinage of silver. Still a third legend has been propagated by some of the German bimetallists, who assert that it was a mistake on the part of the German government suddenly to exchange former silver standard for that of gold. According to this it would have been better to prepare for the introduction of the pure gold standard by one or more decades of bimetalism. This theory is absolutely groundless. First, between 1871 and 1873, there was a period of bimetalism, but, of course, with suspended silver coinage. Secondly, this policy could not be continued, because from 1870 on the price of silver was, in consequence of the increased production, commencing to fall, and every delay meant a loss in the future silver sales. Moreover, the adoption of the

gold standard instead of bimetallism by Germany was nothing but a continuation of the policy which France had in view in 1870. Dr. Soetbeer* has not hesitated to affirm emphatically, that it is, in the highest degree, probable that only the war of 1870-71 prevented France and the other states of the Latin Union from adopting a gold standard.

But we must return to the history of the German monetary policy. Up to the end of 1878 the German government had sold total sums of 3,363,500 kg. of silver, *i. e.*, much less than the average yearly production of 1889, 1890 and 1891. In 1879 Germany's silver sales were suspended. If the German policy had really been the only cause of the depreciation of silver, undoubtedly "rehabilitation" of the price of silver ought to have been the necessary effect of the suspension of these also. The government prophesied at that time that foreign countries would bless Germany for being forever freed from the nightmare of these silver sales which had vexed the world for six years. Nevertheless, between 1880 and 1890, the price of silver continued to fall, and the production to increase enormously, while the efforts of the bimetallist remained fruitless.

But as facts began to refute bimetallism, the agitation became more passionate. In 1880, Dr. Arenot, by far, at best, of the German bimetallists, published his work on "*Vertrags-mässige Doppelwährung.*" His proposals found many adherents, especially among the feudal landlords of the East of Germany. They are suffering severely from the agricultural competition of America and Russia, and they are convinced that it is the first duty of the German policy to protect them against the consequences of the adverse international conjuncture. The duties on the importation of corn, the protection accorded to the sugar and spirits industries did not satisfy them; they continued to complain of their losses and debts. Now they hope that bimetallism will cause an inflation of prices and permit them

* *Op. cit.*, p. 122.

to pay off their debts with debased silver currency. These bimetallist landlords are of opinion that the fall of prices since 1873 is caused by the scarcity of gold, and although Professors Nasse and Lexis and many other authorities in political economy have clearly demonstrated this theory to be wrong, it is repeated in popular pamphlets with a remarkable tenacity.

Recently, the feudal bimetallists have been reinforced by the antisemitic movement. It is accepted by most antisemites as an incontestable truth that the gold standard is the Jewish standard, while bimetallism is held to have an especial good Christian character. Foreigners cannot conceive how difficult it is to refute such war-cries in Germany, of which the above cited is the worst. It is true, Dr. Bamberger, a Jew with an honest and unselfish character such as few politicians anywhere possess, had rendered special services as member of the Reichstag to the success of the German Mint Reform. But not only would bimetallism do the Jews no damage, who are very quick in profiting by every revolution of prices, and would certainly be sure to profit by an artificial inflation of prices; but it is not true that bimetallism has a specific Christian character. The Rothschilds and other leaders of the international Jewish financial operations have sympathized since decades with bimetallism. It was a Jewish banker of Berlin connected with the Rothschilds, who gave Prince Bismarck the bad counsel to suspend the silver sales in 1879, because he then believed in bimetallism. There are, moreover, many persons of Jewish origin and Jewish confession among the prominent foreign and German bimetallists. This combination of the antisemitic and the bimetallist movement in Germany is all humbug, but not without its effect upon some classes of the German voters, viz., the minor artisans and shopkeepers and the poorer peasants. The industrial workmen, on the contrary, as far as they are guided by social democracy, are opposed to both these movements. In the

same way the great majority of the manufacturers and the official representatives of German commerce protest emphatically against the monetary projects of the agrarian hotspurs. But it cannot be denied that as yet the technical fitness of monometallists for agitation is not quite adequate to the fairness of their cause. Bimetallists are more energetic in this respect.

One of the reasons which explain the present relative indifference of the German monometallists is their strong belief that the government takes their part. But is this really true? What has been the actual policy of the government during the past fifteen years? The German government did not take part at all in the international monetary conference of 1878. In 1882 it made, in principle, some concessions to the bimetallist party. The German delegate laid it down as a principle that "the rehabilitation of silver was desirable, and was attainable if some of the most populous states which were represented at that time in the conference permitted free silver coinage once more, and agreed on a certain ratio of value between gold and silver."

It is to be deeply regretted that, in 1882, such a statement, which could not but encourage bimetallists, was made by the German government. But it must be added that the practical concessions offered on that occasion by the German delegate were not at all of such a far-reaching character as the principle above stated. Since this time, however, the government has postponed bimetallism. The great bulk of the thalers remained in circulation, a standard coin decreasing daily in intrinsic value. But some small amounts of silver were gradually sold.*

* Here it must be observed that, in the matter of the thalers, Germany has had experience which may definitively deter her from any monetary union with other states. About seventy millions of the estimated 440 million marks circulating in the form of thaler pieces in Germany were not coined by German states, but by the Austrian government. The monetary treaty of 1857 provided for the circulation, as legal tender in Germany, of the Austrian thalers coined between 1857 and 1867. In consequence of the chronic depreciation of the Austrian paper currency since 1859, nearly all the Austrian thalers found their way to Germany. They were

Many Germans who are inclined to be sanguine expected in 1890 that the Sherman bill would produce a rehabilitation of silver. The failure of the American silver experiments, however, has made a deep impression on all those German authorities who, although not radical adversaries of bimetalism, nor in any sense partisans, are uninterested observers of the development.

The attack which the bimetallists recently attempted upon the German government because it declared at the Brussels Conference that it did not sympathize with bimetalism must be regarded as a failure, so far as the Reichstag at least is concerned. The gold standard party cannot, however, find any permanent support in a simple reliance on the personal convictions of the now leading members of the government. Our political development is subject to serious crises, and sudden changes of ministers are not rare. The only thing upon which we can rely is the conviction that no government will be able in the long run to carry through measures which are opposed to the prevailing interests of the majority of our population. So our inquiry must lastly take up the question: Which monetary system corresponds to the prevailing interests of the German population?

III. CONCLUSION.

It cannot be denied that Germany also suffers, although less than other countries, by reason of the fall in the price of silver. This effect is felt in three ways:

First, Germany is a silver-producing country. Its silver production in 1890 amounted to 402.9 millions, *i. e.*, ten per cent of the world's production. But the greatest

no burden to Germany so long as the silver price were 60 13-16ths d. per oz. st. Now, however, since the fall in the price of silver, it had become a serious subject of controversy whether the Austrian or the German government should bear the loss resulting therefrom. In 1892 this question was settled between the two empires. Austria takes back only one-third of the thalers. Germany, in consequence of this convention, will bear a loss due to the Austrian thalers estimated by Dr. Soetbeer at nineteen or twenty million marks (Cf. Soetbeer *op. cit.*, p. 306).

part of this was not smelted from German, but from foreign ores. So German mines are much less interested in the question than would at first appear. It is the less possible to justify dangerous financial experiments in the interest of our mines, since a very considerable part of these silver mines are nationalized.

Secondly, the intrinsic value of Germany's silver currency, thalers and subsidiary coins has diminished by more than thirty-seven per cent, since the price of silver has fallen from 180 to 112 mk. per kg. This loss is permanently increasing, but it is concealed to the public, because the silver money is over-valued, and by law gold coin may be obtained without difficulty for silver. No doubt, this situation will require some reform in the coming years, but this reform would be very difficult, if the re-establishment of the old price of silver was the only way.

Thirdly, Germany's foreign trade is not restricted to countries which maintain the gold standard, but extends also to countries employing the silver standard. The exports from Germany to these countries must become less profitable in consequence of the fall in the price of silver, the imports from these countries to Germany must be stimulated by the same cause. This theme is very often treated by bimetallists. But the importance of the question to Germany is frequently exaggerated. The total value of the imported goods in 1890 was 4273 million marks, the value of the exports 3410 millions. Now, the imports from India, China, Mexico, the chief countries of the silver standard, amounted only to 3.5 per cent of the value of the whole imports; the exports to those countries amounted to only 2.2 per cent of the whole German exports sent to countries whose currency is either the single gold standard or whose rate of exchange, at least, up to this time, is maintained at the gold par, viz., the Latin Union, the United States, etc.

In contrast with this the trade from and to South America, Russia and Austria is, of course, eminently influenced

by the currency question. Austria-Hungary and Russia, in 1890, imported together 26.7 per cent of the whole value of the German importation. There can be no doubt that an unfavorable quotation of the florin or of the rubel very often has stimulated the imports to Germany in an unsound way : but the check against those influences will never be bimetallism. As long as Austria and Russia do not withdraw their excessive paper currency from circulation, we cannot protect ourselves by any monetary system against the effects of the fluctuations of the foreign paper currencies. The only radical way would be to issue in Germany, in the same way as in Russia or Austria, an excessive paper currency which would hardly be deemed a sound policy. To this must be added the fact that of these countries, one, Austria-Hungary, is now preparing to make payments in gold, while Russia has shown clearly its design not on any account to adopt the silver standard.

The result of our survey is that Germany would derive some advantage if a universal rehabilitation of silver should be carried out, but that its interests are not so urgent as to justify any dangerous experiments.

I cannot conclude this sketch without expressing my own opinion on the chances of the international endeavors to raise the price of silver or to maintain it on any artificial level. I am far from asserting that such endeavors must be absolutely without success. But I am in accord with Thomas Haupt in the following opinion : Every time when it has been possible to maintain by trusts or by other artificial means the price of any commodity, it has been an indispensable condition of success that over-production should be avoided. So it will never be sufficient to organize the consumption of silver, *i. e.*, to create an artificial demand for more silver for coinage purposes by universal bimetallism. If it is not possible to organize simultaneously all the silver producers of the world, so as to adjust the whole of their production to the demand, all these efforts of international

bimetallism—whether England be a member of the union or not—must be in vain. Now, finding that the silver producers themselves deny, up to this time, the possibility of an international organization of the producers, I do not see how the states, as consumers, can expect to regulate the demand, if the producers throughout the world are not able to organize themselves so far as the supply is concerned. As long as the producers of silver do not voluntarily limit production, but, on the contrary, continue to augment the annual output and to produce year by year at a less cost, in consequence of technical improvements, the artificial creation of an official demand for silver coins can only have the effect of retarding, but not preventing, the inevitable crisis : which will be either the definite and complete dethronement of silver as a standard metal, or the re-establishment of the price of silver after a general collapse of those mines whose production is not wanted in the world's market.

The most probable thing for the next few years is a further fall in the price of silver : hence every proposal to coin silver ought to be regarded from the German standpoint as an invitation to invest the money of our tax-payers in shares which are continually falling. This is very bad business policy in public as well as in private affairs.

But these considerations are not the most prominent ones in Germany, for, according to the Prussian tradition, the military interest is the predominating influence in our policy. What are then the demands of the military interest? Each of the great nations which are preparing for the next war, France, Germany, Russia, are anxiously collecting a great fund of gold coin in the vaults of their central banks. In the next war both Germany and France may be forced to borrow enormous sums of gold coin from their central banks, and to suspend the specie payment of bank-notes during the time of war ; then it will be of the greatest importance to have an established standard of value, which is everywhere accepted without artificial international

measures. The next war will cost enormous quantities of blood and enormous quantities of money. But the war money will certainly be gold. Since gold is the war standard, Germany and France, too, will prepare their standards in view of the coming crisis as they are preparing guns, powder and soldiers. This is not a political argument of high ethical value, but it is a forcible one for our present policy.

WALTHER LOTZ.

University of Munich.