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INTRODUCTION

In the final decade of the nineteenth century, Americans were riven by an argument. The argument concerned the nature of money. The question itself, the nature of money, is multifaceted, but an argument is experienced as two-sided. The basic conflict was between advocates of gold and silver: the former clinging to the gold standard, the latter agitating for bimetallism and the free coinage of silver. The two sides conducted the argument in two interrelated languages: politics and economics. Law was a central component for each. Looking back with the perspective of an intervening century, it is tempting to ask who had the better argument, who was right, who understood more deeply the phenomenon of monetary circulation. But indulging that temptation would enact an assumption, according to which an argument is a contest of fact finding and reason, an exercise in discovery of an existing truth. Of course, it is that, but it is more as well. Such an assumption denies the generative power, the worldmaking force, of argumentation and political discourse. And so, there is another way to follow an argument, to track its productive effects.

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There were winners and losers, but the argument was not settled intellectually. Indeed, winning the argument, or so I will claim, meant shifting the ground upon which the argument could be carried forward; the new ground would become the frame for a new discourse of money. In telling the story of an argument, there is always a temptation to intervene, to say who was right, to intellectualize the argument and interject today's science. But for the most part, I would like to trace the argument otherwise, highlighting the way the conflict laid the groundwork for a wholly different politics of money and a new role for economic science and monetary expertise.

Before engaging the argument over the nature of money directly, it seems necessary to account, at least provisionally, for how such an argument could become the central focus of political conflict. We are accustomed to imagining that political conflict revolves around the distribution of resources in society, where resources are conceptualized capaciously, including not only material goods, but also symbolic goods and somewhat more amorphous conceptions like power. Groups, under this conception, struggle over material and nonmaterial interests. So it seems natural to see capital in a struggle with labor over the surplus generated by production; sectional interests famously divide the United States (typically, West and South versus Northeast); groups engaged in different modes of production (agriculture vs. manufacturing) struggle for economic arrangements to their advantage. Thus, for instance, it seems perfectly natural along such lines to understand the tariff as a political issue. At the same time, we are also accustomed to the idea that some issues (at certain times) only mask (and sometimes thinly) the underlying political interests motivating the conflict. For example, we have grown up with the idea that the conflict over federalism and states' rights was (at least for certain periods of U.S. history) a cover for the issue of race.[1]

But the nature of money? The backing of the currency? At first glance, these appear an odd focus for political conflict. For those not steeped in the discussion, it must seem strange that such a question could form the heart of a struggle. One way to answer this puzzlement is to translate the money question into familiar political divisions and some of the best analyses of the politics of the conflict have done just that, arguing that gold favored the industrial East over the agricultural West and South.[2] But that understanding does not account for the transition in politics itself, through which money disappears as a central issue experienced politically. This article sets out to explain that disappearance, the vanishing of the experience of money as a political issue. It thus assumes that we know the outcome: gold and silver advocates fought an extended battle culminating in the presidential election of 1896. Gold advocates won the election, and within a

1. *See* EDWARD A. PURCELL, ORIGINALISM, FEDERALISM, AND THE AMERICAN CONSTITUTIONAL ENTERPRISE 61–62 (2007).

2. RICHARD FRANKLIN BENSEL, THE POLITICAL ECONOMY OF AMERICAN INDUSTRIALIZATION, 1877–1900, at 355 (2000).

congressional term the money issue had finally quieted down, almost completely. In 1900, Congress passed the Gold Standard Act with nothing of the energy that drove the "battle of the standards," and within a decade the money question had been reduced to a discussion of banking reform. It was as important as ever economically, but quiet, if not dead, politically. The question for this article is how that happened: What created the conditions of possibility for taking money off the political table?

The answer, I will suggest, has a great deal to do with law and, in particular, with the role political actors ascribe to the law in their social arrangements. To preface the argument, imagine two radically opposed views about the role of law. According to one view, law is the means through which government directs its own officers and its citizens: legislation winds the machinery of government and sets it in motion. A community, through its representatives, creates its social arrangements, implements its ideals by legislating, and then executes them through the agencies of government. According to another view, law is a set of nearly untouchable norms that serve as the background for free individual action. Government indeed has a role to play, according to this view, but only in vindicating rights that precede its intervention into the relations among individuals. Legislation, in this view, is a secondary and marginal issue, meant to fine tune when problems of administration arise: the basics of *law* are custom created, tradition bound, and precedent preserved. These views of law are familiar enough to students of jurisprudence as well as to political philosophers. But it is rarely, if ever, suggested that the battle of the standards in the 1890s was a contest of jurisprudence.[3] In essence, I will argue that both the political and the economic disputes of the period were actually engaged in a conflict over the nature of law, and that the results of that jurisprudential battle shifted the ground of economic and political discourse for decades to come.

I. BACKGROUND

This section lays out a minimalist picture of the background to the argument over money. The goal here is not to canvass a significant literature on the period, but rather to offer just enough context to make the argument to follow intelligible. In particular, I will point to why the 1890s and especially the period between 1893 and 1897 was a bad time for many people in the United States. The key to these bad times was the price decline afflicting industrialized economies including the United States from the early 1870s through the 1890s. And the focal point for

3. A very recent work that comes close to this argument is GERARD N. MAGLIOCCA, THE TRAGEDY OF WILLIAM JENNINGS BRYAN (2011). Magliocca's engaging new book argues that Bryan's constitutional vision was so threatening to established forces that the specter of his success unified and strengthened the opposition to populism and the unified opposition successfully blocked reform for decades. However, Magliocca's treatment of Bryan and populism is nearly silent on the money question.

dealing with price declines was the money question.

It was a bad time to be a farmer. Prices of agricultural products had plummeted since their post-Civil War highs. Wheat saw a peak of nearly $3.00 a bushel in 1866, sold for $1.40 a bushel in 1875, and was down to $0.56 a bushel in 1894. Corn went from $0.46 a bushel in the early 1870s to $0.10 a bushel in 1890, half its production cost—so low that it was apparently often used for fuel rather than sold. Cotton lost half its 1870s value by the early 1890s. Declining agricultural prices resulted from increased farm acreage in production (made possible by extensive growth in railroads), and increased competition from abroad. But the farmers' taxes and their mortgages were payable in nominally constant dollars. "The farmers were trapped by debt and market glut."[4]

It was a bad time to be a laborer. Wages had not dropped along with prices from 1873 to 1892, but from 1892 until past the end of the depression in 1898 wages declined significantly. Worse than that, unemployment skyrocketed, reaching close to a fifth of the urban workforce in 1893 and 1894; it was still at about fifteen percent in 1896.[5] The threat of losing a job or having wages forced down was palpable, and the situation exacerbated labor strife that had been prevalent since the mid-1880s and had increasingly been met with organized violence, whether from the state or private capitalist armies. The failure of the massive Pullman railway strike, the upholding of Eugene Debs's contempt conviction, and injunctions to bar strikes were sources of demoralization at the least.[6] Even if you weren't a labor organizer, it was also a difficult time to be a progressive reformer. The Sherman Antitrust Act of 1890 and the Income Tax Act of 1894 were progressive victories. But the joy was short-lived, as the Supreme Court took the teeth out of the former and invalidated the latter.[7]

Perhaps less predictably, it was also a fairly bad time to be a capitalist. Manufacturing productivity growth was close to flat from 1884 to 1894, while wages held steady in nominal terms (rising in real terms, because prices were declining) for most of that period. With real wages rising faster than productivity, profits were shrinking. Competition was intense, and if his business was funded through debt, an entrepreneur faced difficulties analogous to those facing the

4. DOUGLAS W. STEEPLES & DAVID O. WHITTEN, DEMOCRACY IN DESPERATION: THE DEPRESSION OF 1893, at 16 (1998); *see also* MARGARET G. MYERS, A FINANCIAL HISTORY OF THE UNITED STATES 198 (1970).

5. *See* CHARLES HOFFMANN, THE DEPRESSION OF THE NINETIES: AN ECONOMIC HISTORY 108–10 (1970); *see also* STEEPLES & WHITTEN, *supra* note 4, at 50.

6. For an account of the defeat of the strikes, see H. W. BRANDS, THE RECKLESS DECADE: AMERICA IN THE 1890S, at 140–60 (2002).

7. On the Supreme Court in antitrust, see MORTON J. HORWITZ, THE TRANSFORMATION OF AMERICAN LAW, 1870–1960: THE CRISIS OF LEGAL ORTHODOXY (1992). On the income tax, see ROBERT STANLEY, DIMENSIONS OF LAW IN THE SERVICE OF ORDER: ORIGINS OF THE FEDERAL INCOME TAX, 1861–1913 (1993). For an inclusive account of Supreme Court intervention, see MAGLIOCCA, *supra* note 3, at 69–97.

farmer: prices of output declined precipitously, while fixed payments were payable in nominal, constant dollars. James Livingston has argued that capitalists had "good reason to fear the future," because "capital's share of national income was declining as real costs for new fixed capital were rising," and the capitalists did not yet have the "idiom in which to explain or legitimate their unilateral control of production and so to make effective their claim to a reasonable share of national income." In other words, capitalists were not only searching for ways to avoid competition and squeeze more out of their workers, they were looking for a language in which to justify their authority.[8]

So the question arises, was anyone thriving? The answer is that aside from people with steady jobs and fixed wages (perhaps government employees), there was one significant group doing well: holders of government bonds. And among the most significant bondholders were the national banks.[9] National banks, organized through the Banking Act of 1863, were permitted to issue notes valued at up to ninety percent of their government bond holdings. Thus, if a national bank wanted to issue notes as part of its business, it was required to hold bonds. Selling originally at par, the bonds turned out to be excellent investments. In general, creditors who had solvent debtors enjoyed the steady appreciation of the dollar. But that steady appreciation was a significant complicating factor in handling the money supply.

The money supply and its complicated relationship to the gold standard require a brief independent explanation. Legislative attempts to take the United States off the gold standard during the 1880s were unsuccessful, but not for a lack of persistence. "The only factor that prevented the United States from switching from gold to silver or paper currency as the monetary standard was the unflinching position of the executive branch."[10] Being "on the gold standard" meant the government stood ready to redeem its paper currency in gold. Since resumption in 1879, Treasury practice had been to maintain a gold reserve of at least $100 million in order to be able to redeem outstanding greenbacks when necessary. Gold came into the Treasury either when the government sold bonds, or when people paid customs duties. The gold standard thus imposed a measure of discipline on the federal budget: temporary deficits could be offset by bond issues, but a weakening of revenues (because of a decline in intake from the tariff) or an increase in expenditures could threaten the Treasury's ability to maintain adequate reserves. In 1890, silver agitation failed to rescind the gold standard, but succeeded in passing the Sherman Silver Purchase Act which compelled the government to buy over four million ounces of silver monthly. The purchases themselves exerted some pressure on the Treasury by increasing spending; but

8. JAMES LIVINGSTON, ORIGINS OF THE FEDERAL RESERVE SYSTEM 36–48 (1986).
9. BENSEL, *supra* note 2, at 371.
10. *Id.*

much more importantly, the policy created uncertainty about whether the United States would eventually leave the gold standard altogether. That uncertainty made investors nervous and was apparently one factor leading many foreign investors to withdraw capital from the United States in the early 1890s.[11]

A weak trade situation, declining revenues from the tariff, and jittery investors pulling out their gold resulted in repeated threats to the Treasury reserve through the early 1890s. When the Panic of 1893 broke out, President Grover Cleveland believed he could stem it by restoring confidence through a repeal of the Sherman Silver Purchase Act. He called a special summer session of Congress, and eventually succeeded in repealing the Act in November. However, within a year the gold reserve was again sinking critically, dipping to sixty-eight million dollars in mid-January 1895, and to forty-five million dollars by the end of the month. Cleveland failed to secure authorization for a new bond issue, and finally turned to a private syndicate led by J.P. Morgan, which arranged for a placement of bonds with a guarantee that the gold to purchase them would come from abroad, and would stay in the United States.[12] The syndicated bond issue succeeded in bolstering the Treasury reserve, but created an absolute storm politically, with heated charges of the corrupting influence of banking on governance. Cleveland had saved the gold standard, but had practically guaranteed that it would be the focal point of politics for the coming election year.

II. ARGUMENT

There is no single contemporary source from which we could glean a comprehensive picture of the argument over money in the 1890s. Indeed, because the focus of my inquiry is on the discursive field, any contemporary analysis of the money question is not only a description of the field, but also an element of the field itself. No source can be trusted for its own self-representation, which is always part of framing the field. Therefore, what follows is necessarily synthetic, and because it attempts analytical reconstruction, it will necessarily be partial. The reconstruction offered here opens with the most direct political discourse over gold and silver as standards and moves to economic treatment of the more abstract questions of the structure of the money supply and the relationship between money and credit.

A. Politicking Silver and Gold, or, Of Direct Political Discourse

The advantage in pursuing what I will call *direct political discourse* is that it affords (with blinding clarity, one might say) a view of the conflict as starkly

11. *See id.* at 408; MILTON FRIEDMAN & ANNA SCHWARTZ, A MONETARY HISTORY OF THE UNITED STATES, 1867–1960, at 104–19 (1963).

12. For a detailed and dramatic account of the syndicate, including the questionable legal basis for a private placement of government debt, see J.S. STROUSE, MORGAN: AMERICAN FINANCIER 340–45 (1999).

contradictory. Sophistication and nuance of argument may blur battle lines but direct political discourse suffers no cloudiness. Indeed, it is difficult to read much of political literature of the time, whether in books, pamphlets, political speeches, newspapers, or journals devoted to politics (or more specifically to the politics of money), without a sense that the protagonists are talking past one another. The tone often appears geared more toward rallying the faithful than toward convincing the opposition. Occasionally, an editor might pull together contributions from a range of writers in an attempt at "a fair presentation of both sides of the questions at issue," with the hope that "every reader who seeks to know what is the right solution of the problem that meets him, rather than the mere fortifying of himself in an opinion previously formed, [may find] here the material wherewith to form an opinion that he may defend, from full and careful study of all opposing views."[13] But as a general matter, publishers and editors had scant interest in impartiality: the politics of publication seemed no less touched by partisanship than the politics of money. The content of this discourse is repetitive, and the major arguments on each side tend to mirror each other in rough parallels.

To recall, the position of silver advocates was that the United States should return to a policy of bimetallism, conducted by free minting of gold and silver with the dollar unit returning to its traditional valuation of 412½ grains of standard (or 371¼ grains pure) silver to the dollar, holding the ratio of sixteen to one vis-à-vis gold. Direct political discourse fixated on this salient focal point, discussing the reasons for moving to free coinage and the likely results thereof, rather than the question of the ratio itself (e.g. why not eighteen to one or twenty-two or thirty to one).[14] Though the argument included hundreds of participants and ranged over thousands of printed pages, five basic paired arguments recurred with overwhelming frequency and give the basic sense of how direct political debate proceeded.

1. Tradition Versus Evolution

The first argument pair is almost purely about the rhetorical association of the particular metals. Silver advocates repeated that silver was the money of tradition, the dollar of the founding fathers, everyday money for the common people; gold advocates claimed that gold was the evolutionary choice for advanced economies. No one assumed that the very mention of patriotism and the founders would do the work of convincing the critics of silver, and at times the mention of

13. SILVER AND GOLD, OR, BOTH SIDES OF THE SHIELD 6–7 (Trumbull White ed., Phila., Publisher's Union 1895).

14. There were exceptions, especially before 1893, when discussion of free coinage at a ratio other than 16 to 1 was not uncommon. *See, e.g.*, JAMES GILLESPIE BLAINE, BLAINE AGAINST FREE COINAGE AT 16-1: SPEECH OF HON. JAMES G. BLAINE, OF MAINE, IN THE SENATE OF THE UNITED STATES, FEBRUARY 7TH, 1878 (D.C., n. pub. 1896) (advocating, in 1878, free coinage at a higher ratio).

tradition seemed to be merely a gesture toward respectability.[15] On the other hand, the rhetorical power of association with the founding fathers was strong enough for gold advocates to respond, either by challenging the relevance of tradition,[16] or by trying to turn the tradition in their favor. Thus, gold advocates sometimes claimed that the true meaning of the adoption of silver and the silver-gold ratio by the founding fathers was that they were committed to market driven currency.[17] The patriotic appeal of silver also came through in claims that the gold standard was a plot by the British to reestablish control over its former colonies. Perhaps the most direct articulation of this charge came in the Democratic Party Platform of 1896:

> We are unalterably opposed to monometallism, which has locked fast the prosperity of an industrial people in the paralysis of hard times. Gold monometallism is a British policy, and its adoption has brought other nations into financial servitude to London. It is not only un-American, but anti-American, and it can be fastened on the United States only by the stifling of that spirit and love of liberty which proclaimed our political independence in 1776 and won it in the War of the Revolution.[18]

Gold advocates argued by rhetorical association with no less flourish. For them, the positive association was with evolution, advancement, and civilization. The claim was that gold was the choice of commercial experience, being an evolutionary advance from a more primitive stage of civilization that relied on silver. Supporters of the gold standard regularly grouped the silver nations together as primitive, while holding up the example of Germany and England as models of advanced civilization. A substantial quotation offers the feel of prevalent rhetoric:

> For nearly twenty years every enlightened nation in the world has been on a gold-standard basis. They are all representative governments and

15. *See, e.g.*, PETER MARIE, OUGHT WE TO REMONETIZE SILVER? 23–25 (n.p., n. pub. 1878).

16. For the refutation that tradition should be a basis for policy, see JOSEPH WEEKS BABCOCK, THREE EVENINGS WITH SILVER AND MONEY: A TALK OF FOUR NEIGHBOURS ABOUT MONEY AND SILVER. FROM THE REMARKS OF JOS. W. BABCOCK OF WISCONSIN IN THE HOUSE OF REPRESENTATIVES, JUNE 8, 1896, at 7 (D.C., n. pub. 1896); NELSON DINGLEY, THE TREASURY CONDITION—16 TO 1 FREE SILVER: SPEECH OF HON. NELSON DINDLEY, JR. OF MAINE IN THE HOUSE OF REPRESENTATIVES, FEBRUARY 5, 1896, at 14 (D.C., n. pub. 1896); DAVID JAYNE HILL, A PRIMER OF FINANCE 29 (N.Y.C., The Nat'l Republican Exec. Comm. 1896); *see also* John R. Procter, *The Dollar of the Fathers*, 1 PRESENT PROBS., Oct. 1896.

17. *See, e.g.*, THEO C. KNAUFF, THE PEOPLE'S FRIEND?: AN ADDRESS DELIVERED AT MEADVILLE, PA, OCTOBER 20, 1896, OPPOSING THE RE-ELECTION OF HON. JOS. C. SIBLEY TO CONGRESS BY THEO C. KNAUFF, REPRESENTING THE SOUND MONEY LEAGUE OF PENNSYLVANIA 28 (n.p., n. pub. 1896); ROWLAND HAZARD, ADDRESS DELIVERED AT THE TWENTY-SECOND ANNUAL FAIR OF THE WASHINGTON COUNTY AGRICULTURAL SOCIETY, SEPTEMBER 16TH, 1896, at 16 (Wakefield, R.I., D. Gillies' Sons, Times Print 1896).

18. John T. Wolley & Gerhard Peters, *Democratic Party Platform of 1896*, THE AMERICAN PRESIDENCY PROJECT, http://www.presidency.ucsb.edu/ws/index.php?pid=29586 (last visited Feb. 1, 2012).

> their laws are made by their people and for their people. The government which first established the gold standard is more obedient to the will of its people than ours is. . . . The gold standard nations are those that have reclaimed the world from barbarians, and have given it all its learning and invention; where schools and churches abound; where the dignity of man is maintained and labor properly rewarded; and they control the commerce of the world.
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> These nations, after testing gold and silver for hundreds of years, voluntarily adopted the gold standard. No nation to-day has the silver standard from choice. It is only because they are weak and helpless to remedy the evil that any of them remain on a silver basis. But to-day the United States, the foremost nation in all the earth in solvency and resources, in intelligence and energy, is seriously invited to abandon the standard of civilization and commerce and to consort with half-civilized, half-clad people, who are weak and ignorant; who have little or no commerce; where bull-fights abound and schools do not; where human labor is in sharp competition with the meek and lowly jackass; where breech-clout is preferred to a full suit, and where the bulk of the people know no more about a standard of value than a mule does about the nebular hypothesis. Surely we would do well to look at the company before we sit down to the feast.[19]

And when the mood shifted away from righteous anger and disdain for the opposition, gold rhetoric could stray to the Panglossian:

> We have the best standard of value which exists. We have built upon it our great financial and commercial system. If any section of our country believes it can change this standard and destroy this system without injury to itself it makes a terrible mistake. The mere threat of a change of standard has deprived tens of thousands of workers of their wages. This standard of value, this gold standard, has come down to us from our fathers. It is the outgrowth of experience. Nation after nation has adopted it, until all the great civilized nations are gold standard nations. They have done this because gold is better than silver for the purposes of standard money. To go back to silver would hinder the onward march of civilization.[20]

19. DONELSON CAFFERY, ALDREDGE ON FREE COINAGE OF SILVER: FROM REMARKS OF HON. DONELSON CAFFERY OF LOUISIANA IN THE SENATE OF THE UNITED STATES, FRIDAY, JANUARY 30, 1896, at 3 (D.C., n. pub. 1896). Silver advocates were capable of similar rhetoric of association, even to the extent of racializing the metals, as William Harvey, famed author of *Coin's Financial School*, stated: "We would place the white metal on an equal footing with the colored metal without regard to previous condition of race or servitude." William Harvey & J. Laurence Laughlin, *The Harvey-Laughlin Debate*, *in* SILVER AND GOLD, OR, BOTH SIDES OF THE SHIELD, *supra* note 13, at 33.

20. HAZARD, *supra* note 17, at 16. Or elsewhere, in a similar vein: "Because it is the metal whose value has been found to be the most steady, gold is the only possible standard in a civilized country." C. STUART PATTERSON, A CURRENCY CATECHISM 7 (Phila., Sound Money League of

2. More Money or Stronger?

The most pragmatic aspect of direct political discourse over the standard was the question of whether more plentiful money, or money with stronger purchasing power, was in the best interests of the populace. One economic historian summed up popular feeling thus: "To the farmers and the workers whose incomes were falling either absolutely or relatively in these years it seemed self-evident that what was needed was more money."[21] I will return to this claim in more detail when examining economists' arguments over the money supply, but for now a brief explanation should suffice. For moderns, the idea that "more money" (in the system, as opposed to in an individual's pocket) would spell relief for victims of hard economic times is far from intuitive, and yet to the late nineteenth-century observer the argument was quite straightforward. The amount of money in circulation determines prices, and a decline of prices dampens the impulse to invest in productive enterprise and leads instead to hoarding. As Senator Stewart of Nevada put the point:

> The decline of prices has been so serious, as to induce prudent men to go short on property, by declining to engage in new enterprises, and by converting their property into money futures. Enforced idleness, produced by the enhancement of the value of gold, or what is the same thing, the fall of prices, has withdrawn the progressive and the ambitious from productive undertakings, and has led them to seek wealth by investment in money futures.[22]

Senator Jones of Arkansas, who would eventually chair the Democratic National Committee and head Bryan's campaign made a similar argument, emphasizing the idea that falling prices were the result of a lack of money brought on by the demonetization of silver. Decreasing the quantity of "redemption money" brings on a decline in prices, and the decline in prices results in capital resting idly in banks: "The large amounts of idle capital now in the banks means stagnation in business. Money cannot find profitable employment."[23]

Pennsylvania 1896).

21. MYERS, *supra* note 4, at 199. She continues: "It is so clearly a matter of common sense that more money is good for the individual that it seems to follow as a matter of logic that more currency is good for the country." *Id.*

22. William M. Stewart, *The Science of Money*, *in* SILVER AND GOLD, OR, BOTH SIDES OF THE SHIELD, *supra* note 13, at 233.

23. *Senator Jones at Malvern: He Makes an Able Argument for the Free Coinage of Silver*, THE COM. APPEAL (Memphis), June 30, 1895, at 1. Charles Crisp, who was Speaker of the House of Representatives, echoed these arguments in *Speaker Crisp on Free Coinage*, WEEKLY ROCKY MOUNTAIN NEWS (Denver), Apr. 2, 1896, at 1. Or another formulation:

> It is a fact that as there is not enough gold to perform all the functions of money or to transact the business of the country, we must have some money other than gold . . . . When we increase the forms of credit in our country, we enlarge our business possibilities, and we accomplish this by increasing the amount and uses of silver money.

Morris Estee, *By Morris M. Estee of California*, *in* SILVER AND GOLD, OR, BOTH SIDES OF THE SHIELD, *supra* note 13, at 384–85.

Gold advocates countered with the claim that strong money was in the best interests of the country, and perhaps most particularly in the interests of the farmers and laborers: "*The best money is the money of greatest purchasing power*, and that money has the maximum of purchasing power which is exchangeable at par, not only in the country from whose mint it is issued, but also in the markets of the world."[24] John Carlisle, Cleveland's Treasury Secretary, was one of the most forceful advocates of this position. In a speech eventually published as delivered "Before the Workingmen of Chicago," Carlisle expounded at length on the dangers of the movement for free coinage of silver. The premise of the speech was that free coinage would bring about commercial convulsion to the extent of revolution destroying most aspects of enterprise, but the more direct threat was that workers would suffer from depreciated currency:

> Steady employment and good pay in good money are essential to the comfort and happiness of the American laborer and his wife and children, and he will be unfaithful to himself and to them if he does not insist upon the adoption and maintenance of such a policy as will most certainly preserve the value and stability of all our currency.[25]

Gold advocates apparently saw the purchasing power claim as a strong and persuasive argument, and it appears perhaps more often and more insistently than any other claim in what I have called direct political discourse.[26]

3. The Causes and Meaning of Price Decline

While a few outliers might be found, there was nearly universal agreement among contemporaries that declining prices were a central characteristic of the last third of the nineteenth century.[27] Advocates of silver and gold were divided on

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24. C. Stuart Patterson, *An Argument for the Gold Standard*, 1 PRESENT PROBS., Aug. 1896, at 5.

25. SEN. VILAS, SPEECH OF HON. JOHN G. CARLISLE BEFORE THE WORKINGMEN OF CHICAGO, S. DOC. NO. 256, at 4 (1st Sess. 1896). In a mode of argument especially attractive to politicians, Carlisle could go on to argue not only that silver coinage would depreciate the currency, but that it would also contract the currency because gold would be driven out beyond what silver could make up. *Id.* at 7–8.

26. For just a few of the many instances, see HENRY L. BEACH, THE CHICAGO TRIBUNE DISCUSSION OF THE FINANCIAL ISSUE OF THE CAMPAIGN OF 1896: ILLUSTRATED BY SELECTED CARTOONS 4–5 (n.p., n. pub. 1896); WILLIAM BOURKE COCKRAN, SPEECH OF HON. W BOURKE COCKRAN IN REPLY TO HON. W. J. BRYAN, DELIVERED AT MADISON SQUARE GARDEN, NEW YORK CITY, TUESDAY, AUGUST 18TH, 1896, at 9 (n.p., n. pub. 1896); JOHN S. HANSON, THE FARMER'S DOLLAR 4 (N.Y.C, n. pub. 1896); HILL, *supra* note 16, at 24; JOHN IRELAND, DANGER TO THE COUNTRY 6–7 (n.p., n. pub. 1896); J. EDWARD SIMMONS, THE FREE AND UNLIMITED COINAGE OF SILVER 12 (n.p., n. pub. 1896); JAMES THOMPSON MCCLEARY, MCCLEARY ON SILVER AND GOLD, WAGES AND PRICES: HISTORY, SCIENCE, AND COMMON SENSE ALL ARGUE FOR HONEST MONEY, EXTRACT FROM THE SPEECH OF HON. J. T. MCCLEARY OF MINNESOTA IN THE HOUSE OF REPRESENTATIVES, WASHINGTON, D.C., 1896, at 13 (n.p., n. pub. 1896); H. WALLERSTEIN, PLAIN TALK FROM A PLAIN MAN 9 (n.p., n. pub. 1896); INFLUENCE OF FREE SILVER ON THE WAGES OF WORKING PEOPLE AND FIXED INCOMES 10–11 (n.p., n. pub. 1896).

27. That agreement is borne out by subsequent historical research. *See supra* text accompanying notes 5–9. For an outlier (but a slightly complex one), see Simon Newcomb, *Has the*

both the cause of the long term price decline and its evaluation. Silver advocates saw the decline of prices (especially farm prices) as a threat to the basic ability to earn a livelihood and as a root cause of rising unemployment. The intuitive appeal of this argument for agricultural producers apparently supplied much of the fuel for populist support of silver. For farmers, it was clear that price declines were a fundamental danger: their taxes and especially their debt payments were fixed in advance (in particular, mortgages), holding to nominal dollars; their incomes, on the other hand, plummeted with the crashing prices of wheat, cotton, and other agricultural staples. They attributed the price decline first and foremost to the monetary system, and in particular to the demonetization of silver in what they called "the crime of 1873."[28]

Gold advocates wrote about price declines as if dealing with a completely different phenomenon. In terms of causation, they denied the influence of demonetization and saw the decline in prices as driven by technological advances that affected the real economy: increased acreage of farmed land; better transportation (which both increased available acreage and allowed products to compete from greater distances); and especially increased productivity resulting from mechanization and industrialization.[29] In evaluating the significance of price declines, gold advocates typically presented price declines from the perspective of consumers, rather than producers, arguing that as a result of the decline in prices, "people whose earnings are small can now enjoy comforts such as never before in

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Standard Gold Dollar Appreciated?, 1 J. POL. ECON. 503, 510 (1893) ("My conclusion is that the doctrine so widely and industriously disseminated, that our standard gold dollar has increased in value during the past twenty years, will not stand examination, when tested by any equitable standard, and that, as a matter of fact, it has rather depreciated.").

28. William "Coin" Harvey's articulation of the conspiracy theory regarding the demonetization of silver was not the first, but was the most popular. WILLIAM HOPE HARVEY, COIN'S FINANCIAL SCHOOL 15–17 (Chi., Coin Publ'g Co. 1894). Though Harvey was not the origin of the conspiracy theory, his popularity was enough to lead Richard Hofstadter to focus on Harvey when characterizing silver populists as emblematic of the paranoid style. RICHARD HOFSTADTER, THE PARANOID STYLE IN AMERICAN POLITICS, AND OTHER ESSAYS (1996). For a more virulent strain of the conspiracy argument, see O.F. BURTON, CAMPAIGN EDUCATION, 1896 (n.p., n. pub. 1896). Academic advocates of silver rejected (or ignored) the conspiracy theory, but held onto the idea that the decline in the monetary use of silver was the primary force in generating price declines throughout the gold economies. *See infra* text accompanying notes 50–59.

29. The decline in prices generally is not connected with the quantity of money. New sources of supply, better transportation, improved processes and appliances, the greater efficiency of better paid labor, have operated to reduce the cost of production. The severity of competition has reduced the margin of profit—therefore prices have fallen.

Carman Fitz Randolph, *The Free Coinage of Silver*, 1 J. POL. ECON. 25 (1893).

> [N]ot a single commodity that has notably declined in price within this time can be named, in respect to which clear, abundant and specific evidence cannot be adduced in proof that this decline has been due to decreased cost of production or distribution, or to changes in supply and demand occasioned by wholly fortuitous circumstances.

DAVID A. WELLS, BREAKERS AHEAD 6 (Jersey City, The Jersey City Printing Co. 1896). These ideas appeared often. *See, e.g.*, DELMORE ELWELL, A WALL STREET VIEW OF THE CAMPAIGN ISSUES OF 1896, at 14–16 (n.p., n. pub. 1896); MCCLEARY, *supra* note 26, at 8.

the history of the world were within their reach."[30] Indeed, some antisilver tracts of the period discussed low prices as a mark of prosperity and abundance, in seeming disregard of economic conditions that most observers described as depressed.[31] Gold advocates often claimed that while prices of most commodities had declined, wages had not, and therefore that wage earners were better off.[32]

4. Leading World Bimetallism, or Powerless in the Face of Markets?

While the previous argument dealt with silver and gold advocates' historical sensibilities, the next phase of the argument advances to their speculations about the future. In political discourse, silver advocates always presented themselves as bimetallists. They claimed that adoption of a policy of free coinage by the United States would first raise prices and bring domestic prosperity, but also that it would act as a trigger and lead other countries struggling with the gold standard back to bimetallism. The idea was that if a major economic power like the United States actually committed to free coinage of silver, the market prices of gold and silver would inevitably move toward convergence at the ratio it established between them. Because existing dollar-denominated debts could then be discharged with silver, the value of silver would inch its way toward the previous value of gold; gold in turn would inch its way down toward the previous value of silver. Thus, silver advocates did anticipate that prices would rise, but not by as much as the current difference between the market price of gold and silver.[33] But silver advocates believed that the United States would not actually be alone in (re)instituting bimetallism. They consistently claimed that European countries were wavering between gold and bimetallism, and that once the United States took leadership, continental Europe would follow.[34]

At the level of political discourse, gold advocates ridiculed the idea that establishing free coinage could lead to a new equilibrium. They were absolutely adamant that the result of free coinage would be to drive gold out of circulation,

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30. A FREE COINAGE CATECHISM 9 (n.p., n. pub. 1896).

31. GEORGE H. BAKER, GOOD AND BAD MONEY 8 (N.Y.C., n. pub. 1896); J. ANTHONY STARKE, THE TRUE SITUATION 4 (N.Y.C., C.B. Handy & Co. 1896).

32. EDWARD ATKINSON, THE COST OF BAD MONEY 16–17 (Phil., Sound Money League of Pennsylvania 1895); MCCLEARY, *supra* note 26, at 13; WHICH DO YOU WANT . . . FREE COINAGE OR SOUND MONEY? FACTS FOR WORKING PEOPLE 1 (n.p., n. pub. 1896); Edward Atkinson, *The Battle of Standards and the Fall of Prices*, 14 FORUM 143, Apr. 1895, 9–13.

33. *See* T.E. POWELL, THE BIMETALLIC LEAGUE AND THE GOLD STANDARD DEFENCE ASSOCIATION (1896). Economists who did not favor bimetallism did appreciate that theoretically a convergence of values should result from establishment of a new ratio with free coinage. Thus, Irving Fisher in a paper expressing no less than "horror" at the proposal of introducing a ratio of 15½ to 1, nonetheless states that depreciation of the currency must be the result, "though not to the extent of the original difference of value," and that with bimetallism "the metals reach a common level by mutual approach." Irving Fisher, *The Mechanics of Bimetallism*, 4 ECON. J. 527, 536 & n.3 (1894).

34. *See* W.S. WETMORE, WHY GOLD PRICES CONTINUE TO DECLINE (Shanghai, The Eastern Bimetallic League 1895).

scare away foreign capital, and bring all commerce to a gnashing halt. As already mentioned, gold advocates claimed that prices of necessities would double while wages stagnated, and though they claimed that prices would immediately rise, many also said that the actual effect of free coinage of silver would be a *contraction* of the currency because gold would either be exported or would flee into domestic hoards.[35] Scaremongering aside, gold advocates made two claims about the likely results of free coinage that succeeded in shaping a great deal of the policy discussion. The first claim was that free coinage at the ratio of sixteen to one would drive all gold out of circulation, resulting in effect in silver monometallism, an outcome all considered undesirable. The second claim (discussed below in a slightly different form), was the direct lesson to be learned from the disappearance of gold: for gold advocates, this was simply evidence of the fact that government was always powerless to affect the iron law of supply and demand, and thus impotent to influence underlying economic reality in any significant way. As one writer summed up: "[I]n inflating prices we do not advance values, but leave them to be fixed by a law which Congress cannot alter—the law of supply and demand."[36]

5. Control by People Through Government, or Discipline Through International Markets?

The most far reaching point of contention between silver and gold advocates was whether money could and ought to be controlled by government, or instead whether money was actually a channel to discipline government through international markets. For silverites, the focus on the moment of demonetization is a crucial element in their understanding of government control of money. Attention to a seemingly innocuous detail of coinage legislation that took the silver dollar off the list of standard coins was a signal that government could change the direction of economic development in a simple stroke. Thus, the true significance of the fixation on the so-called "crime of '73" lies not in the impetus to hunt for someone to blame, but rather in its demonstration that government action determined the form of money, and that money in turn shaped the economic scene more generally. Legislation, even seemingly technical and arcane legislation, was always the key ingredient in any formulation of what was going on with money.

Some observers could appreciate the issue as one of money creation proper: "The question is, who is to *create the money* with which that banking business is to

35. FRANK MERRIMAN, GOLD AND SILVER; OR, SOME OF THE ALLEGED EFFECTS OF A LEGAL RATIO (London, Simpkin, Marshall, & Co. 1896); ISAAC ROBERTS, WAGES, FIXED INCOMES AND THE FREE COINAGE OF SILVER: OR, THE DANGER INVOLVED IN THE FREE COINAGE OF SILVER AT THE RATIO OF 16 TO 1, ETC. (Phila., John Highlands 1896); WALLERSTEIN, *supra* note 26; Randolph, *supra* note 29.

36. Randolph, *supra* note 29, at 26.

be carried on—the banks *or the people, acting through their government?*"[37] Ignatius Donnelly's full discussion of the point is marvelously acute. In the framework of a fictional discussion between a gentleman farmer (Mr. Sanders) and a banker (Mr. Hutchenson), Donnelly compares money to postage stamps as notes representing the faith and credit of the nation, and explains how paper money retains acceptability through its ability to discharge tax obligations:

> [Farmer, Mr. Sanders:] "You never stop to ask the intrinsic value of the postage stamp. You know that it will carry your letter from Maine to Alaska—half around the globe. And what do you care about the intrinsic value of the $5 greenback? You know you can swap it for 500 one cent postage stamps, or you can take it to the custom house and pay $5 of duties on goods imported from abroad; or you can pay $5 of internal revenue taxes with it; or $5 of your income tax, and you know that your neighbor or your creditor will take it, not only because it is legal tender, but because he too can pay duties or taxes or purchase postage stamps or pay debts with it. It represents the consensus of resolve of 70,000,000 people."[38]

He then goes on to compare government money of this sort with bank money, as his farmer Mr. Sanders declares:

> "Your people [bankers] propose to take the faith and credit of the United States, which we chopped up into little non-interest bearing obligations of $5 or $10 each, and put it forth in the shape of larger notes, for $1,000 or $10,000 each, called "bonds," bearing interest, and you [bankers] will furnish us with the chopped chicken-feed we call money, and take your pay in the interest on the bonds. Now we think the nation can cut up its credit into small bills, without cost, just as well as a few individuals called bankers can do it at large cost to the people, whose credit and legal-tender power is at the back of the transaction in either case."
>
> "But," said Mr. Hutchinson, "the government is not fitted to go into the banking business."
>
> "Just as much," said Mr. Sanders, "as the bankers are fitted to go into the governing business."[39]

For the more self-conscious populists among silver advocates, the primacy of government in the money system was a relatively plain fact, but one hidden from the populace through mystification. The attempt to break through that mystification explains the silverite penchant for political fictions in the style of

37. IGNATIUS DONNELLY, THE AMERICAN PEOPLE'S MONEY 74 (Hyperion 1976) (1896) (emphasis added).

38. *Id.* at 72.

39. *Id.* at 73. Donnelly had a rich career as editor, essayist, political novelist, and politician. He was a greenbacker in the 1870s, and his silver advocacy in the 1890s was, as seen in the quoted passages, still inflected with a greenback position in principle.

Harvey's *Coin's Financial School* or Donnelly's *The American People's Money*.[40]

Gold advocates, in contrast, portrayed government as having a secondary role in a properly conceived money system, but a dangerous potential to upset proper conceptions. For them, government could not actually shape the monetary system, which had its basis in trade; it could, however, intervene and deform the system in the short term, leading to general disaster. In its most direct versions, this was an unveiled critique of government power generally:

> Government is the organized instrument of a people in their political capacity only, and for the accomplishment of political purposes. Trade is not a political act or matter. . . . Every relation of trade, of need and supply, of production and consumption, of possession and want, as well as every incident of the complex machinery whereby each most effectively answers the call or meets the offer of the other, is purely personal, individual, and non-political. . . .
>
> . . . .
>
> . . . [T]he government, not being in trade . . . has no natural relation to the creation of a credit currency, except to provide proper and effective legal remedies to safeguard it, and is not the proper party to issue it. Such an act is wholly foreign to its political functions of which commercial operations are no part in theory or fact. . . .
>
> Manifestly, a government cannot be an issuer of a legitimate and permanent credit currency. It can, by coinage, certify the quantity and quality of the money metals brought to it for that purpose by its citizens, and provide the proper remedies and machinery for the enforcement of the many commercial contracts made by them. These are its proper political acts respecting the commerce and business of its citizens. But it has no other natural or permanent relations with trade.[41]

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40. DONNELLY, *supra* note 37; HARVEY, *supra* note 19. Political tracts in fictional form are an entertaining and edifying segment of the period's political discourse, and they deserve separate treatment. Such works often open with a justification for pursuing education in the form of fiction. A rich example is reproduced here:

> Although money is almost as familiarly associated with our every-day life as the air we breathe and the water we drink, the laws which create and control it are considered as mysterious and incomprehensible as those which govern the universe of worlds in their eternal round through the immensity of space. Not only is the subject considered too profound for the common mind to understand, but the high priests of the Money Power have proclaimed it a political sacrilege to even contemplate the subject. There has ever been a persistent effort to complicate and mistify [sic] the financial question . . . . And all this has been done with the deliberate purpose of misleading the masses . . . . It has been done principally by the supporters of centralized governments in order that the aristocracy, the nobles and princes, might to greater advantage use the power of money to rob and enslave the people . . . . For the purpose, therefore, of simplifying and analyzing the subject, the writer has chosen the narrative style of presenting it.

S.F. NORTON, TEN MEN OF MONEY ISLAND, OR THE PRIMER OF FINANCE 7–8 (Chi., Schulte Publ'g Co. 1892).

41. Jacob L. Greene, *A Proper Paper Currency: What It Is, and Who Can Utter It*, SOUND CURRENCY, Nov. 1897, at 1–3. For a less polemical account with the same underlying message, see

Often, however, the focus for gold advocates was less on the legitimacy of government power per se, and more on the way international markets circumscribed the possibilities for wielding government power; in other words, gold advocates saw international markets as stringent disciplining devices that could not be circumvented except in the very short term and at great cost. For some this was a defensive explanation of why the United States could not institute bimetallism alone;[42] for others it was a seemingly comforting acknowledgment that commerce, rather than politics, served as the directing force for economic conditions.[43]

6. Direct Political Discourse—Closing Reflections

In reflecting more generally on the arguments and discursive style of direct political discourse over the money question, three issues deserve mention: first, the type of partisanship that characterizes the discourse; second, the assumptions about politics; and third, the historiography of evaluation of the conflict. I take these up briefly in turn.

The wide range of sources in which direct political discourse appeared in the late nineteenth century makes it dangerous to generalize about its character. And yet, there is something noteworthy about the style of partisanship typical of the discourse of money. I said at the outset that speakers often seem to be rallying the faithful rather than trying to convince opponents. However, rallying the faithful was not based, for the most part, on identifying with a particular group within the populace, unless one is ready to characterize "the people" as a group. The discourse of money was thoroughly a partisan discourse in the sense that the other side's arguments were assumed to be and treated (and possibly even ridiculed) as completely wrong, and in some sense unworthy. But one's arguments could not be presented as if they benefitted one's own group exclusively; indeed, it was a common tactic to show that the other side's arguments, while presented as generally beneficial, actually favored only one small group, typically bankers or mine owners.[44] Thus, even the most direct political discourse was almost never phrased directly as interest group advocacy; political argument, no matter how

generally *Credit Currency*, J. COMMERCE & COM. BULL. (1896), a series of editorial articles.

42. For examples of Republican political support for bimetallism along these lines, see SHELBY MOORE CULLOM, CULLOM ON SOUND MONEY, HONEST COINAGE: SPEECH OF HON. SHELBY M. CULLOM OF ILLINOIS IN THE SENATE OF THE UNITED STATES, WASHINGTON, D.C., JUNE 1, 1896, at 12 (n.p., n. pub. 1896); DINGLEY, *supra* note 16, at 11.

43. CAFFERY, *supra* note 19; Atkinson, *supra* note 32.

44. *See, e.g.*, JOSEPH WEEKS BABCOCK, BABCOCK ON MONEY: HISTORY OF MONEY AND FINANCIAL LEGISLATION IN THE UNITED STATES: SPEECH OF HON. J. W. BABCOCK OF WISCONSIN IN THE HOUSE OF REPRESENTATIVES, MAY 22, 1896, at 14 (D.C., n. pub. 1896); ARCHIBALD WILLINGHAM BUTT, WHERE SILVER RULES 4 (n.p., n. pub. 1896); CAFFERY, *supra* note 19, at 7; BRYAN'S SPEECH: THE ORATION THAT WON HIS NOMINATION 21, 29 (Allen Ripley Foote ed., American Exporter 1896).

vituperative and one-sided, was always in some sense universalizing.[45]

A second reflection touches on the shared assumptions of participants in direct political discourse on the money question. For the most part, the style of argument canvassed here assumes that the political arena itself is the realm of responsibility for public welfare. Politics, for the participants in the money controversy, is not primarily about recognition or identity: it is about the way government impacts the most general arrangements through which people meet their needs. It is, in other words, about what some would characterize as *the social*, in contradistinction to a purified realm of the political.[46] The argument is over what kinds of governmental action will have beneficial effects, and over the extent to which government can lead. But whatever the position on the concrete question, the assumption is that politics is the place for a collective decision on the matter, and legislation is the result. Some participants in the debate hoped to remove money from the political discussion, but within political discourse this was completely against the grain.

The final reflection highlights the existing historical evaluations of direct political discourse. There has often been a sense in the historical treatment of the silver advocates that they may have had a defensible moral position, but no analytical case; in other words, their hearts were in the right place, but their heads were not.[47] It suggests that populist goals like easing the plight of the debt-

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45. The maneuvering around partisanship was almost ever present in this discourse, taking many forms. For example, Adolph Ochs, upon taking over the *New York Times* in August of 1896, could proclaim that there would be no changes to the policies "that have distinguished the New York Times as a non-partisan newspaper—unless it be, if possible, to intensify its devotion to the cause of sound money and tariff reform . . . ." Adolph S. Ochs, *Business Announcement*, N.Y. TIMES, Aug. 19, 1896, at 1. The idea of nonpartisanship seemed, for Ochs, to sit comfortably with intense devotion to a particular position on the money question, and any doubts about that devotion could be dispelled by the news coverage of New York democrats' alternative convention distancing themselves from Bryan and free silver. *Thousands Hear W. Bourke Cockran*, N.Y. TIMES, Aug. 19, 1896, at 1. Political speeches themselves were full of posturing on the question of partisanship. For example:

> In the present emergency, in our country's dire distress, I hold that any one who favors the unlimited free coinage of silver is a traitor to the country's best interests. And I lay down the general proposition that no one who favors such free coinage is fit to be trusted with the country's welfare as a representative of the people in its legislative halls. . . .
>
> . . . [I]n the present condition of this nation, no man who believes in the unlimited free coinage of silver by ourselves alone, and I make the additional statement, or any one who is willing to abide by and support the infamous platform adopted at Chicago, is fit to sit in the highest legislative body of this great country. Such a man is no friend of the people. Such a man is opposed to the operation of all natural law. . . . Such a man is willing, for the benefit of a few interested conspirators with private ends to further, to jeopardize all that has been accumulated by years of thrift, foresight, energy, brains and business ability. Such a man is blind to his own interests.

KNAUFF, *supra* note 17, at 4. As we will see, the type of posturing over partisanship in economic discourse is related, but quite different at least in tone.

46. This was not an Arendtian politics, though it was, to my mind, an experience of self-government. On a concept of the political as necessarily above and apart from welfare and the social, see generally HANNAH ARENDT, THE HUMAN CONDITION (2d ed. 1998).

47. HOFSTADTER, *supra* note 28, at 286.

strapped farmers or spurring the economy so as to decrease unemployment might be laudable, but that the fixation on the money question was somehow irrational, backward looking, or based in passion rather than reason. Such an outlook betrays a subtle unwitting identification between its own evaluation and that of progressive elite opinion. In other words, such an historical outlook actually establishes the views of progressive elites of the succeeding generation as truth. Progressive historians made the populist critique seem like a backward looking brake on progress, hopelessly idyllic at best and insidiously traditional (read, racist) at worst. While those strands may exist, recent scholarship raises doubts about those interpretations, and the account here seems to reinforce the doubts.[48]

B. From Politics to Political Economy to Economics

Academic economists in the United States were coming into their own at the end of the nineteenth century. The first generation of academics trained by professional economists (usually in Germany) entered the universities in the 1870s, and by the 1890s they were vying for leadership. They were beginning to establish a measure of cultural authority (as well as narrower but more direct authority within the universities), and the key avenue to that authority was the status of science. Economics had to be above partisan politics if it was to be authoritative, and only thus, paradoxically, fit to enter again into policy-making discourse, this time from above the fray. Dorothy Ross describes this "educated gentry" developing their authoritative voice through professionalized expertise: "In contrast to the politicians, labor leaders, and businessmen who raised divisive claims, the gentry could call on the authority of modern science to command agreement. Science allowed them to speak with the voice of universal rationality, while bestowing special authority on its elite class of practitioners."[49]

Thus, we should expect to see economic discourse conducted at some remove from the gloves-off quality that characterized direct political discourse. However, economists were anything but shy when expressing themselves, scientifically, about hot-button political issues: they all had clear positions on the issue of the monetary standard. The pages of academic publications, like *The Quarterly Journal of Economics*, established at Harvard in 1886, and *The Journal of Political Economy*, established at the University of Chicago in 1892, are filled with articles and book reviews on the money question, many of them with themes quite

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48. For some recent interpretations, see T.J. JACKSON LEARS, REBIRTH OF A NATION: THE MAKING OF MODERN AMERICA, 1877–1920 (2009); MICHAEL E. MCGERR, THE DECLINE OF POPULAR POLITICS: THE AMERICAN NORTH, 1865–1928 (1986); CHARLES POSTEL, THE POPULIST VISION (2007).

49. DOROTHY ROSS, THE ORIGINS OF AMERICAN SOCIAL SCIENCE 61–62 (1991). Ross is referring to the uses of science by academic practitioners as well as business leaders or "new capitalists" who adopted scientific knowledge. *See also* MARY O. FURNER, ADVOCACY AND OBJECTIVITY: A CRISIS IN THE PROFESSIONALIZATION OF AMERICAN SOCIAL SCIENCE, 1865–1905, at 48–49 (1975).

close to those of contemporary political discourse. I have no intention, of course, of surveying the totality of that literature. Instead, I will try to show how economic discourse positioned itself vis-à-vis political discourse, asking in particular how varying levels of abstraction and sophistication pushed economic discourse down particular political paths. The story of that positioning begins with a discussion of the money supply and the price level, it continues with an account of the role of banks in supplying money, and it concludes with an examination of the credit relationship.

1. Money Supply and Prices: The Vicissitudes of Quantity Theory

Economists, like their counterparts in popular political discourse, were more or less obsessed with the fluctuation of prices, and in particular with the secular price decline from the 1870s through the 1890s. Professional economic discourse had significant overlap with direct political discourse regarding declining prices, but it also had distinctive elements unlikely to appear outside of economics. So, for example, economic and political discourses crossed paths directly regarding the causes of declining prices (i.e., demonetization of silver or technologically driven advances in productivity), but economic discourse raised the level of abstraction: the big question for the economists was whether the price level was driven by the money supply or by real economic fundamentals. Or in modern parlance, it asked whether deflation (or inflation) is a monetary phenomenon. Raising the level of abstraction also allowed economists to treat a wider range of phenomena in a unified framework. Thus, economic discourse was able to make explicit the linkages between questions of the monetary standard, international trade, tariffs, and the institutional structure (banking and the role of the Treasury).

Benjamin Andrews's *An Honest Dollar* is an ideal window through which to view these features of economic discourse. Originally published in 1894 and reissued in 1896 with a new opening chapter on "The Fall of Prices," Andrews's book weaves together domestic and international questions through a single theme: the *monetary source* of falling prices, falling output, and finally, depression and unemployment:

> A fall in general prices places a fatal clog, handicap or brake upon the creation of wealth. Making all due allowance for subsidiary difficulties, the radical business trouble from which this and other countries on the gold standard are now suffering is that, owing to the increasing scarcity of full money, goods of nearly all sorts are incessantly having to be sold at smaller and smaller prices. The blight upon our business originates in the scarcity of full or exportable money, leading to a continuous and discouraging fall in general prices, which first made production and credit business less and less profitable, and now at last makes them less and less

possible.[50]

From this basic statement that the cause of business decline lay in the scarcity of money, Andrews would expand the frame, showing the intimate connection among the three seemingly disparate phenomena: of the scarcity of money, rising trade barriers from the United States (McKinley Tariff) all the way to New South Wales, and the rise of trusts: "We see in the fall of prices and the accompanying danger to business the true cause of the world-wide movement, so confounding to free-traders, for trusts and for what we should once have called inordinate protective tariffs."[51] The dangers to business, its "extra-hazardous" condition, lead supporters of business to seek shelter, whether through consolidation, tariff legislation, or both. Thus, the prospects for tariff reform were actually directly tied to monetary reform: "A low tariff policy can never be established in these United States so long as gold alone continues the basis of our currency." Andrews explained this linkage in terms of trade, discussing at length the advantage held by exporters in countries on the silver standard: "Willingness to subject your country's industries to normal foreign competition is one thing; quite another is it to do so when your competitors are helped to beat you by a home bonus on exportation, as is the case with nearly all exporters from silver and paper lands today."[52] Andrews also touched on the way an appreciating dollar affects the national debt, with the double effect of heavily burdening tax payers on the one hand, and exacerbating the spiral of gold scarcity on the other.[53]

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50. ELISHA BENJAMIN ANDREWS, AN HONEST DOLLAR WITH A CHAPTER ON "THE FALL OF PRICES" vii (Hartford, Student Publ'g Co., 3d. ed. 1896).

51. *Id.* at xix.

52. *Id.* at xix–xx. For additional detail see *id.* at 91–109. The detailed argument is based on an explanation of the confusion often made between falling prices and falling costs, and Andrews compares the periods between 1848 and 1873, when costs were declining but prices rising, and between 1873 and 1894, when costs were still declining but prices were declining due to the monetary situation.

> [C]osts were falling between 1848 and 1873—falling as rapidly as since 1873. But prices then were rising rather than falling and it was a period of extraordinary prosperity everywhere. . . . Falling costs imply prosperity. The signs of a *régime* of falling costs are high interest and dividends, good wages and profits, happy merchants, manufacturers, bankers, and workmen; few failures, few strikes and lockouts, rapidly multiplying industrial undertakings, and rapidly increasing wealth. This is not a picture of the world's economic life for the last twenty years. Costs have fallen, doubtless, but the fall in prices has not consisted solely or mainly in reduced costs.

Id. at 94. Or elsewhere, a different formulation on much the same point: "Doubtless the cost of producing most goods has declined since 1873, but there is no evidence that it has since then lowered a whit more rapidly than between 1850 and 1870, when prices were rising instead of falling." *Id.* at 46.

53. *Id.* at 8. This claim regarding the enlargement of the debt as it was nominally paid off was present in polemical form in direct political discourse as well:

> [I]t is the truth of the living God that in the year 1895 at its close, the national debt of the United States . . . will purchase as its equivalent in value as much of the average of twenty-five of the leading commodities of the American market, including real estate and labor, as the same debt would purchase at its maximum on the 1st day of March, 1866! The people have paid and paid for thirty years, and at the end have paid just this—NOTHING!

JOHN CLARK RIDPATH, THE BOND AND THE DOLLAR 6 (Boston, Arena Publ'g Co. 1896).

The primary focus of the book, as its title suggests, is the dollar. But at the same time, Andrews constantly has one eye on global integration:

> No two nations on earth are in effect so far apart to-day as were New Hampshire and Georgia when our Union was formed. . . . [T]he same force which shakes so many different nations into one, and consolidates so many individual nations, is compelling greater intimacy on the part of states which still remain governmentally separate.[54]

And for Andrews, the ultimate lesson is clear. The problem of money is finding a way to ensure its stability in terms of purchasing power. Any monetary unit with fluctuating value will have deleterious effects, and appreciating money will prove especially destructive. Ideal money would track purchasing power exactly, but the difficulty in engineering such a tracking mechanism is great enough to recommend compromise solutions. A currency based on precious metals is such a compromise, and using two metals rather than one in the framework of international cooperation has the greatest prospects for achieving relative parity between money units and purchasing power. Finally, Andrews is most adamant that monetary arrangements are the products of human hands, the responsibility of government:

> The condensation of population upon our globe introduces a new necessity for conscious action by men in the direction of their greatest affairs. As civilization advances, the Power above takes man more and more into his counsel in shaping it. Idle trust in the so-called natural laws of social growth was once not so unsafe; but now the crowding and jostling occasioned by the density of society demand all possible thoughtfulness on men's part. Grave problems arise that once had no existence. They will not down, nor will they solve themselves.[55]

Andrews was not alone, either in his support for bimetallism, or in his more general analysis of the interaction between prices, economic activity, and the monetary standard. Indeed, major elements of his analysis of the money controversy appear in remarkably similar form in Francis Amasa Walker's *International Bimetallism*, published in 1896.[56] Walker was a pillar of the economics community: he was president of the Massachusetts Institute of Technology, and had been the inaugural president of the American Economic Association, as well as the author of what was considered by many the authoritative text on money, published nearly two decades earlier.[57] Walker's tone consistently searches out

54. ANDREWS, *supra* note 50, at 54.

55. *Id.* at 55.

56. For example, see Walker's analysis of falling costs with rising prices leading up to 1873, as compared to falling prices afterwards in FRANCIS A. WALKER, INTERNATIONAL BIMETALLISM 264–65 (N.Y.C., Henry Holt & Co. 1896).

57. FRANCIS A. WALKER, MONEY (N.Y.C., Henry Holt & Co. 1878). On Walker's biography, see 3 JOSEPH DORFMAN, THE ECONOMIC MIND IN AMERICAN CIVILIZATION 101–10 (1946); ROSS, *supra* note 49, at 79–85.

balance, but his conclusions are perfectly in accord with Andrews's, and the better part of his concluding chapter is devoted to showing that "the chief of the evil effects produced by a diminishing money supply is . . . the impairment of enterprise on the part of the producer and the exchanger of wealth, due to falling prices."[58] And if Walker's tone was balanced or conciliatory, younger economists like J. Allen Smith took up similar positions in a more combative style: "The solution of the money question clearly lies in the direction of a broadening of the monetary basis. The circulating medium must be relieved of its absolute dependence on a single commodity. The movement of the civilized world toward gold monometallism is a backward and not a forward step."[59]

Opposition to the free coinage of silver more generally from within professional economics typically took one of two tacks. The first option was a claim that price declines, if they occurred at all, were the result of increased productivity rather than monetary factors; in other words, it was an assault on the quantity theory of money. The second mode of opposition was a shift in emphasis from the specie (gold and silver) basis of the money supply to other modes of introducing monetary elasticity—including credit. Each of these deserves some elaboration.

In books, pamphlets, and a barrage of articles in the (then) recently established *Journal of Political Economy*, a number of economists, some quite prominent, took aim at the quantity theory of money. Their critiques ranged in methodology and style, with some undertaking detailed empirical examination of prices and others developing theoretical and even philosophical bases for the assault. Sometimes the critique of quantity theory was incidental to other concerns, and in particular the discussion of price stability and its relation to monetary standards; at other times, quantity theory itself was the central focus of a work. A number of common themes animate the critiques.

The first task taken up in common by the critiques is to assess quantity theory as a method for answering the question of why prices had declined. The critics, therefore, focus at various levels on the determinants of prices. At the level of economic theory, they denied that the money supply could drive the price level and they offered an alternative determining factor: the declining cost of production. Simply put, the argument was that the cost of production of almost all commodities had decreased, and that this reduction in the costs of production was the result of increased productivity brought on by mechanization and improved transportation. This shift of focus—from the question of the general price level, to the question of the determination of individual prices—was a delicate, yet crucial maneuver. At times the strategy for affecting this maneuver was to point to

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58. WALKER, *supra* note 56, at 273.

59. J. Allen Smith, *The Multiple Money Standard*, 7 ANNALS AM. ACAD. POL. & SOC. SCI. 173, 181 (1896).

the host of different products, with their varying fluctuations in price that included some products whose prices had actually risen. In other words, critics of quantity theory often hinted that there was no sense in speaking generally of the price level, or of a general decline in prices. A related strategy was to shift the theoretical ground, claiming that a scientific theory of prices need only focus on the price of an individual article, since the explanation of the determinants or elements of price was generalizable to all products.[60]

Another mode of critique of the quantity theory of money rested less on its theoretical bases, and more on an empirical examination of the history of prices vis-à-vis the circulation of currency. Several empirical examinations of this sort were conducted, and the results most promising for critics of quantity theory came from the Civil War period: during the war, it was argued, prices rose not in response to the level of currency introduced into the economy, but rather in response to people's expectations regarding the chances of Union victory in the war. Good news for the Union appreciated its paper currency; bad news led to inflation. The view expressed here was that people's expectations determined the value of money: when they were hopeful of Union victory, and thus of redemption of Union notes, they accorded them a higher value, when despondent, a lower value. In other words, it is the independently decided determinations of exchange value by individuals that creates a price level.[61]

The third common argument against quantity theory was that it ignored, or at least could not account for, the importance of credit and the relative insignificance of cash. Quantity critics were fond of noting that large proportions of commerce—reaching perhaps above ninety percent—were conducted on some credit basis, rather than involving direct payment in standard money. The estimations of how much business was handled without money fluctuated wildly, in part because there was no accepted meaning of credit, with some estimates including business carried on by check, and others limited to credit involving time instruments such as promissory notes or book credits. The underlying point, however, was that the amount of coin in the system was but one detail in determining the price level, and a relatively insignificant one when viewed in light of the nature of prices.[62]

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60. JACOB SCHOENHOF, MONEY AND PRICES: AN INQUIRY INTO THEIR RELATIONS FROM THE THIRTEENTH CENTURY TO THE PRESENT TIME 3–18 (N.Y.C., Knickerbocker Press 1896); F. U. Laycock, *Honest Money*, 3 J. POL. ECON. 472 (1895); H. Parker Willis, *The History and Present Application of the Quantity Theory*, 4 J. POL. ECON. 417 (1896).

61. S. McLean Hardy, *The Quantity of Money and Prices, 1860–1891*, 3 J. POL. ECON. 145, 145–47 (1895); Wesley C. Mitchell, *The Quantity Theory of the Value of Money*, 4 J. POL. ECON. 139, 144–45 (1896).

62. Robert F. Hoxie, *The Silver Debate of 1890*, 1 J. POL. ECON. 535, 556–58 (1893). A typical articulation might be:

> The immense credit deposit accounts in the banks and the very general use of checks and notes and of silver make it clear that gold is but one element of price. . . . Where the banking system is highly developed a small quantity of coin suffices . . . . In our own

The various critiques of quantity theory have a common thread, which is the idea that money is merely a veil over true economic activity, which is purely exchange: "Under a system of exchange, where money alone is used, the rates at which things will exchange one for another, or, in everyday language, their prices will be no different from what they would be if all transfers were solely effected by barter."[63] The claim then is that nothing fundamental would be achieved by a change in the money supply: a short-term shock to the system might occur, but it could have no lasting effects on the underlying economic conditions. This position reached its zenith in claims that government was simply powerless to change anything about money, or at least powerless to do so without upsetting the very foundations of the political system:

> It is difficult to conceive any way in which the standard of deferred payment could be fixed by law without so restricting the freedom of contract as seriously to inhibit business transactions, or without subjecting each business contract calling for payment in the future to the fickle influence of political changes. However exalted an opinion one may hold of the power of Congress, or of any other legislative body, a moment's reflection must make it clear that the power of government to "do what it likes" in monetary matters, is not unlimited. . . . Legislation follows, as it always must, if it is to be effective, the course of public opinion. . . . Governments, then, one may safely say, not only do not, they cannot determine the standard of deferred payment.[64]

And of course, these claims were mirrored precisely in the opposing claims of silver advocates.[65]

> country, gold has been largely supplanted by the use of various forms of what may be called representative money. This is a matter of business convenience. To connect the fall in prices which characterizes the closing decades of the century with the small amount of gold entering into exchanges in any relation of cause and effect is a complete *non sequitur*.

John Cummings, *Monetary Standards*, 2 J. POL. ECON. 349, 366 (1894). For critique of the view that credit overwhelmed cash completely, see Willard Fisher, *Money and Credit Paper in the Modern Market*, 3 J. POL. ECON. 391 (1895); Willard Fisher, Book Review, 4 J. POL. ECON. 248 (1896) (reviewing J. SCHLOENHOF, A HISTORY OF MONEY AND PRICES).

63. WILLIS, *supra* note 60, at 431. Willis includes a footnote quoting Mill's *Principles of Political Economy*: "The relations of commodities to one another remain unaltered by money; the only new relation introduced is their relation to money itself." *Id.* at 431 n.1.

64. Cummings, *supra* note 62, 351–52.

65.
> In every nation, arising from the mere fact of its organized existence, there is an universal and persistent need to employ something not merely as a medium of exchange, but as the legal instrument of valuation and legal means of payment, as lawful money and legal tender. It is legislation which directs this universal and persistent force upon this or upon that commodity . . . . It thus affects the demand for the commodity selected . . . . In modern days this initiative and control is peculiarly the province of the State . . . . The great modern movements in extension of what we call the "credit system" are an indefinite expansion of these very obligations over which, by fixing means of their fulfillment, the legislature and the court inevitably hold jurisdiction.

SAMUEL DANA HORTON, THE POSITION OF LAW IN THE DOCTRINE OF MONEY 19–20 (London, Chiswick Press 1882).

2. From Quantity Theory to Bank Paper

Horace White's *Money and Banking* is a bridge between the two tacks of opposition. He begins by subjecting a particular articulation of the quantity theory, in this case that of Francis A. Walker, to a semantic analysis. He posits that the theory holds that "prices are determined by four factors, three of which are indeterminable." Of such a theory he concludes: "A proposition more barren and inconsequential it would be hard to imagine."[66] But White does not stop there, and instead tries to refute the accepted understanding of the theory according to which prices depend upon the amount of money in circulation. He undertakes a two-part demonstration: first, for the period from the Civil War to the 1890s, he relies on statistics according to which the money supply had grown while prices declined, making his refutation of the theory quite straightforward; then, regarding the period from 1834 to 1859, he is willing to admit (for the sake of argument) that prices and the quantity of currency moved together, but he argues that nothing flows from the concurrence:

> The same figures might equally prove that the quantity of currency in circulation depends on prices, which I think more likely. Here is a coincidence indeed, but nothing that proves a causal influence on one side more than on the other. Both the rise of prices and the increase of currency may be produced by a third cause, as for example a sanguine state of mind on the part of the trading community, gradually extending to all classes, and producing a general eagerness to buy things with the expectation of selling them at a higher price.[67]

Thus White, like other economists, is arguing that prices are not determined by the volume of currency; instead, he says, it is the level of economic activity—the expectations and actions of individuals—that generate changes in the money supply. If so, there is no reason to try to augment the money supply as a means of influencing prices. Individual decisions generate results; policy instruments are futile. But White goes further in this mode of analysis, writing as he does from a banking perspective: the proper management of the money supply should be in the hands of banks, because banks naturally and automatically *respond* to the demands of legitimate business. Thus, he supports a monetary system in which banks could issue notes without buying government securities, allowing the money supply to rise and fall with commercial demand.[68]

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66. HORACE WHITE, MONEY AND BANKING, ILLUSTRATED BY AMERICAN HISTORY 422 (Bos., Ginn & Co. 1896).

67. *Id.* at 425.

68. The banker, if he understands his trade, enables the most deserving persons in the community to get possession of the tools and materials of industry without the use of money. The most deserving persons, in the commercial sense, are those who can make the most profitable use of tools and materials, and who are believed to be honest. By swapping its well known credit for their less known credit the bank performs a service . . . to society by economizing tools and materials. Anything which puts these things into the right hands and keeps them out of the wrong hands is a gain to the world. The continued existence of

The argument about the advantages of a bank based currency would become a prominent theme for opponents of silver. Charles Conant's *History of Modern Banks of Issue*,[69] originally published in 1896 and popular enough to run through six editions within thirty years (including two after Conant's death), is a central example. Conant's is a wide-ranging global history, but at least in his first edition he was as concerned to put forward the theory of banking currency as he was to historicize. His main theoretical theme was that bank-issued notes were both necessary and responsibly elastic. Necessity arose from the fact that business needs, that is, the commercial need for liquidity, could not be met by gold alone; every commercial country required some paper supplement to the supply of coin. However, different forms of paper raised different concerns: on the one hand, government issued paper was untethered from commercial needs and susceptible to inflation; on the other hand, bank issues limited by holdings of government securities[70] or based on fixed limits[71] would lead to seasonal stringency in the money market in the best case, and to outright business paralysis in the worst case.[72]

Bank notes, according to Conant, are the best of all possible currency worlds. Unlike coin, they release productive forces that might otherwise be locked away in idle hoards; and unlike fiat money, they are not the product of coercive government, but rather of a voluntary community:

> In the sense in which government paper money, made by law a legal tender for the payment of debt, is a forced loan, for non-commercial uses, upon the productive forces of the community, the bank-note, which is not forced legal tender, is a voluntary loan, for commercial uses, which tends to bring into play, for the mutual benefit of borrowers and lenders, the full efficiency of those productive forces.[73]

> a bank is conclusive and incontestable proof that it is doing this thing, for if it were not, its own losses and expenses would soon eat it up.
>
> It has been shown that it is immaterial whether the bank's credit takes the form of deposits or of circulating notes and that the banker cannot decide which form it shall take. The bank's customers alone can decide this question and it is desirable that no impediment should be placed in the way of their deciding it, since they will infallibly decide it rightly if they are allowed to.

Id. at 434–35.

69. CHARLES A. CONANT, A HISTORY OF MODERN BANKS OF ISSUE (N.Y.C., G.P. Putnam's Sons, The Knickerbocker Press 1896).

70. *Id.* at 359. Here, Conant refers to the National Banks in the United States, which could issue notes in an amount up to ninety percent of their bond holdings.

71. *Id.* at 6. Here the reference is to the limits imposed on the Bank of England in the Bank Act of 1844.

72. *Id.*

73. *Id.* Or in a more flowery formulation:

> The inherent advantage of a currency issued by well regulated banks is its adaptation to business needs. It is the outgrowth of the relations of business men with each other and, where its essential character has not been too much modified by repressive laws, it represents the evolution of the simplest and best methods of making commercial exchanges. Being the growth and creature of business transactions, its adaptability to them

Further, the danger of inflation or undue contraction is almost nonexistent:

> Inflation by bank-note issues, when banks are required by law and by commercial custom to redeem their notes in coin on demand, is not conceivable in any such sense as inflation by means of government paper money, issued without regard to the demands of business and incapable of contraction with the diminution of those demands.[74]

And it is not simply the tendency of banking currency to respond to commercial needs, but the automatic nature of such a response that recommends it:

> A banking currency, when not disturbed by the public authority, except to enforce uniformity, safety, and convertibility with coin, is automatically responsive to the demands of business. When business is active such a currency is expansive in proportion to its needs; when business slackens the notes return to their issuers for redemption, the volume of paper money is reduced, and the parity of coin and paper is constantly maintained.[75]

3. Unpacking the Credit Relationship

Several commentators on the monetary debates of the 1890s pinpointed the heart of the issue as the relationship between lenders and borrowers, since changes in the value of money seemed to make one group rich at the expense of the other.[76] And some of the most sophisticated economic work would focus precisely on this issue in developing a general account of the stakes of the controversy. Thus begins Irving Fisher's early work, *Appreciation and Interest*: "The chief issues in the bimetallic controversy center about the question of *justice between debtor and creditor*."[77] Fisher had already achieved some renown for introducing advanced mathematical techniques into the study of economics, and his stature in the economics community has outlasted that of most of his contemporaries, so

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> is more nearly perfect, of necessity, than other systems originated for other purposes and only incidentally shaped to accommodate such needs. It is of prime importance that there should be a fixed metallic standard of value, just as it is of importance that there should be a fixed length for the meter or yard-stick. The standard being fixed, the duty of the state is done and it should be left for the business community to conduct its transactions, so long as they are measured by the standard, by the means which it finds most convenient.

Id. at 554.

74. *Id.* at 11.

75. *Id.* at 564. The ensuing sentence is telling regarding Conant's motivations: "The evils of government interference with the natural laws of a banking currency are second only to the evils of direct issues of government paper money." *Id.* at 564–65.

76. *See, e.g.*, SMITH, *supra* note 59; John B. Clark, *The Gold Standard of Currency in the Light of Recent Theory*, 10 POL. SCI. Q. 385 (1895); Cummings, *supra* note 62; C.M. Walsh, *The Steadily Appreciating Standard*, 11 Q. J. ECON. 280 (1897).

77. IRVING FISHER, APPRECIATION AND INTEREST 1 (N.Y.C., Am. Econ. Ass'n by the Macmillan Co. 1896), *reprinted in* REPRINTS OF ECONOMIC CLASSICS 1 (Augustus M. Kelly ed., N.Y.C., 1961) (emphasis added).

some sustained attention to this work seems justifiable.

Fisher begins his essay by developing a theoretical account of the connection between the rate of interest on loans and the fluctuation of the value of money. This connection, he contends, is the proper way to reach conclusions regarding the question about which economists have become obsessed, namely the *just* standard of deferred payments. Most of that economic writing, according to Fisher, has assumed that a just standard must be an invariable one, that is, a standard according to which "the principal of a debt when due should be equivalent in some way to the original loan," or according to Ricardo's formulation: "'A currency to be perfect, should be absolutely invariable in value.'"[78] But this assumption is not accurate, and a standard need not be invariable to be perfect; rather, a standard must simply be dependably predictable, "so that contracting parties may be able to forecast all required elements of their economic future in terms of that standard as accurately as in terms of any other. If a standard is thus dependable, the terms of the contract will be as 'just' as they could possibly be under any system."[79] As long as the parties can predict in advance the fluctuation of the monetary standard, there is no need to scale the principal to achieve equivalence (that is, a return of an equivalent of the original loan at the time when the debt is discharged): the desired equivalence can be secured by adjusting the rate of interest.

Fisher spends one theoretical chapter showing the mechanics of the adjustment of interest on a one-year loan to a predicted change in the value of money, measured at first by its change in purchasing power over one commodity.[80] The ensuing chapters complicate the analysis by treating longer term debt, at first with the principal left for repayment at the end of the term, and then with the principal paid in installments during the life of the debt. Matching installments precisely to fluctuations in the value of money turns out here to require minute partial payments (or remissions of interest), but such would not be employed in practice, because the overall equivalence is maintained without them. "[E]ven if we destroy the precise step-for-step equivalence between the wheat and gold tables, we do not destroy their equivalence as a whole. The '*present values*' remain exactly equal."[81] The theoretical chapters are rounded out with discussions of variable interest and appreciation and the possibility of negative and zero interest. Fisher next turns to an empirical investigation to show that attempts to

78. *Id.* at 2 (quoting DAVID RICARDO, PROPOSALS FOR AN ECONOMIC AND SECURE CURRENCY 7–14 (London, n. pub. 1816)). Benjamin Andrews begins his *Honest Dollar* in practically the same terms, by quoting at somewhat greater length the same passage from Ricardo's book. ANDREWS, *supra* note 50, at 1.

79. FISHER, *supra* note 77, at 3.

80. After beginning with a numerical example, he expresses a general formula, and notes that to offset appreciation, the rate of interest must be lowered by slightly more than the rate of appreciation. *Id.* at 9.

81. *Id.* at 19.

adjust interest charges to forecasts about the changes in the value of money actually characterize credit relationships. Before delving into the statistics, Fisher expresses some market optimism:

> [I]n general, business foresight exists and . . . the accuracy and power of this foresight is greater today than ever before. Multitudes of trade journals and investors' reviews have their sole reason for existence in supplying data on which to base prediction. Every chance for gain is eagerly watched . . . it is the practical man's business to foresee.[82]

Fisher then assesses what many viewed as the heart of the controversy, which was the question of whether debtors had actually suffered because of the price decline from the 1870s to the 1890s. This question "resolves itself simply into the question whether the rate of interest has been properly adjusted."[83] In order to answer this question, Fisher uses statistics on the rates of interest on government securities in the London market, on bank rates in various countries, and on money market rates in various countries, and then compares these interest rate statistics with price fluctuations all over the world. The results of the investigation are interesting on many levels. First, Fisher shows that the divergence between nominal and real interest rates can be significant, and that it may explain those periods when nominal interest is high but business is nonetheless flourishing.[84] Second, Fisher shows that while foresight on the matter of the money standard is certainly attempted, the actual adjustment of interest to price or wage movements is systematically inadequate, and more so for long than for short periods.[85] Fisher tries to quantify this inadequacy, reaching a quite modest conclusion that debtors were burdened by the appreciation of gold, but that "the average debtor's loss could have been corrected by a reduction in the rate of interest of from one-third of one percent to one percent."[86] Fisher was well aware that his statistics, based as they are on the bond market, represent the actions of those debtors and creditors best placed to attempt adjustment, while private debtors are much less likely to understand the mechanics, possess the information, or have the bargaining flexibility to pursue such adjustment: "the debtor's losses or gains in these cases are doubtless somewhat greater."[87]

Finally, Fisher reaches the question of applying the theoretical and empirical insights onto the actual situation of debtors and creditors. He admits that over the course of two decades, "the debtor was on the losing side," of the maladjustment of interest rates to the appreciation of the currency. However, he goes to some pains to show that the loss was probably not extensive, and that "it does not seem

82. *Id.* at 36–37.
83. *Id.* at 46.
84. The conclusion comes up in a number of forms, and is discussed explicitly. *Id.* at 68–69.
85. *Id.* at 75.
86. *Id.* at 73.
87. *Id.* at 74.

capable of the deep social harm attributed to it," casting doubt especially on the types of aggregates generally used to measure the loss.[88] Minimizing the impact of the actual appreciation of gold is merely a prelude to Fisher's next maneuver, which is to evaluate the ethics of scaling debts to account for appreciation, and it is here that Fisher's text takes a remarkable turn:

> The fact that debtors have lost does not imply that they have suffered an injustice. If a man insures his house and it burns the next day the insurance company suffers a loss but not an injustice. If the company should ask for legislative relief on the ground that it had not expected so sudden a termination of its policy, that the fire was brought about by causes which it could not possibly foresee or provide against, it would be laughed to scorn. "Keep your contract" would be the reply. It would make no difference if the fires were universal, and every insurance company lost. Those who assume the risks must take the consequences. A farmer mortgages his farm and agrees to pay $1,000 and 5% interest. By the terms of the agreement he takes all risks as to what the dollar will buy of wheat or anything else. He may lose and all farmers may lose and the causes may be in India or Australia or in the sun spots, but we can scarcely afford to surrender the ancient principle of the Inviolability of Contracts, through sympathy with the misfortunes of any individual man or group of men. That elements of risk exist in every contract and that this risk implies responsibility are too often ignored.[89]

The language of this passage is somewhat fiery in comparison with preceding chapters, but it would be a mistake to imagine that it had exploded without warning on the text. Instead, it pays to note how methodically the sophistication of the economic analysis has been gearing up toward this culmination. From the outset, the analysis was honing in ever more on individual calculations of risk and reward, fine grained as they might be, and defiant as they might be of general trends. Indeed, all attempts at generalization, including the most sophisticated indexing techniques, are held up as deeply flawed, highlighting the individual level of analysis as the sole area susceptible to accurate statement.[90] On the level of the individual no one is omniscient, and everyone is a risk taker—whether insurance company or farmer; they are all calculating subjects. The farmer who takes a mortgage is speculating on the future price of wheat as surely as the insurance company speculates on the longevity of its insured. And underwriting the entire arrangement is a simple principle synonymous with responsibility and more important than sympathy: the inviolability of contract. Inviolability in the face of state action, in particular:

> Closely associated with the principle of the Inviolability of Contracts is

88. *Id.* at 80–81.
89. *Id.* at 83–84.
90. *See id.* at 81, 89.

> the principle against retro-active laws, and in particular, against laws which alter existing contracts. The world has reached these principles through a long and weary struggle and much costly experience with repudiation and the abuses of legal tender. . . . Surely the practical reasons against such a course are obvious enough. When once a government has undertaken to "correct" debtors' losses, it will not stop at one attempt. . . .
>
> Legislation to offset the effects of a fall of prices in the past is wrong, because retro-active. Legislation to offset the effects of a fall in the future is absurd, because we cannot know there will be a fall, and if we could, there would be no need of legislation.[91]

For a brief moment, Irving Fisher will have the last word, as an exhibit of the endpoint of economic discourse on the money question. If Benjamin Andrews began with the possibility of global governance of money and ultimate legislative responsibility for it, Fisher on the other end of the spectrum drove toward an analysis based on the particular relation between two individuals. Anything important could be generalized from there, rather than imposed systemically.

III. IMPLICATIONS

The preceding account of the political and economic debates over the money question is, on the one hand, a genuine attempt to present a landscape of discourse in which participants would have recognized themselves, and which thoughtful students of the period would find plausibly accurate. But on the other hand, it has also been an attempt to show the debate in a different light, or to serve as evidence for an argument only hinted at earlier, and to be developed here. The argument is that the debates over gold, silver, and money in the 1890s realigned the relationship of law, economics, and politics to money, and to one another. Most of this section will discuss the substantive content of that realignment, but I should begin with a caveat from the formal plane. I do not claim that the debates over money in the 1890s were the first place where this alignment of law, economics, and politics was ever advanced. In some form, and on some level of abstraction, the alignment I propose resonates so fully with Weberian separation of spheres that it might seem both trivial and long term, running from somewhere in the seventeenth century. Perhaps. And yet the specificity of the formulations involved here, and the concentration on the money form, both seem to call for particular attention.

This is also, obviously, not the first attempt to make sense of the battle of the standards. While this is not the place for a thorough historiographical review, a skeletal glimpse of the context may help to clarify the argument. My account is in dialogue with three strands in the historical literature, each of which offers a

91. *Id.* at 84–86.

different analytic frame for the money question. The first frame is monetary history; the second, political history; and the third, cultural history.

Monetary history, in particular the work of Milton Friedman (with Anna Jacobsen Schwartz and alone), supplies perhaps the dominant understanding of the developments surrounding the money question in the 1890s. According to this strand of work, the political forces at play in the conflict are largely a side show, while the main event is economic and technological. Economic forces determine the need for liquidity, and in the medium to long term that need will always be filled. Thus, the recognized problem of a scarcity of gold in the 1890s holds the seeds of its own solution: the scarcity of gold drives up its value, and the higher value increases the incentives to find new sources of gold or (and) new processes to make mining or refining it cheaper. And in fact, this is precisely what happened: the cyanide process and new discoveries after 1896 increased the gold supply, which in turn increased liquidity, generated some inflation, and restored prosperity. Prosperity obviated money-related agitation, and thus the political energies once devoted to the money question simply dissipated.[92] Silver backers in fact might have had the better arguments in the 1870s, according to Friedman, but by the time the value of silver had sunk to 1890s levels, their agitation could only have short-term effects like undermining investor confidence. The solution to the problem, meanwhile, would rely on economic forces and was basically technologically determined. The disappearance of the money question from electoral politics is no mystery, according to this account, but the natural result of the unfolding of technological progress.

Political histories, such as those of Gretchen Ritter and Richard Bensel, place the conflict between interest groups at the center of their historical frame. Those groups derive identity from sectional (i.e., geographical, South and West versus Northeast) and sectorial (in the sense of economic sectors—finance; manufacturing; and agriculture) interests, and their members share visions of the composition of an ideal polity. For such histories, the money question in politics is no sideshow, but rather a contest over the desired direction for national economic development. Bensel in particular is extremely successful in showing that geographical sectionalism and the money question are so deeply intertwined that understanding one without the other is nearly impossible. In so doing, he translates the money question into longer-range and widely understood narratives of American politics, where sectional tensions and those among economic sectors

92. Friedman reiterates this theme in all his discussions of the 1890s. Here is a typical formulation: "The price reversal, which farmers had sought to achieve with silver, was produced after 1897 by the prodigious increase in the international supply of monetary gold. The 'money' issue retreated from the center of political controversy." FRIEDMAN & SCHWARTZ, *supra* note 11, at 119; *see also* MILTON FRIEDMAN, MONEY MISCHIEF 104–25 (1992). For a version of this account as encyclopedic orthodoxy, see Hugh Rockoff, *Banking and Finance, 1789–1914*, *in* 2 CAMBRIDGE ECONOMIC HISTORY OF THE UNITED STATES 643, 664–65 (Stanley Engerman & Robert Gallman eds., 2000).

have always been understood to be central.[93]

Cultural histories offer a different vista on the money question. One of the opening salvos in this line of work was Walter Benn Michaels's *The Gold Standard and the Logic of Naturalism*, which drew upon fiction and political discourse to analyze deep cultural anxieties manifested in the battle of the standards. Michaels innovatively argued that silver and gold advocates were actually on the *same* side of the cultural question, because both set out from a common question: "if there is no value in nature, how can there be value at all?"[94] According to Michaels, supporters of both gold and silver sought to forestall this question by insisting that the metals had intrinsic value, and that only money that rested on such intrinsic value could avoid becoming simply a "representative" of true value. In denying the representative quality of money, both sides on the battle of the standards were in effect denying the very nature of money, exposing the strange fact that "gold conservatives and silver radicals held in common a view of money that was in certain respects more powerful than their differences."[95] Michaels would go on to argue that the naturalistic logic that united gold and silver supporters seemed not to serve the interests of any individual or group of individuals, but rather the interests of the money economy itself.[96] More recently, Jackson Lears's *Rebirth of a Nation* has compellingly revisited the cultural history of the money question. Lears does not lose sight of the class basis of the division over the money standard, and he repeatedly notes that populists were concerned with ensuring democratic control of the money supply.[97] However, like Michaels, Lears also locates the real conflict as one between a monetary theory resting on a vision of intrinsic values in (either of) the metals and a theory recognizing a conventional process of assigning

93. Bensel's work on the money question is wonderfully rich (too rich to do justice to here), and does a great deal to overcome some old prejudices about the silver position being driven by the irrationality of cranks. At the same time, Bensel is interested in exploring the type of energy that drove the silver position even beyond standard conceptions of interest. For his account of that political energy and its manipulation by Bryan in particular, and silver proponents more generally, see RICHARD FRANKLIN BENSEL, PASSION AND PREFERENCES: WILLIAM JENNINGS BRYAN AND THE 1896 DEMOCRATIC NATIONAL CONVENTION (2008).

94. WALTER BENN MICHAELS, THE GOLD STANDARD AND THE LOGIC OF NATURALISM 154 (1987).

95. *Id.* at 146.

96. *Id.* at 178. Michaels immediately retreats from this formulation, but not in order to reinstate group interests; rather, the attempt is to subvert the primacy of interest itself. In other words, the basic argument is that interest group politics cannot make sense of what was actually at stake in the arguments over the monetary standard.

97. So farmers and other debtors took a view of money that was more skeptical than their creditors' faith in its intrinsic value. On the contrary, the indebted classes argued, money was nothing more or less than a flexible instrument of value designed to meet society's needs for economic development. A democracy should allow the people to manage their own currency, through their representatives, in accordance with their needs. Government, from this "fiat money" view, should be able to control the money supply in the public interest.

LEARS, *supra* note 48, at 151 (in the context of the 1870s). For the parallel claim regarding the 1890s, see *id.* at 185.

value, which they attribute to greenbackers or fiat money men.[98]

My inquiry runs alongside these three strands of work, though it does depart from each on some level. As for Friedman, monetary developments supply my main focus. But Friedman's conviction that the money issue could retreat from political controversy simply as the result of an increase in the supply of gold seems wanting. It leaves unexplained a change in the language of politics that would outlast the euphoria of rising prices after 1897. Bensel's account of the political coalition making and executive branch leadership that sustained the gold standard is considerably more compelling. He unearths the distributive basis of political and economic developments of the period. What I add to that discussion is the analysis of why such distributive politics had to be unearthed—in other words, how the dominant position became naturalized and succeeded in presenting itself as universalistic rather than distributive. Finally, I accept Michaels's and Lears's basic insight that much political and economic discourse manifests and in a sense displaces cultural anxiety. Likewise, I am convinced that much of the action on the cultural plane is, as they both argue, to be found on the level of anxieties about subjectivity and the relation of speculation to production. But by placing gold and silver advocates on the same side of a cultural divide, these accounts seem to miss something of the energy dividing these two groups. Thus, while they may be on the same side of one aspect of a cultural struggle, my reading retains their antagonism on a basic political plane. At the same time, it seeks to understand the political as inflected and perhaps even constructed by the cultural: political interests were not settled in advance, but rather built up in the course of the conflict; part of that buildup relies on cultural constructions of value, worthiness, virtue, and responsibility.[99]

Protagonists in the money debates began at different points of departure. While both camps in the battle included political advocates and economists, they were not evenly balanced. In order to remember that this was not a conflict between politics and economics in simple terms (with political discourse taking one position, and economists taking another), it pays to think of one side as oriented toward political economy, with the other side oriented toward microeconomics.

98. Lears's account covers the shift from the greenback era through the battle of the standards, and he uses the overlap to claim that populists in the 1890s were betraying their fiat money principles when they joined with the silver advocates during Bryan's campaign. By the 1890s, however, most populists had become silver advocates themselves, and the question for them was whether a narrow silver platform or a "middle of the road" or broad-based reform platform was preferable. According to either variant, silver was the order of the day. *See* R. HAL WILLIAMS, REALIGNING AMERICA: MCKINLEY, BRYAN, AND THE REMARKABLE ELECTION OF 1896 (2010).

99. For an extended discussion of how all of these issues combine in generating understandings of value, of money, and of the economy, see MARY POOVEY, GENRES OF THE CREDIT ECONOMY: MEDIATING VALUE IN EIGHTEENTH- AND NINETEENTH- CENTURY BRITAIN (2008).

For much of direct political discourse, and for some of the economic discourse (that is, for the political economy camp as a unit), the starting point was the entire economic framework, a complete societal arrangement, made possible by the existence of money. Keeping one eye on money as a single ingredient in a societal arrangement for the distribution of wealth translated into an acknowledgment of responsibility (and power) over the mechanics of the money system. In general terms, this was a recognition that an economic system was an aspect of self-government: a polity chose its mode of distribution, including the details of effectuating a distribution. One of the central aspects of that mode of distribution was the monetary system.[100] More particularly, it translated into a claim that the benefit of increased productivity was a *social product* and its division, a question of policy.[101] Thus, to the extent that somebody should benefit from the increase in productivity and that benefit would be distributed via a change in the value of money, a social decision over that distribution was necessary.

From this vantage point, legislation is the mode of social action. The polity works through its representatives in government; government is the human face of the state, and the state instantiates popular will in law: legislation is the *objective* of political debate. And law generally is open to functional determination.

The opposing point of departure characterized some of the political and most of the economic discourse. This alternative viewpoint understood money as a facilitation of more basic and always resilient underlying economic relations, relations that could be conceived simply as barter. Money in and of itself was neutral, but it could perform its facilitative role with more or less success. Law, in turn, was simply facilitative of money's own mediating role.[102] This basically microeconomic figuration conceives law as the backdrop against which money is the facilitator of completely individualized action, as it were banishing the collective and its politics from the money equation. Money becomes facilitative of purely private and wholly individual exchange, endlessly repeated, among all individuals.

The agent of such individualized exchange prices everything, including and perhaps especially, his expectations of the value of money. Whether he travels

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100. For a succinct articulation of the general claim, see JOHN ROGERS COMMONS, THE DISTRIBUTION OF WEALTH 14–16 (N.Y.C., Macmillan & Co. 1893). For a lengthier elaboration, with money as its focus, see HORTON, *supra* note 65.

101. Recall the claim that the decline in prices was caused by declining costs, in turn brought on by increased productivity. Even when this claim is accepted, it leaves open the question who should gain by the increase in productivity, as seen in the work of economists who divided on the answer to that question: "[Bimetallists] ascribe the development of industry to general social causes, which raise the grade of labor and augment its value as they enlarge its product. As this is a *social product*, it is a benefit which rightly accrues to every one in so far as he is a producer, and to this product no class as such can lay any claim." SMITH, *supra* note 59, at 12 (emphasis added); *see also* WALKER, *supra* note 56, at 282–83; Cummings, *supra* note 62, at 359–60.

102. If advocates of this view often characterized banking as "simple" intermediation, one might be tempted to say that their view of the legal would be *law as banking*.

with a portable actuary or not, every contracting party is pricing the likelihood of all future events, and indeed, is willing to speculate about everything. "Every good citizen should be ready to take his chances in the uncertainties of business. It is the manly thing to do." But speculation, for these advocates, ought to have a limit, and that limit is collective action: "But when any party or class of men proposes to use the machinery of the government to suddenly and arbitrarily change . . . the standard of value . . . an emergency about as serious as that of 1861 is created."[103]

The effect of this branch of the discourse, in both its political and more prevalent economic form, is to refigure the role of law. Rather than imagining legislation as the objective in a political contest, law is reimagined as the ground, the known quantity or accepted baseline for individual action, and as a limitation on what politics might even attempt to achieve. It is acknowledged that collectives might transgress such limitations, but in this they would be acting more in the mode of revolutionaries than as government, and threatening the very foundations of society with something like socialism. For this group of commentators, "legislation interfering with the natural flow of economical affairs 'resembles the potato-bugs—powerful for evil but powerless for good.'"[104] And from here, the distance is short to the argument that "the issues involved in the present election are not political but economic problems—that they are matters that should not be subjects of legislation."[105]

To the modern ear, especially one inured to the music of law and economics, this may be a strange posture to square with economics because today's law and economics is so thoroughly instrumentalizing in its attitude toward law: everything can be reduced to a welfare function, and law is one particularly useful social tool for catering to varying welfare functions. But this was not the posture of the economics that became dominant in the late nineteenth-century debates over money. One might argue further that it is not the attitude of law and economics even today with regard to money. Money, as the ground of comparison that enables policy analysis, remains for most accounts tied to the legal at an immutable and naturalized baseline.

The upshot of this analysis is that the effects of the argument over the money question are not located primarily in the adoption of the gold standard. That is obviously one effect of the debate, or at least of the election results that could be seen as the debate's corollary; however, that result in and of itself would still have been compatible with different outcomes regarding the role and

103. FRANCIS E. NIPHER, A PLAIN TALK ON THE SILVER QUESTION 8 (n.p., n. pub. 1896). And recall Irving Fisher's comment quoted earlier: "A farmer mortgages his farm . . . . By the terms of the agreement he takes all risks as to what the dollar will buy of wheat or anything else." FISHER, *supra* note 77, at 84.

104. A.B. STICKNEY, THE ECONOMIC PROBLEMS INVOLVED IN THE PRESIDENTIAL ELECTION OF 1896, at 1 (n.p., n. pub. 1896).

105. *Id.* at 24.

relationships of politics, economics, and law. The more important result, from my perspective, is the refiguring of the debate over money as a debate to be conducted in economics, rather than in politics. And it would be an economics that had left its *political economy* roots quite far behind. This would be an economics dominated by micro-analysis, with interactions examined on the level of individual transactors and their individualized incentives and analyses of risk. It would be an economics for which the technical analysis of such incentives would reach new heights in powerful modeling and elegance, creating (or at least greatly reinforcing) a mode of expertise with which it would be difficult to compete.

On this analysis of the debate, nothing stands or falls on the conclusions drawn by economists; everything depends, instead, on the method and the ensuing scope of discourse that is established. The advocates of a purely economic analysis were for the most part critics of quantity theory; later they would themselves reestablish quantity theory as orthodoxy. Their advocacy of gold would later turn, for some, into a flirtation with variable standards. But these particular conclusions were not actually crucial. Instead, placing economic science at the center of the discussion of money, and thus replacing politics as a mode of discourse, was. The new figuration would relegate politics (in the context of money) to a partial discourse of interest groups. And it would mean that whatever politics were left in the money question would have to be dealt with above the fray, or as it were, outside politics. Finally, it would require some policing of the boundaries of economic speech.[106]

Economics was in the midst of establishing itself as a universalizing discourse. In the context of the debate over money, it pursued this project on the basis of law as a baseline for abstract relations. Only the analysis of such abstract relations could offer a serious approach to objectivity. Indeed, by concentrating on abstract relations, shutting out the "sympathy with the misfortunes of any individual man or group of men,"[107] economics would aspire to a model of structural objectivity, and with it the authority of scientific expertise.[108] Structural objectivity was economics' *sympathy* with classical legal thought.[109]

In sum, the outcome of the debate over money in 1890s America was not the gold standard. Instead, it was an understanding of money as an issue to be

106. Benjamin Andrews was nearly driven from his post as President of Brown University because his writing on the silver question antagonized university patrons. Economists came to his defense, but the content of their defense may actually have "reinforced the notion that economists could advocate safely only within a range of accepted doctrines." FURNER, *supra* note 49, at 211. J. Allen Smith was not as lucky, and was in fact forced out of his job at Marietta College. *Id.* at 222–28.

107. FISHER, *supra* note 77, at 84.

108. For an account of structural objectivity in the sciences, see LORRAINE DASTON & PETER GALISON, OBJECTIVITY 253–307 (2007).

109. For an account of the sympathy between neoclassical economics and classical legal thought, see Duncan Kennedy, *The Role of Law in Economic Thought: Essays on the Fetishism of Commodities*, 34 AM. U. L. REV. 958–61 (1985).

determined by economics and away from politics. That particular outcome was the product of internal battles within economics as much as it was the result of an intense political confrontation. Moreover, the vision of law was at the heart of the transformation. From a conception of law as the objective of political struggle, we witness a shift to law as a mostly unspoken and natural(ized) baseline for the analysis of exchange—from objective, to unchallenged background. It is only when this powerful maneuver becomes naturalized and internalized in politics itself that the politics of money can move to the narrow plane of finely tuned and expert-based regulation of the monetary system. Less than a generation later, the Federal Reserve would be the result. But that, of course, is another story.