

The Genesis of the Silver Dollar

by Grant Woodbury Harrington

1887

A Graduation Thesis

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K. S. U. 1887.

Graduating Thesis.

Class of 87 & of '86.

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The Genesis of the Silver Dollar,

The silver dollar, with its various weights, has circulated longer on this continent than any other coin. It would be natural enough to suppose that among the English Colonies in America we should find the accounts kept in the pounds, shillings, and pence of the mother country but such was not the case. The money of account and the coin which circulated to the greatest extent was the Spanish milled dollar. This is evident enough from the acts of the Continental Congress emitting paper money. They read — "This bill entitled the bearer to receive — Spanish milled dollars, or the value thereof in Gold or Silver, according to the resolutions of Congress &c" Later on when they were made legal tender they were declared to be of a value equal to the Spanish milled dollar in the payment of debts and claims;

This dollar weighed 417.47 grains and was composed of 385.72 grains of pure silver the remainder being alloy. It seems to have been first coined for the Spanish provinces in the north of Europe and to have reached America from the Spanish Colonies in the course of trade. In this

way Spain found a ready market for her surplus silver and vast numbers of the dollars found their way into circulation.

The greatest trouble they met with in the English-American colonies was the different rates at which they circulated. At the close of the Revolution they "passed in Georgia at five shillings, in North Carolina and New York at eight shillings, in Va. and the four eastern states at six, and in all the rest, except South Carolina, at seven shillings sixpence and in South Carolina at thirty-two and sixpence". To obviate this difficulty Robert Morris, then "Superintendent of Finance", proposed to Congress, in 1782, that a new coin be struck the unit of which should be the greatest common divisor of these several values. This he found would be the fourteenth hundred and fortieth part of a dollar.

Congress referred the matter to a committee of which Jefferson was Chairman. He declared that Morris' unit was too minute for ordinary calculation and advocated the adoption of the dollar as the national money "for", he said, "it is

a known coin and the most familiar of all to the minds of the people. It is already adopted from the South to the North, has identified our currency, and therefore happily affords itself as a unit already introduced.² This view was adopted by the Committee in their report³ and by Congress, the next year, when the Dollar was declared to be the ideal unit of the United States of America.⁴ The dollar thus provided for was to contain $375\frac{64}{100}$ grains of pure silver being 10.08 grains less than was contained in the Spanish Milled dollar. This discrepancy arose from the improper assays made in order to determine the amount of silver in a Spanish dollar, but as no coinage was made under the act no hardships arose which would have come with a debased coin.

The next step was taken by Alexander Hamilton. In his report to Congress, in 1791, he set forth in strong terms the necessity of a national coinage and proposed a plan for a unit and a series of coins.

2. Laughlin's Hist. of Bi-metallicism. page 11.

3. July 6th 1785

4. Money & Legal Tender, p. 19.

5. Lodge's Hamilton Vol VIII

Congress acted upon his suggestions and on Apr 2nd 1792 passed the first Coinage Act under the Constitution. This established the mint, the money of account, and authorized a national coinage.

Section 9 provided for the following coins -

Gold -	Stand. wt. -	Pure metal,
Eagle,	270 grs Troy. -	214 1/2 grs Troy.
Half-eagle.	135 " " -	123 3/4 " "
Quarter "	67 1/2 " " -	61 7/8 " "

Silver

Dollar,	416 " " -	371 1/4 " "
Half-dollar.	208 " " -	185 5/8 " "
Quarter "	104 " " -	92 1/16 " "
Dime	41 3/5 " " -	37 1/8 " "
1/2 Dime	20 7/8 " " -	18 7/16 " "

Copper

Weight of Cent 264 grains.

" " half " 132 "

The dollar was declared to be of the same value of the Spanish milled dollar, although it contained nearly 17 grains less of pure silver though being but a trifle lighter in weight. This as we shall see was a serious defect in the system. From the table it will be seen that the subsidiary coins were made of a proportional weight with the standard dollar. Two halves, four, 6, 1 Statutes at Large 246.

quarters, or ten times contained as much pure silver as a dollar, this rendered them liable to the same changes as the larger piece and eventually drove them out of circulation.

Section 10 fixed the ratio between the two metals at 16 to 15 - that is a pound of gold was worth 15 pounds of silver. Section 14 provided for the free coinage of each metal without charge to the holder of the Bullion while Section 16 gave a legal tender value to all coins ordered struck by the act.

Foreign coins were made a legal tender for a limited number of years when it was thought there would be enough domestic coin in the country to supply all needs; but, it was soon found that the new coins disappeared from circulation as fast as they were issued while the foreign coins remained in circulation.

Prof. Laughlin in his "History of Bimetallism in the U.S." explains this on the ground that our dollars went to the West Indies. Here they passed at the same face value as the Spanish milled dollar which as we have seen contained nearly 17 grains more of pure silver. This enabled our merchants to take Spanish dollars to our

mint, have them recoined into a larger number of standard dollars and thus secure a double profit by exporting them to pay their West-Indian debts. This continued until 1804 when President Jefferson ordered the coinage of the dollar to be discontinued, from this date until 1836 the fractional pieces were the only silver coins sent out from the mint.

No changes or additions were made to the coinage laws until 1834, when a change was made in the ratio between gold and silver from 15 1/2 to 16, and the weight of the gold coins were lessened to suit this new ratio. The circumstances which brought this about were these. —

By the Act of April 1792 silver was overvalued, the Spanish ratio was 16 to 15 1/2, while that of the Latin union was 16 to 15 1/2. In addition to this the market-ratio began to change about 1809, owing to the increased supply of silver, and it became a positive advantage to pay debts in silver instead of gold. So in obedience to Gresham's law — that "when two moneys are legal tender the cheaper will drive the dearer out of circulation" — gold, the dearer metal, was exported and silver remained, Secretary

Crawford complained in 1827 that gold had formed no part of our currency for some time and Colonel Benton declared in 1834 that gold had been banished from the land for thirty years. It was plain that the two metals could not circulate at the existing ratio and as early as 1819 a bill was introduced to change the ratio to 14:15.6 but the measure never came to a vote. In 1831 and 32 Mr C. D. White, of New York, from a Committee of the House reported in favor of a single standard of silver and in this he was joined by Secy. Ingham of the Treasury - who "saw no safety in bimetallism because in his opinion it was impossible to keep the mint ratio and the market-values alike". In 1834 the same Committee brought a bill before the house - known as the Gold Bill - to fix the ratio at 1 to 15.6 - this passed in the Committee of the whole but when the bill was put upon its final passage the ratio was changed to 1 to 16. Mr Benton thus describes its passage -

- 7. Vol II, 1st Session 23 Congress,
- 8. Vol I 469.
- 9. Bimetallism in the U.S. 58
- 10. " " 60
- 11. Thirty Years Vain 469.

"The bills were brought forward in the House by Mr Campbell White of New York and passed after an animated contest in which the chief question was as to the relative value of the two metals, varied by some into a preference for National Bank paper. $15\frac{3}{4}$ to 1 was the ratio of nearly all who seemed best-calculated by their pursuits to understand the subject. The thick array of speakers was on that side and the eighteen banks of New York, with Mr Gallatin at their head favoured that proportion; The difficulty of adjusting this value, so that neither metal should expel the other, had been the stumbling block for a great many years; and now this difficulty seemed as formidable as ever. Refined calculations were gone into; scientific light was sought; history was rummaged back to the time of the Roman empire; and there seemed to be no way of getting to a concord of opinion either from the lights of science, the voice of history, or the result of calculations. The Author of this View in his speeches on the subject had taken up the question in a practical point of view, regardless of history and calculations,

and the opinions of bank officers and looking to the actual and equal circulation of the two metals in different countries he saw that this equality and actuality of circulation had existed for about three hundred years in the Spanish dominions of Mexico and South America where the proportion was 16 to 1. Taking his stand upon this single fact, as the practical test which solved the question, all the real friends of the gold currency soon rallied to it; Mr White gave up the bill first introduced and adopted the Spanish ratio. Eventually the bill was passed by a large majority - 145 to 36"

And when it was urged that such a ratio would drive silver out of circulation, by it the dollar was worth from \$1.03 to \$1.04 in bullion and it went into the melting pot, and soon silver became as scarce as gold was before the passage of the act:

In 1837 an amendatory act was passed reducing the alloy in the silver dollar and its fractional parts so as to make them $1\frac{1}{2}$ fine that is one part of alloy to eleven parts of pure metal. By this act the weight of the silver dollar was

made $212\frac{1}{2}$ grains for the first time. The amount of pure silver however remained the same.

As we saw the act of 1792 made the fractional parts of the silver dollar of a proportional weight to the unit. The effects of this were now to be realized. - The existing ratio gave a profit of 3 or 4 cents on exporting the silver dollars and of course it ^{was} only needed to export a greater number of the smaller coins to secure the same profits. The result was a general scarcity of small change. This Congress undertook to regulate in 1803. By an amendatory act ¹² the weights of the half ^{piece} was reduced to 192 grains while the quarter and the dime were made respectively one half and one fifth of this amount. Their legal tender value however was limited to \$5.00 at a single payment. The country was now practically upon a snow-metallic basis having a gold basis with a subsidiary silver coinage but the finishing touches were yet to be given to the system. There came in 1873 4/

In 1873 a bill was ^{passed} ~~introduced~~ having for its purpose the re-arrangement and of
12, 10 Statutes at Large 160.

Codification of the existing laws regarding the mint, assay offices, and the coinage, it was prepared by Comptroller Snow and passed through five sessions of Congress and was printed thirteen times before it came to its final passage in February, 1873. By this act the silver dollar was dropped from the list of coins and by an amendatory act the next year the legal tender quality above \$5.00 was taken away.

Little or no attention was paid to the act at the time and few seemed to know that the silver dollar had been dishonored. Among these was President Grant himself, as is shown by his well known letter to a friend upon the subject. This inattention did not last long however as Mr H. L. Kelly of Pa, introduced a bill in the House in 1876 providing for the restoration and recoinage of the silver dollar of 412½ grains. A similar bill introduced by Mr Bland was passed in the fall of 1877 by the House by a vote of 163-434. In the Senate it was so amended as to do away with the free coinage and to make it the duty of the Treasurer to buy bullion and coin not less than \$200,000 nor more than \$400,000 per month. The House concurred and the

bill went to President Hayes who vetoed it. On its return to the House and Senate it was promptly passed over the veto and the silver dollar was restored to its old legal tender value though not to the free coinage it once enjoyed. An attempt was made to secure this in the last Congress but without avail.

Such has been the legislation which has given to us our present silver dollar but to all appearances the genesis is not yet completed. Three views are now held as to what should be the future of this coin. The supporters of the "Bland bill" favor the opening of the mint to the free coinage of both metals and then instead of trying to circulate either, issue coin certificates payable in either metal at the option of the government. The opposite extreme, headed by such noted men as Ex. Secy. Sherman, Prof. Sumner, and Prof. Laughlin, hold that bimetallicism cannot be maintained for any considerable length of time and that as "gold is the least variable of the metals it should be made the standard and the coinage of silver should be restricted to the commercial

needs for a subsidiary coinage. A third view is that of Ed. Secy. DeCollough and Dana Horton that the best interests of the country require the maintenance of the double standard - that there is not enough of either gold or silver to supply the world's needs but that the two together form a sufficient supply and that a system of bimetallism can be maintained but that the present rate will not keep both metals in circulation but will tend to replace gold with silver. They advocate a change in the rate or a suspension of the coinage until such time as the market will take silver without fear of replacing gold by it.

Such are the three principle solutions offered to the problem. Meanwhile the press of the country is busy, each member adding his suggestions to help on the general confusion. Statesmen and scholars seem anxious to enter the lists but the man who is to perform for this branch of the currency question what Chase did for the bank question is yet to be found, and it still remains an open question.

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