MEXICO AND SILVER.

THE FACTS STATED AND THE CESE ANALYZED.

The Fall of Silver Will Immensely Stimulate Home Manufacturers, and Lead to a Rapid Expansion of Tropical Agriculture, the Products of Which Command Gold Prices Abroad--Cheap Silver Good for All Classes But Importers.

From the American.

News dispatches from the City of Mexico tell us that it is believed by the Mexicans that the fall in the gold price of silver, or, as it appears to them, the further rise in the price of gold, "will immensely stimulate home manufacturing, and lead also to a rapid expansion of tropical agriculture, the products of which command gold prices abroad." We are further informed that the Mexican only regrets the recent fall in silver because they fear it "will revive the talk of adopting gold standard, which would be ruinous to the new manufacturing industries." Upon all of which the New York Times makes the charitable comment that the Mexicans must have gone daft.

It is sad nonsense to suppose that a fall in silver could stimulate manufacturing in silver using countries and exports to gold-using, remarks the Times, and further adds that it is hard to see how any considerable number of successful business men in Mexico should harbor any such views. Yet they do harbor such views, and they base them not on mere theory, but have gathered them from experience. And against such experience we fancy the manufacturers and planters of Mexico would weigh the opinion of the Times very lightly, especially when it asserts that they would find properity in a steady appreciation of silver, that is to say, that they would profit from falling prices. However, the Times gives its own case away, and all unconsciously tells us why it is that a fall in silver in our markets, or a rise in the premium on gold in Mexico, acts as a stimulus to manufacturing enterprise in that country. "An importer who knows just what he has to pay for his goods in gold and what he can get for them in silver," remarks the Times, "can make his calculations accordingly. It is the relatively sudden changes that confuse his calculations, makes his ventures risky and discourage enterprise." But whose ventures do such changes make risky, whose enterprise do they discourage? The Mexican manufacturer's? Why, no, the importer's, and if the business of importation is discouraged and an increased market thus made for Mexican manufactured goods, manufacturing enterprise must be encouraged. This is obvious from the Times' presentation of its own case.

But it is further evident that all sudden changes in the price of silver and of the rate of exchange on gold using countries will not discourage importations from gold-using countries into Mexico. A sudden rise in the gold price of silver and a consequent fall in the rate exchange must lessen the cost of goods imported from gold-using countries. The Mexican importer will, under such conditions, get his goods for less than anticipated, his profits will be greater, and, obviously, importing enterprise will be encouraged and manufacturing enterprise discouraged. Obviously it is only sudden changes in the gold price of silver in one direction, and that direction a falling one, that make the ventures of the Mexican importer risky and discourage his enterprise. A fall in the gold price of silver means a rise in the rate of exchange on gold using countries, a rise in the premium that must be paid for the gold bill for remittance in payment for goods bought from gold standard countries, and the higher this premium the greater must be the silver cost of the imported goods. And if this premium rises suddenly, the Mexican importer will find himself called upon to pay more for his importations than he anticipated and his profits will be undermined.

It is thus that a tendency of silver to fall as we measure it, and for gold to rise as the Mexican measures it, makes the ventures of the Mexican importer risky and discourages his enterprise. A rise in the gold price of silver and, inversely, a fall in the silver price of gold must make the ventures of the importer not more risky but more certain, for instead of being treated to the disagreeable surprise of having to pay more for his goods than he calculated upon, he will be treated to the ever agreeable surprise of getting his goods for less money than he anticipated. Whether silver rise or fall his calculations will miscarry, but if silver rise, the miscarriage of his calculations will be welcome. So it is that a fall in silver in the United States, or a rise in the premium on gold in Mexico—for it must be remembered that silver does not fall in Mexico any more than gold falls in the United States, for the reason that silver measures itself in Mexico as gold measures itself in the United States—must ever discourage importations into Mexico and encourage domestic manufacturing. A fall in the premium on gold must encourage importations and discourage manufacturing. So it is that the Mexicans, who are not at all averse to see the up-building of manufacturing industries and their growing industrial independence of foreign lands, dread the adoption of the gold standard for Mexico and the disappearance of the premium on gold.

And Mexico is not the only country that has been thus affected. All silver countries have been equally affected. And in the meanwhile Japan has been put in the way of reaping some of the fruits of her folly in throwing over the silver standard, under which she prospered, and adopting the gold standard under which the industry and enterprise of the western nations have stagnated. Japan did not, indeed, throw aside the advantage conferred on her industries by the premium on gold when she adopted the gold standard. She sought to keep that premium by cutting her gold coins in half, and in this way stabilized the premium on gold, as measured by her old currency at about 109 per cent. In short, she tied herself down to the gold standard, but in a way that her producers would receive about 209 yen thereafter for every $100 worth of goods sold in America of other gold using coutries.

Originally the yen was practically equivalent to our dollar, but in adopting the gold standard Japan made her new unit of value equivalent to something less than the then value of the Mexican dollar. The Mexican dollar was then worth about 48 cents in gold, and the Japanese enjoyed the same bounty on exports to gold using countries as their neighbors—the Chinese. But the Mexican dollar has since fallen to 45 cents, and the rate of exchange on gold using countries in China has risen to about 225, or a premium of 125 per cent. Now it happens that with this change in external trade relation there has come little change in domestic trade. There has come no general rise in prices of domestic productions, no advance in wages, no increase in the cost of production. Yet for products selling for $100 in gold, in gold using countries, the return in silver dollars has been increased to $225, where a few weeks ago it was not $209. So the export trade from China must be encouraged at the expense of the Japanese, whose return for goods sold in gold using countries has not been increased by the recent fall in silver.

On the other hand, the cost to the Chinaman of every $100 worth of goods bought from gold using countries has been increased from $209 to $255, or by about eight per cent. In other words, the last fall in silver has been equivalent to the raising of a customs tariff of eight per cent., and must exert the same stimulus to domestic manufacturing in China as such raising of a customs tariff, a customs tariff that could not be gotten around by undervaluations, would exert. This stimulus has not been shared in by Japan.

But the most serious effect to Japan of this recent fall in silver, and raising of the gold premium in China to 125 per cent., while her own premium has remained fixed at 109., must be felt in her trade with China. Japan has been building up with China a considerable export trade in cotton yarns. Her manufacturers have been on equal footing with those of Shanghai. But now comes this further building up of the gold premium in which Japan has not shared. This premium must raise the cost to the Chinamen of yarns bought in Japan by 8 per cent, unless, indeed, the Japanese, in order to hold his market, reduces his selling price, and sees fit to sell for 93 yen what he formerly asked 100 for. So the Japanese manufacturer finds himself under a severe handicap in competing for the markets of China. He finds what is virtually a customs tariff of 8 per cent reared up against his goods.

"We have said that the Mexicans believe that the recent silver decline in London and New York, and per se, the rise in the premium on gold, will immensely stimulate their home manufacturing. Now again we ask, why? The simple reason is that the cost of everything bought abroad has been enhanced. A few short weeks ago the Mexican silver dollar was worth 48 cents in gold. Then it cost the Mexican importer $208.33 to pay for a bill of $100 of goods bought in New York. To-day the Mexican dollar is worth but 45 cents in gold, and a draft to settle a bill of $100 of goods in New York costs the Mexican importer $222.22. What the result of such changed conditions must be is obvious. The Mexican importer must raise the prices asked for imported goods, and this must offer an opportunity to the Mexican manufacturer. The price at which he must sell to meet foreign competition is raised, consequently he finds it easier to compete, he finds a readier and more profitable market, he prospers and manufacturing is stimulated.

But, says our gold monometallist, does not the cost of manufacturing rise with the fall in silver, do not wages rise as silver falls? The answer is, they do not. The gold price of silver has fallen 6 per cent within a few weeks, but we would be much surprised if wages had risen by anything like 6 per cent. We very much doubt if the wages paid by the Mexican manufacturers to-day are any higher than those paid six or eight weeks ago. Here is a statement very much to the liking of our gold monometallist. "Ah"! he says "if silver has fallen and wages have not risen the wage-earner must be injured, the striking prosperity of the manufacturer is made at the expense of his hands." But not so at all. The wage-earner lives on goods of domestic production, he is not a large consumer of foreign goods, and it is the price of these latter that has alone been affected by the fall in silver and the rise of the premium on gold. So the purchasing power of the wage of the wage earner has suffered no diminution because of the fall in the gold price of silver. Consequently he has not, and will not, suffer from such fall. On the contrary, he will gain. The stimulus to industrial enterprises must make increased demand for his labor, hence he can find readier and fuller employment for his time, and thus earn larger wages, albeit there is no increase in the nominal rate of wages.

And finally this increased demand for his services must lead to an advance in wages, not an advance coming directly and concurrently with the fall in silver and hence not increasing the cost of manufacturing with such fall, but coming with the stimulus given to industry and the increased demand made for labor by the growth of new industries. Such advance of wages has already been recorded in Japan—an advance that has not kept pace with the rise of the premium on gold but which has more than kept up with the increased cost of living, of the necessaries of life, an increase that is sure to come with industrial development and prosperity.

We have further made note of the fact that Mexicans look upon the decline in the price of silver not only as a stimulus to home manufacturing, but as likely to lead to a rapid expansion of tropical agriculture, the products of which command gold prices. And again we ask what reason is there for this belief? The simple reason is that the price received for everything sold abroad has been enchanced. With the Mexican dollar worth 48 cents in New York, as it was a few weeks since, the Mexican coffee planter would realize $208.33 in Mexican money for every $100 worth of coffee sold in New York. To-day with the silver dollar at 45 cents

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