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NÚMERO 167

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**THE RESISTANCE TO THE GOLD STANDARD ADOPTION
UNDER THE PORFIRIAN REGIME. WHY THE WORST
STANDARD WAS PREFERRED?**

Abstract

Why Mexico quit the silver standard until 1905 and not in 1873 as US and France did? Why the so-called 1873 crises in US and France were not repeated in Mexico? In this paper, we focus on the answers found of contemporaneous protagonists. Some answers are surprising. One was that Mexico had “never been so prosperous and so well off as when the depreciation of the white metal was most pronounced”. Another answer was that the adoption of the gold standard would have implied deflation and recession. That is, Mexico wanted to avoid the “great depression” of the gold-standard countries.

Resumen

¿Por qué México abandonó el patrón plata hasta 1905 y no en 1873 cuando EU y Francia lo hicieron? ¿Por qué los llamados crímenes en EU y Francia no fueron repetidos en México? En este ensayo, nos enfocamos en las respuestas encontradas de protagonistas contemporáneos. Algunas respuestas son sorprendentes. Una de ellas fue que México no había sido más próspero y estado mejor como cuando la depreciación del metal blanco fue mas pronunciada. Otra respuesta fue que la adopción del patrón oro habria implicado deflación y recesión. Esto es, México quería evitar la “gran depresión” de los países con patrón oro.

Introduction

Why did Mexico quit the free coinage of silver until 1905 and not closer to 1873 when the U.S. and France did? Why to keep a depreciating standard when the “great commercial nations” had adopted or were adopting the appreciating gold standard? Was it bad or a good decision? ¹ Why the so-called 1873 crime in the U.S. and France was not repeated in Mexico? ² Was really the worst standard the best? ³ Did really the silver standard cause prosperity? ⁴ If so, why? In this paper, given the importance of these questions for theorists of money and economic historians, we focus on describing in detail answers or opinions given by contemporaneous protagonists and economists. In fact, we survey a quite number of primary sources—government documents, books, essays, newspapers, etc., published as early as 1879. In turn, Renero [1998] argues that results for the Kiyotaki-Wright Model⁵, a random-matching model of money, may rationalize and clarify some of those answers.

One set of answers given by the Government’s represents, some miners, the public opinion, and international observers were, perhaps, apparently reasonable. For instance, Mexico’s silver production was important absolutely and relatively. In fact, Mexico was alternatively the first or the second silver producer in the world. Moreover, its silver coins circulated broadly in Asia and elsewhere. Surprisingly for many of us, the Mexican peso was legal tender in the U.S. until 1834, but allegedly it continue circulating broadly until 1857.

Other answers given were that the change could have caused serious disturbances because of unspecified reasons, that the gold standard was for rich countries, that the monetary system problem was not a priority, that it was not the right timing, that it was reasonable to see before the results of the monetary change in other countries, that silver would appreciate to previous levels, that the prices and wages were in terms of silver scale, and that the substitution of silver coins would have been too costly.

Other answers were, perhaps, more surprising. According to Matías Romero [1898b, p. 576-7] (alternatively at least three times Mexican Secretary of the Treasury and Ambassador to the U.S. in the last decades of the XIX century⁶), *everybody in Mexico favored the silver standard*. And according to Limantour [1904a, p. 425], who was Mexican Secretary of the Treasury in the period 1892-1911, the argument to keep the silver standard was that Mexico had “never been so prosperous and so

¹ See Romero [1898b, p. 586], Renero [1998].

² See Friedman [1990], Flandreau [1996] for the U.S. and France cases, respectively.

³ The statement that “the worst standard was the best” is in Conant [1903a, p. 501]. For the argument see sections 3.11a) and 3.12 in this paper.

⁴ See Casasús [1896b, p. 7].

⁵ For a further examination see Kiyotaki-Wright [1989], Renero [1994], Renero [1997].

⁶ See Diccionario Porrúa [1976, p. 1799].

well off as when the depreciation of the white metal was most pronounced". Or, from a little different perspective, "that the period of the country's greatest prosperity has been precisely that during which the price of silver was lowest"⁷. We should mention here that Romero's point of view was that although the silver standard was not the only cause of Mexico's prosperity, the Mexican efforts would have not been as profitable as they were without production and coinage of silver⁸. However, the opinion of Limantour [1904a, p. 427] was that the occurrence of silver depreciation and prosperity was mostly a coincidence.

Other answer seems more sophisticated. This was that the adoption of the gold standard would have implied deflation and recession. That is, Mexico wanted to avoid the "great depression" of the gold standard countries. The Mexican professor of economics and businessman Casasús (who was Mexico's government consultant, Mexican delegate to the International Monetary Conference held at Brussels in 1892, president of the fourth sub-commission of the Monetary Commission appointed in 1903, and member of the Mexican political elite, "los científicos" [the scientists]), stated,

"it is important to note that the crisis that the gold countries suffer, it is not universal, and it does not affect the silver-using countries; or to put it in a better way, this Nations observe the opposed phenomenon".⁹

The rest of the paper is organized as follows. In the next section, we explained briefly some background about the international and national position to the monetary standards and its consequences. In section 3, we describe the answers found to resist the gold standard giving detailed references in chronological order. Each reason to keep the silver standard is followed by opposite opinions if any found.

Some background

The International Monetary Conference held at Paris in 1867 was apparently the turning point of the demonetization of silver in the world. In practice, many countries, including Mexico, had been under the silver standard for some centuries, but after the conference the posture "gold standard for all the civilized nations" had

⁷ Original Spanish version in Limantour [1904b, p. 7] in *Secretaría de Hacienda...* [1906, p. 5-30].

⁸ Romero [1895, p. 711]. However, he wished to see "silver commanding the same price as it had before it was demonetized in 1873". This position was criticized by Russell [1898, p. 451] because if silver depreciation had been really profitable, people were not wishing that silver price had come back to the same levels of 1873. See also Aldasoro *et al.* [1886, p. 71].

⁹ Translation from ... "es digno de llamar la atención que las crisis que sufren los países-oro, no es universal y que no alcanza a las naciones que han hecho uso de la plata; o por mejor decir, que en estas Naciones se observa un fenómeno contrario" Casasús [1894, p. 303].

an increasing acceptance around the world¹⁰. In fact, there was a rush to adopt the gold standard by many nations and, consequently, a gold appreciation and silver depreciation¹¹, so that the gold-silver price ratio had almost doubled in 1896¹².

One of the exceptions in the silver demonetization movement was Mexico despite of the silver depreciation, the "monetary problem". In fact, the Mexican Government in 1886 studied the possible unification of its monetary system with the gold-using countries affected by the exchange rates. It concluded that this proposition was *unfavorable* to Mexico unless the possible partners like the U.S. or the European nations adopted the silver standard¹³. Furthermore, the Special Commission of 1886 stated that Mexico could not do anything in order to come back the silver price to the prior levels before silver demonetization, and that the diplomatic negotiations and the possibility of a new conference for "bimetallism" restoration could not have any positive result¹⁴. Before Mexico's assistance to the International Monetary Conference of 1892, Casasús analyzed the effects of silver depreciation upon Mexico. He concluded that the unique solution to the monetary problem was the restoration of "bimetallism" in order to stabilize the silver price¹⁵. In 1894, after the failure of the Monetary Conference held at Brussels in 1892, Mexico studied the possibility to celebrate an International Bimetallic Conference with the American and Asiatic countries who were affected by silver depreciation; but Casasús stated that it was impossible its realization¹⁶.

It seems that until 1903 (36 years after the International Monetary Conference held at Paris or, 30 years after the U.S. and France suspended the free coinage of silver) the Mexican Government looked to adopt the gold standard when silver price's fluctuations had been affecting the economy so keenly¹⁷. Therefore, it decided to join China and to ask for help from the U.S.¹⁸. In this occasion, Mexico argued that it was not looking for "bimetallism" restoration and it just wanted recommendations by the gold standard countries to Mexico's monetary change and the mediums of maintaining the new silver price¹⁹. Moreover, the Mexican President, Porfirio Díaz, appointed a Monetary Commission in order to study the silver standard's effects upon the national economy, and to decide the best ways to introduce the gold pattern.²⁰

¹⁰ Casasús [1893, p. 83], Russell [1898, p. 84].

¹¹ Casasús [1886, p. 228], Casasús [1893, p. 84].

¹² Casasús [1894, p. 209, 249], Limantour [1897, p. 590-1 fn. 1], Romero [1898b, p. 579, 581-2, 591], Creel *et al.* [1903b, p. 163, 164], Friedman [1990, p. 91, 103].

¹³ Secretaría de Fomento... [1886, p. 253]. Specially Casasús [1886, p. 217, 235, 250].

¹⁴ Bulnes *et al.* [1886, p. 270].

¹⁵ Casasús [1896b, p. 8, 15].

¹⁶ Casasús [1894, p. 203-4].

¹⁷ Conant *et al.* [1903a, p. 11, 69, 74, 86], Creel *et al.* [1903b, p. 164].

¹⁸ Hay [1903, p. 9], Creel *et al.* [1903b, p. 164].

¹⁹ Limantour [1903c, p. 41].

²⁰ See, for instance, Limantour [1903a, p. 1].

In the period from 1873 to 1896, the gold standard countries were allegedly suffering one of the principal problems prevailed in that years, the fall of prices because of the increase of gold value²¹. According to Russell [1898, p. 164, 256, 332-3, 333 fn. 1, 380] many countries with the high standard were affected by bankruptcies in agriculture and industry and the decrease of the foreign trade with the silver standard countries. As a result there were different Monetary Commissions in the United States, United Kingdom, and Germany which studied the causes of the fall in prices and the rise of the gold-silver price ratio. For instance, the English Royal Commission on Depression of Trade was appointed in 1879²² and, as a result, the English Royal Gold and Silver Commission was appointed in 1887²³. The American Silver Commission of 1876 declared allegedly against the rise in the gold value and the decrease of prices because the U.S. could go through a financial disaster and it recommended the restoration of the bimetallic system²⁴. Moreover, the importance of the problem originated the meeting of the International Monetary Conferences in 1878, 1881 and 1892 to propose the rehabilitation of silver²⁵.

Reasons given to keep the silver standard

Silver production in Mexico was very important

In the Porfirian regime, many people said that Mexico had been alternatively the first or second silver producer in the world²⁶, it produced two-thirds of the universal silver stock²⁷; silver had represented a major part of its exports²⁸ since the beginning of the 19th century²⁹, approximately 50 % in 1903³⁰. John W. Foster³¹, in his report

²¹ Russell [1898, p. 262], Kemmerer [1938, p. 359].

²² Russell [1898, p. 258]. For a description of this commission see Hanson [1969, p. 123], A dictionary of economics and commerce.

²³ Gold and Silver Commission [1888, p. 11], Russell [1898, p. 343]. For a description of this commission see Newman *et al.* [1994, p. 255-6], The New Palgrave, Dictionary of Money and Finance.

²⁴ Casasús [1896b, p. 68-9], Russell [1898, p. 163].

²⁵ For a further study of the several Commissions and, Conferences see U.S. Congress [1896], Russell [1898].

²⁶ García [1895, p. 297], Romero [1895, p. 705], Limantour [1897, p. 592 fn. 1], Romero [1898b, p. 588-9], Leroy-Beaulieu [1903, p. 126], Limantour [1903b, p. 9-10, 10], Macedo [1903, p. 188], Kemmerer [1916, p. 467, 505-6].

²⁷ Romero [1895, p. 705].

²⁸ Romero [1879, p. 246, 248-9], Romero [1898b, p. 615], *El Economista Mexicano* [12/27/1902, p. 21], Leroy-Beaulieu [1903, p. 126], Limantour [1903b, p. 10].

²⁹ Comisión de Hacienda de la Cámara de Senadores [1825] quoted in Romero [1879, p. 228].

³⁰ Limantour [1903c, p. 41].

of 1875 about Mexican mining to the Commerce Chamber in the U.S., and Romero claimed that it had been one of the greatest Mexican industries for about three centuries³². It is important to note that the Secretary of the Treasury claimed that mining represented the future of Mexico in 1870³³. Moreover, the Mexican Government and the public opinion stated that silver production helped to the development of all the economic sectors like agriculture, manufacture, commerce and railroads³⁴. We have to mention that the Mexican Government considered it only few years after Mexico's independence³⁵, and also it said that mining could bring the country's development³⁶. Furthermore, Romero, at the beginning of the Porfirian regime, stated that mining overcame the benefits of all the economic sectors mentioned above. Also he claimed that an increasing production of silver could help to Mexico's wealth³⁷, and that mining had a great influence upon the public income³⁸. Accordingly, these statements seem to be a natural reason to resist the gold standard adoption under the Porfirian regime because the mining industry had been considered a source of wealth since the colonial period³⁹. Therefore, any change of the silver standard could produce a terrible drop in the silver price and, consequently, the closure of the silver mines causing failures to the national economy⁴⁰. As Romero [1898b, p. 588-9] explained:

Another reason which makes it difficult for Mexico to adopt the gold standard, is that we are very large producers of silver, the United States only being ahead us; therefore it would be injurious to our interests to depreciate that metal in our own market, such being the necessary consequence of our accepting the gold standard...

Or, as Gaines [1904, p. 350] put it:

³¹ Romero [1879, p. 207-8] said that Foster changed his point of view three years later because of some disagreeable events that could affect to the most strong position, and the possible lack of its expectations about Mexico

³² Foster [1875] quoted in Romero [1879, p. 204], Romero [1879, p. 141, 230, 249].

³³ Exposure of the Mexican Secretary of the Treasury on behalf of the President [1870] quoted in Romero [1879, p. 251].

³⁴ Romero [1879, p. 248-9], El Economista Mexicano [01/03/1903, p. 23], Landero y Cos [1903a, p. 29], Landero y Cos [1903b, p. 111], Limantour [1903b, p. 9-10, 10], Gaines [1904, p. 350].

³⁵ Alamán [1823] quoted in Romero [1879, p. 221], Alamán [1825] quoted in Romero [1879, p. 222], Comisión de Hacienda de la Cámara de Senadores [1825] quoted in Romero [1879, p. 224, 228].

³⁶ Alamán [1825] quoted in Romero [1879, p. 223].

³⁷ Romero [1879, p. 202].

³⁸ Romero [1879, p. 248-9]. This was stated by Lafragua [1846] quoted in Romero [1879, p. 236] too.

³⁹ Limantour [1903b, p. 9-10].

⁴⁰ Crespo y Martínez *et al.* [1886, p. 53], García [1895, p. 317], Landero y Cos [1902, p. 7], Creel [1903, p. 44], El Economista Mexicano [01/03/1903, p. 23], Ferrara [1903, p. 206], Huart [1903, p. 46, 58], Landero y Cos [1903a, p. 29], Landero y Cos [1903b, p. 111], Limantour [1903b, p. 9-10, 10].

Silver mining is the traditional wealth-giving industry, and is so interwoven with all phases of the national prosperity that its sudden decadence would directly affect financial conditions in every part of the country. In the past the nursing of the silver industry has been made paramount to all other considerations. Its encouragement has been held to almost as to a fetich. Intense and bitter opposition would greet the introduction of a currency whose degree of appreciation above the market level of the silver in the existing peso should be so considerable as to put the silver miners at a distinct disadvantage.

Notwithstanding this position, there were in the last half on the 19th century opinions by some international observers saying that silver was not the only Mexican source of wealth and they claimed that agricultural products were more profitable because of their facilities to develop them⁴¹. At the start of the 20th century, one of Mexican commissioners said that the importance of mining had been exaggerated⁴²; also the Mexican Commission on International Exchange stated that mining had been working with increasing costs⁴³. A related point of view was that the injury to the silver mines would have been outweighed by the benefits of changing the standard⁴⁴. One opinion went further saying that the conditions in the silver market had been such that any change in the monetary standard would have not cause a fall in silver prices, like it occurred with the closing of the Indian mines in last decade of the 19th century⁴⁵. As a consequence, the Mexican Government considered that the gold standard would be adopted without problems if they had given protection to the silver mines by subsidies⁴⁶. Additionally, it maintained in circulation the silver coins⁴⁷ when free coinage of silver was abandoned by prescription of the Act of March 25th 1905⁴⁸.

Mexican coins circulated worldwide and were legal tender in the U.S.

Many hundreds of millions of Mexican silver coins⁴⁹ circulated allegedly around the world⁵⁰ for about four centuries⁵¹. Basically, the Mexican coins had been used as the commercial coin in the European countries⁵², excepting United Kingdom, and the

⁴¹ Seager [1867] quoted in Romero [1879, p. 155-6, 157, 164], Foster [1876] quoted in Romero [1879, p. 143, 163], Romero [1879, p. 160]

⁴² García-Granados [1903, p. 27].

⁴³ Creel *et al.* [1903b, p. 185].

⁴⁴ García-Granados [1902, p. 27], Conant *et al.* [1903a, p. 86, 503], Comisión Monetaria [1904, p. 59], Limantour [1904b, p. 15].

⁴⁵ Creel *et al.* [1903b, p. 180].

⁴⁶ Creel *et al.* [1903b, p. 164, 166, 185].

⁴⁷ Creel *et al.* [1903b, p. 176], Limantour [1904b, p. 13], Secretaría de Hacienda... [1906, p. 45].

⁴⁸ Secretaría de Hacienda... [1906, p. 45].

⁴⁹ Gaines [1904, p. 350].

⁵⁰ Romero [1898b, p. 615], Conant *et al.* [1903a, p. 486].

⁵¹ Casasús [1903, p. 17].

⁵² Romero [1879, p. 90-1].

Oriental countries⁵³, being China the most important consumer⁵⁴. The Mexican coins also had an important market in Cuba, Puerto Rico, and South America⁵⁵. For a couple of economists, Mexico had been the producer of the coin most accepted in the international traffic⁵⁶. The Mexican coins had a premium over its intrinsic value⁵⁷ because of its great demand in many countries⁵⁸. Furthermore, Casasús stated that the coin's trade represented a profit of 2,500,000 dollars⁵⁹. By the way, it is interesting that the Mexican peso was unlimited legal tender in the United States until 1834 when Hamilton's Monetary Act was repealed⁶⁰; although it continued its circulation for about twenty three years⁶¹.

Hence, not surprisingly, anyone might be afraid of losing the possible benefits of these alleged facts by the adoption of the gold standard. As Romero [1898b, p. 615] wrote:

"We are peculiarly situated as regards our silver coin, possessing advantages that are enjoyed by no other country. This fact becomes patent when we consider the great demand there is for our silver dollar in the world, owing to its having a larger amount of pure metal than any similar foreign coin, and therefore commanding a higher price than any other dollar. We have, besides, a special market for our silver dollar in the East, where it has been used for many years as the national coin, and where it is in great demand. This circumstance causes us to be very slow to accept any changes in our coin which may deprive us of those markets and those advantages."

When Mexico was looking for the adoption of a new standard in 1903, Jaime Gurza, a Mexican Monetary Commissioner, declared that the change would have brought additional problems. Such as, the prohibition of the silver coins circulation in Asia that could have produced a fall in the silver market in a major proportion. Although he also mentioned that in order to keep the Oriental markets, it would have been necessary to give a constant value to the Mexican coins⁶².

By that time, the study by Casasús [1903, p. 11, 17] declared that the destiny of the Mexican coins had been to disappear in the Asiatic countries⁶³ because the Oriental countries had been looking for the introduction of a national coin⁶⁴. Moreover, this

⁵³ Casasús [1886, p. 247], Romero [1898b, p. 615], Russell [1898, p. 99-100], Casasús [1903, p. 3-4, 18], Conant [1903, p. 478], Kemmerer [1916, p. 469].

⁵⁴ Romero [1879, p. 90-1], Casasús [1903, p. 4], Kemmerer [1916, p. 469].

⁵⁵ Casasús [1903, p. 17], Kemmerer [1916, p. 469].

⁵⁶ Russell [1898, p. 99-100], Andrade [1903, p. 9].

⁵⁷ Casasús [1886, p. 248], Romero [1898b, p. 615], Casasús [1903, p. 5].

⁵⁸ Romero [1879, p. 90-1].

⁵⁹ Casasús [1886, p. 249].

⁶⁰ Casasús [1886, p. 227-8], Casasús [1903, p. 17].

⁶¹ Kemmerer [1916, p. 469].

⁶² Gurza [1902, p. 72].

⁶³ See also Guerrero [1905, p. 89].

⁶⁴ See also Casasús *et al.* [1903d, p. 162].

study claimed that the premium upon Mexican coins had vanished⁶⁵. Consequently, the monetary industry had to be closed in 1905⁶⁶.

The change of the standard would cause disturbances

Another argument to keep the silver standard was that it had been used in Mexico approximately for four centuries⁶⁷. In this way, it was argued that the transition from the silver standard to the gold standard would have produced great business disturbances and drawbacks to the economy anytime⁶⁸. As a result, for some unspecified reasons, the nation would suffer bankruptcies in commerce, agriculture, industry, mining, almost to all the economic sectors⁶⁹. As Romero [1898b, p. 586] wrote,

It would be a great deal more difficult for Mexico to accept the gold standard than for the United States to adopt the silver standard, because, the silver standard having been in operation in Mexico for four hundred years, to abandon it and come to the gold standard, a higher standard of value, would entail untold losses, a great disturbance of business, many failures, and almost universal ruin...

Landero y Cos, perhaps one of the principal defenders of the mining industry, and other Mexican observers were cautious against any change in the monetary standard⁷⁰. The mining's defender said that the future under the new standard was uncertain and, it would have caused worse problems than silver standard had been producing⁷¹. One of the observers considered unnecessary the adoption of the gold standard because of the unspecified reasons, so he claimed that it would have been better not to touch anything in order to avoid the injuries referred above⁷². And Telesforo García voted by his letter of 1904 to the Monetary Commission against the adoption of the gold standard because he considered that Mexico had a good economic situation, and that the change of the monetary system could represent a great obstacle to the country's development⁷³. As Telesforo García's epitaph summarized:

⁶⁵ Casasús [1903, p. 6], Casasús *et al.* [1903d, p. 162], Guerrero [1905, p. 88-9], Martínez-Sobral [1909, p. 43-4, 45].

⁶⁶ Guerrero [1905, p. 91].

⁶⁷ Romero [1898b, p. 586, 608].

⁶⁸ Romero [1898b, p. 586, 594, 608], Landero y Cos [1903b, p. 111-2], Limantour [1903b, p. 9], Riquelme [1903, p. 63].

⁶⁹ Romero [1898b, p. 586, 608], Huart [1903, p. 40-1, 43, 45-7, 57], Riquelme [1903, p. 63].

⁷⁰ García, Telesforo [p. 233, 234], Huart [1903, p. 57], Landero y Cos [1903b, p. 111-2].

⁷¹ Landero y Cos [1903b, p. 111-2].

⁷² Huart [1903, p. 45-7, 57].

⁷³ García, Telesforo [p. 233, 234].

"Here rests Don Melchor, that being fine wanted to be better".⁷⁴

Gold standard was for rich countries

In the Monetary Conference held in Paris in 1867, some of the commissioners allegedly indicated that the gold standard had been reserved for the civilized, rich and, active nations⁷⁵. Therefore, silver, considered the inferior metal, was attributed to the less advanced countries, being the case, that they preferred it and they were glad with keep it⁷⁶. This doctrine was held basically by many financiers in last quarter of the 19th century⁷⁷. Furthermore, Feer-Herzog, commissioner by Switzerland at the International Monetary Commission of 1878, argued that silver was ill adapted to the needs of a higher civilization because of its depreciation when it was maintained by the developed countries caused the emission of paper money⁷⁸. In the same conference, Dr. Broch, the commissioner by Norway, said that the gold standard always would have the preference in his country for foreign and domestic trade considering its great portability; he also held that gold had become the money of all *progressive peoples*⁷⁹. Additionally, Romero, the Mexican Treasury Minister, held that gold was very good for the rich nations because of their high banking system development and their perfect credit market⁸⁰.

At the beginning of the 20th century, one of the American Commissioners on International Exchange explained that the level of wages and prices was lower in a poor country than in a wealthy nation. Hence, for instance, a gold coin could represent the pay of five day's labor in a silver standard country⁸¹; so that the countries under this situation would have to use extensively a silver currency than a pure gold currency. In spite of this, he commented that Japan was a silver-using country that did not take in account this economic element, so it suffered some embarrassments because of its low wages and national wealth after its adoption of the gold standard⁸². Consequently, it was claimed that the silver standard was more adaptable to the low earnings of the widespread poor social classes that prevailed in Mexico⁸³. As Conant [1903, p. 471] stated:

⁷⁴ Translated from "Aqui yace Don Melchor Que estando bueno quiso estar mejor" García, Telesforo [p. 234].

⁷⁵ Friedman [1990, p. 102-3] held that the preference to gold like basis of a monometallism system had its reason in the English election in favor to gold two centuries before to this movement in last century.

⁷⁶ Russell [1898, p. 239, 300].

⁷⁷ Russell [1898, p. 143].

⁷⁸ Russell [1898, p. 218].

⁷⁹ Russell [1898, p. 229].

⁸⁰ Romero [1898b, p. 582].

⁸¹ Conant [1903, p. 470-1].

⁸² Conant [1903, p. 470-1].

⁸³ Romero [1898b, p. 582], Landero y Cos [1902, p. 5], Conant [1903, p. 470-1].

“A currency which contains a large proportion of gold coins is better adapted than a currency of silver to the needs of wealthy country, but a currency which contains a large proportion of silver coins is best adapted to the needs of poor country”...

In this way, the Mexican and American Commissions recommended that the adoption of the gold standard by the undeveloped countries maintained the silver coins in circulation as subsidiary coin⁸⁴. Moreover, somebody considered that the modern civilization based in the credit system put a limit to the silver standard⁸⁵. Furthermore, some years after the gold standard adoption, there was an opinion considering it suitable because the Mexican economic progress implied that obligations could be paid with paper money, and the country had been rising its wealth⁸⁶.

The change of the standard was not a priority

After few years of silver demonetization in 1873, it is interesting that the Mexican President Porfirio Díaz declared that one of the most important country's needs was the construction of the railroad without mentioning any change in Mexico's monetary system⁸⁷. Similarly, after the world crisis of 1884 and an important fall in the silver price, Bulnes in his study to the Special Commission of 1886⁸⁸ recommended that the construction of 300 kilometers of railroads, to give securities to foreign capital and subsidies to the agricultural exports would solve the economic problem in that time⁸⁹.

Limantour in his memories [1965, p. 39] declared that the monetary problem was very complex circa 1892 although he did not look for analyzing the change of the monetary standard. He also argued, in the first years of his labors as Secretary of the Treasury, that Mexico had suffered a terrible crisis in 1893 because of the great drop in the silver market and the decrease in the agricultural production. Therefore, the principal problems were to reduce the fiscal deficit and the arrangement of the national debt and not to change the monetary standard.

This reason is questionable because Limantour, eight years before the Monetary Reform, had explained that there had been other characteristic difficulties to the gold standard adoption like the means to procure the gold for circulation and the deficits in balance trade⁹⁰. These points will be explained in sections. The following is a

⁸⁴ Conant *et al.* [1903a, p. 506].

⁸⁵ Guerrero [1905, p. 97].

⁸⁶ Martínez-Sobral [1909, p. 105]. See also, Guerrero [1905, p. 97].

⁸⁷ Díaz [1877-78] in McCaleb [1921, p. 148-9, 150].

⁸⁸ For a further study see Secretaría de Fomento... [1886].

⁸⁹ Bulnes [1886, p. 183].

⁹⁰ Limantour [1897, p. 591 fn. 1].

quote, admittedly a difficult quote, of a letter from Limantour [1897, p. 591 fn. 1] to Ottoman Haupt:

All of these circumstances [the adoption of the gold standard in other countries, less use of silver, etc.] combined have tended to, or at least hastened, the depreciation of silver...

Is this question, however, settled fatally and definitely, or does it not admit of any remedy or relief? You seem to think so, but I, for my part, am not yet convinced of it, and independently of any opinion that may be had on this important subject, many powerful reasons exist why Mexico should not change its silver monetary unit, at least whilst some of its economic peculiarities remain

In my answer to Mr. Jacoby, which you read, I brought forward and tried to give in detail the two sorts of difficulties that would beset us in order to exchange the silver for the gold unit. The first of these difficulties involves the means to procure the necessary gold for our circulation, and the second (and evidently the most serious) almost borders on the impossible, for it means no less than the necessity for keeping the gold in the country and suppressing its exportation.

Limantour, the Secretary of the Treasury explained, in the first meeting of the Monetary Commission of 1903, that the monetary problem had come to its critical point in the last decade. Moreover, he considered that the change of the monetary standard was the most difficult and transcendental economic problem to solve by the Mexican commissioners⁹¹.

Timing

Allegedly the silver price had gone down to its lowest price in 1902 following great fluctuations in the international silver market⁹², and the balance trade payments were based mainly on silver production⁹³. In this context, there were different positions about the adoption of the gold standard⁹⁴. One view was that it had not become the optimal period to apply any new monetary system in the country. Hence, they recommended the establishment of the gold standard to be postponed while the allegedly economic situation prevailed in the country⁹⁵.

⁹¹ Limantour [1903b, p. 9].

⁹² The Economist [1902, p. 1930, 1930-1], Martínez-Sobral [1909, p. 33-4].

⁹³ Creel [1903a, p. 44, 47].

⁹⁴ Barrera-Lavalle [1914, p. 52].

⁹⁵ See, for instance, Gorozpe [1902, p. 3], Landero y Cos [1902, p. 6], Creel [1903a, p. 44, 47], Ferrara [1903, p. 206-7], Gorozpe [1903, p. 34], Hegewish [1903, p. 82], Huart [1903, p. 58-9], Riquelme [1903, p. 64], Hernández [1904, p. 226], Limantour [1904b, p. 29], Palmer [1904, p. 228], Barrera-Lavalle [1914, p. 5, 19, 52].

Landero y Cos, perhaps, the principal mining's defender, held a different argument about timing. He said that the gold standard would have been adopted only in the case that silver price had suffered a depression in the country⁹⁶. Another point of view by some observers held that silver production was *still* profitable⁹⁷, so the abundance of the metal could solve the crisis of 1902 and, it would have been used in the payments of foreign trade⁹⁸. In turn, Limantour said that the change of standard had to be decreed when the silver market had a favorable reaction⁹⁹.

In fact, Creel, Mexican Commissioner in 1903, national and internationally, and few public opinion claimed that Mexico could change its monetary standard only when it could pay its imports with the exports of different agricultural products¹⁰⁰. Hence, the Mexican Commissioner declared that the adoption of the gold standard could produce bankruptcies in mining or agriculture, so that it would be necessary to borrow to the gold countries an increasing debt for foreign trade payments¹⁰¹. Furthermore, Creel stated that Mexico needed to develop its different economic sectors like agriculture, railroads, and petroleum production in order to decrease the prevailing level of prices and costs of production in mining¹⁰². Moreover, Ferrara in his letter to the Monetary Commission of 1903 declared that the change of the standard could be an obstacle to the progress in the Mexican economic sectors like agriculture, mining, and industry¹⁰³. As Creel put it,

*In my opinion, it started in Mexico the evolution in favor to the gold standard, and each year it will be better... the country is not ready yet. It will be a great mistake to make an experiment now because a failure is very likely, therefore it could delay for a long time these evolution, otherwise the gold standard will come soon perhaps in twelve or fifteen years...*¹⁰⁴

Creel's position was criticized by "*La Semana Mercantil*" (a Mexican magazine that wrote about national economy situation) because in a second article Creel [1903b, p. 10] said that the country needed the gold standard. Such that, the magazine said that he had changed his position because of the great fluctuations in the silver price, being the case, that the economic conditions of the country had prevailed equal¹⁰⁵.

⁹⁶ Landero y Cos [1902, p. 6].

⁹⁷ Riquelme [1903, p. 64], Hernández [1904, p. 226].

⁹⁸ Riquelme [1903, p. 64].

⁹⁹ Limantour [1904b, p. 29].

¹⁰⁰ Creel [1903a, p. 47], Gorozpe [1903, p. 34], Huart [1903, p. 58-9].

¹⁰¹ Creel [1903a, p. 47].

¹⁰² Creel [1903a, p. 44].

¹⁰³ Ferrara [1903, p. 206-7].

¹⁰⁴ Translated from ... "En mi opinión, se ha iniciado ya en México la evolución en favor del talón oro... el país no está dispuesto aún. Sería un gran error hacer un experimento ahora, porque es de temerse que se obtuviera un fracaso, que demoraría por muchos años esta mejora para el país, la que, de otra manera, vendrá por curso natural, tal vez dentro de doce o quince años" ... Creel [1903a, p. 47].

¹⁰⁵ La Semana Mercantil [02/02/1903, p. 81].

To see the results of the change in other countries

After the failure of the Monetary Conference of 1892 held in Brussels, the repeal of the Sherman bill in 1893, and the adoption of the gold standard by India also in 1893, there were many silver-using countries that adopted the higher standard¹⁰⁶. Allegedly, the Mexican Government wanted to observe the consequences in the countries that had changed their monetary system¹⁰⁷ or, it did not want to get involved in the new wave like those countries without any analysis of the possible results¹⁰⁸. As Romero [1898b, p. 586] stated:

"We are willing, therefore, to wait and see what is the final outcome of this question, and watch the result of several experiments in adopting gold standard which are now being made by some of the recent silver standard nations, like Japan, Chili, and especially India"...

Limantour declared in his memories that when Mexico decided to change its silver standard in 1905, the Government had considered the experiences of the new gold-using countries in order to avoid any monetary system that could have implied risks and, disastrous consequences¹⁰⁹.

Silver eventually would appreciate to previous levels

Since 1886, some members of the Special Commission of 1886, Matías Romero, and Trinidad García, one of the principal mining's defender in the last decade of the 19th century, expected that the silver market could get its previous levels of 1873 when silver depreciation began or any other¹¹⁰. Apparently, these expectations prevailed until the beginning of the present century¹¹¹. Basically, many people waited that the critical situation prevailed in the gold-using countries and the scarcity of gold; it could contribute to rehabilitate silver in the world, perhaps, at its ratio of 1 to 15.5 in 1873¹¹². Moreover, Aldasoro, who was a Mexican Commissioner in 1886,

¹⁰⁶ For a further study see Russell [1898].

¹⁰⁷ Romero [1898b, p. 568].

¹⁰⁸ Limantour [1897, p. 590 fn. 1].

¹⁰⁹ Limantour [1965 (1903), p. 58].

¹¹⁰ See, for instance, Aldasoro *et al.* [1886, p. 60-1, 74-5], Crespo y Martínez *et al.* [1886, p. 50-1], Casasús [1894, p. 310-1], García [1895, p. 266-7, 294, 300, 322, 324, 342, 348-9, 351-2, 379], Romero [1895, 711], Romero [1898, b, p. 578, 582-3, 586-7, 591, 594].

¹¹¹ García-Granados *et al.* [1903, p. 165].

¹¹² Crespo y Martínez *et al.* [1886, p. 50-1], Casasús [1894, p. 310-1], García [1895, p. 266-7, 294, 342, 348-9, 351-2, 379], Romero [1895, 711], Romero [1898b, p. 582-3, 586-7, 591, 594], Russell [1898, p. 379]. Although, we should note that Romero [1898b, p. 578] predicted the rehabilitation of silver because of the gold production had been increasing too and, it could balance the silver surplus.

considered that after the panic prevailing in the international metals market, a reaction in the silver price would come¹¹³. As Romero [1898b, p. 591] put it,

I think it is beyond all question that the main, if not the only, cause of the depreciation of silver is the fact of its having been demonetized, and there can be no doubt that should the mints of the world be again open to the free coinage of silver, as they were before 1872, at the ratio then existing, the market price of that metal would be again as it was then as compared with gold, in the proportion of sixteen to one.

At the beginning of the 20th century, the public opinion was allegedly that silver price had to increase because a fall is necessarily followed by a rise¹¹⁴. And, others held that silver consumption could increase because of its world's necessities like a medium of exchange¹¹⁵.

Nevertheless, we should mention that Bulnes, a Mexican Commissioner in 1886, expected a constant silver depreciation during fifty years, but he did not make any resolution in favor to the gold standard¹¹⁶. In fact, a few people expected a drop of the silver price because of silver demonetization in the world and the suspension of silver coinage in the U.S. by the repeal of the Sherman Act¹¹⁷.

At the start of the present century, when the Monetary Reform was under discussion, some Mexican commissioners¹¹⁸ and the public opinion¹¹⁹ argued that the silver price could not come back to its relation before 1873. Some of them said that it had to continue the decrease in the silver market¹²⁰. Other people expected that silver depreciation could only stop when the white metal got its lowest value, 20 or 25 cents per ounce¹²¹. Additionally, a study about silver relation with the monetary systems claimed that the white metal would be scarce so its demand for silver could increase in the world, but it would follow great fluctuations in the silver market; therefore, it was necessary to stabilize the silver price¹²².

Prices and wages were in terms of silver

Romero held that land, wages, rent, taxes, etc., were in the terms of silver¹²³. In this way, Limantour said that Mexican people had been accustomed to the silver

¹¹³ Aldasoro *et al.* [1886, p. 60-1, 74-5].

¹¹⁴ El Economista Mexicano [12/27/1902, p. 21], Margarets [1903, p. 101].

¹¹⁵ El Economista Mexicano [12/27/1902, p. 22], El Economista Mexicano [01/03/1903, p. 24].

¹¹⁶ Bulnes [1885, p. 132].

¹¹⁷ Romero [1898a, p. 578 n. 1], Friedman [1990, p. 91].

¹¹⁸ Creel *et al.* [1903a, p. 22], García-Granados [p. 75-6].

¹¹⁹ La Semana Mercantil [10-11/1902, p. 76], Moreno [1902, p. 123], Hegewish [1903, p. 82].

¹²⁰ La Semana Mercantil [10-11/1902, p. 76], Hegewish [1903, p. 82].

¹²¹ Moreno [1902, p. 123], García-Granados [p. 75-6].

¹²² Creel *et al.* [1903a, p. 19, 22].

¹²³ Romero [1895, p. 705].

coins¹²⁴, and Gaines, an American observer, claimed that the Mexicans took only in account the weight of the silver coins so they would not accept the new gold coins¹²⁵. Moreover, Conant, one the American Commissioners by the U.S. in 1903, argued that the gold standard would disturb the relation between prices and contracts¹²⁶. Additionally, Landero y Cos in a session of the Monetary Commission of 1903 claimed that it would be difficult to explain to the Mexican workers that the gold coins had more purchasing power than silver coins, and they could accept the apparent reduction in their wages after a long time¹²⁷. Also Limantour held that the gold coins could cause distrust between Mexican citizens¹²⁸. As Gaines [1904, p. 347] put it,

"the Indio would greet with sullen opposition any attempt to give him money of different weight or value from the money he has handled since the days of his earliest recollection. All that he knows of finance is that a peso is a peso of the full accustomed weight"...

What is a fact is that Limantour recommended the Monetary Reform of 1905 maintaining the silver coins in circulation to avoid any disturbance to Mexican people¹²⁹. Furthermore, one observer, in his letter to the Monetary Commission of 1903, claimed that people could not perceive the change of the coinage if they had received their income in silver coins¹³⁰.

Cost of substituting the silver coins for the gold coins

Since the last decade of the 19th century, the Secretaries of the Treasury¹³¹, Romero and Limantour, argued that the adoption of the gold standard was difficult because of the ways to procure the new gold coins. Romero [1895, p. 705] considered that the exports of commodities were not sufficient to buy the necessary gold. Moreover, Mexico had produced some gold, but it allegedly had been exported totally¹³². Under these circumstances, in order to create the new stock of gold coins, the Mexican Government would have to borrow in the foreign market¹³³. Therefore, an

¹²⁴ Limantour [1903c, p. 41].

¹²⁵ Gaines [1904, p. 347].

¹²⁶ Conant [1903, p. 470, 478].

¹²⁷ Comisión Monetaria [1904, p. 59].

¹²⁸ Limantour [1904b, 21-2].

¹²⁹ Limantour [1904b, p. 21], Macedo *et al.* [1903, p. 200].

¹³⁰ During [p. 222].

¹³¹ Romero [1895, p. 705], Limantour [1897, p. 591 fn. 1].

¹³² García-Granados [p. 74], Macedo *et al.* [1903, p. 188], Kemmerer [1916, p. 505].

¹³³ García-Granados [p. 74], Macedo *et al.* [1903, p. 188], Kemmerer [1916, p. 505].

excessive expense not recommended to any public administration would come¹³⁴. Other observers claimed that it would be necessary to buy gold for monetary reserves, daily transactions, and also the payments of the gold debt every time; consequently, these expenses would cause a great burden upon the country¹³⁵. As Kemmerer [1916, p. 505] wrote,

Although Mexico produced 21.9 millions kilograms of gold during the fiscal year 1903, all of that production had been exported, and therefore, in order to get gold for monetary circulation, it would be necessary for the Government to buy it in the open market, and this would impose a heavy financial sacrifice upon the country...

Silver depreciation and prosperity

We have found articles¹³⁶, published as early as 1886, establishing a connection between the depreciation of silver and the prosperity of Mexico roughly in the last quarter of the 19th century. If so, this could be a real reason to keep the silver standard. As Romero [1898b, p. 576-7] put it,

Everybody in Mexico, that is, from the educated to the ignorant, from the rich to the poor, from the natives to the foreigners, and even the bankers who in other countries are decidedly favorable to the gold standard, are all in favor of silver. The Government holds the same opinion. As Mexico is now prosperous a large portion of the people attribute its prosperity to the silver standard and are therefore decidedly favorable to the continuance of that standard.

In the next subsections, we will see the explanations found for such a connection. But before that, we should mention there were skeptical views, opposed, or even totally opposed¹³⁷. After the crisis of 1892, one of the principal defenders of mining

¹³⁴ Romero [1895, p. 705], García-Granados [p. 74], Ferrara [1903, p. 207], Macedo *et al.* [1903, p. 188], Limantour [1904b, p. 13], Kemmerer [1916, p. 505].

¹³⁵ Ferrara [1903, p. 206], Peña [1903, p. 117].

¹³⁶ See, for instance, Aldasoro *et al.* [1886, p. 64], Crespo y Martínez *et al.* [1886, p. 53], Carden [1895] in Romero [1898b, p. 578], García [1895, p. 321, 402], Allen [1896, p. 565 fn. 1], Díaz [1896, p. 567 fn. 1], Temple [1897, p. 571 fn. 1], Romero [1898b, p. 576-7, 585, 585 n. 1, 586, 615], *El Economista Mexicano* [07/12/1902, p. 1], *La Patria* [11/28/1902, p. 61], Andrade [1903, p. 217], García-Granados [p. 66], Limantour [1903b, p. 9], Peña [1903, p. 110, 128-9, 134, 135], *The Mexican Herald* [01/02/1903, p. 99, 100], Limantour [1904b, p. 7], Kemmerer [1916, p. 488].

¹³⁷ See, for instance, García [1895, p. 322-3], Russell [1898, p. 228], *Boston Herald* [02/07/1902, p. 108], Ejoft [07/13/1902, p. 48], Ejoft [11/11/1902, p. 53], *El Economista Mexicano* [07/13/1902, p. 1, 2], *El Economista Mexicano* [08/02/1902, p. 4], *El Tiempo* [11/26/1902, p. 117], Gurza [1902, p. 63, 68, 69], *La Patria* [10/11/1902, p. 44], *La Patria* [11/28/1902, p. 61], Moreno [1902, p. 122, 123], Altamira [1903, p. 37], Casasús *et al.* [1903b, p. 64], Conant *et al.* [1903a, p. 501], Creel [1903, p. 43], Creel *et al.* [1903b, p. 174], Friederichs [1903, p. 120], García-Granados [p. 67], Gaines [1903, p. 283, 284, 289], Limantour [1903b, p. 9], López y Parra [1903, p. 81], Peña [1903, p. 111].

stated that the connection between silver depreciation and the prosperity in the national agriculture and industry had its base on the destruction of mining although he was in favor of the silver standard¹³⁸.

Basically, at the beginning of the present century, the arguments questioned the relevance of silver depreciation in the country's prosperity, so they proposed the adoption of the gold standard. In this way, one of the studies by the Monetary Commission of 1903 declared that a stable standard could increase the existing national development minimized by silver depreciation¹³⁹. Therefore, some people stated that Mexico's prosperity had been a result of different causes¹⁴⁰ like the stability of the government¹⁴¹, the organization of the public finance¹⁴², the introduction of railroads and communications¹⁴³, the city's modernization¹⁴⁴, the development of banking and credit system¹⁴⁵, the modern technology¹⁴⁶, the suppression of internal taxes¹⁴⁷, the foreign investment¹⁴⁸, the legislative reforms¹⁴⁹, the good climate conditions¹⁵⁰, and other strange factors of prosperity¹⁵¹. As Limantour [1904a, p. 427] put it,

*The coincidence of this prosperity with the vicissitudes which the value of the Mexican dollar has undergone does not in the least prove that there exists an exclusive and determinate relation of cause and effect between them, for, without denying that such may have existed between the two phenomena in question to some extent, it is also true that other important factors have been at work, some of them purely casual and others due to the Government's action.*¹⁵²

Moreover, some comments, by national and international observers, claimed that the allegedly advantages of silver depreciation¹⁵³ had came with the most serious

Gaines [1904, p. 350], Limantour [1904b, p. 8, 9, 10], Guerrero [1905, p. 88-9], Macedo [1905, p. 121, 124, 506], Martínez-Sobral [1909, p. 37, 73].

¹³⁸ García [322-3].

¹³⁹ Friederichs [1903, p. 120].

¹⁴⁰ Gurza [1902, p. 63], Casasús *et al.* [1903a, p. 107], Friederichs [1903, p. 120], Limantour [1904b, p. 8, 9-10], Martínez-Sobral [1909, p. 73].

¹⁴¹ Gurza [1902, p. 63], La Patria [10/11/1902, p. 44], Creel *et al.* [1903b, p. 174], Limantour [1904b, p. 9-10].

¹⁴² Gurza [1902, p. 63].

¹⁴³ Gurza [1902, p. 63], La Patria [10/11/1902, p. 44], Creel *et al.* [1903b, p. 174], Limantour [1904b, p. 8, 9-10].

¹⁴⁴ La Patria [10/11/1902, p. 44].

¹⁴⁵ Gurza [1902, p. 63], La Patria [10/11/1902, p. 44], Creel *et al.* [1903b, p. 174].

¹⁴⁶ Limantour [1904b, p. 8].

¹⁴⁷ Gurza [1902, p. 63], Limantour [1904b, p. 9-10].

¹⁴⁸ La Patria [10/11/1902, p. 44].

¹⁴⁹ Gurza [1902, p. 63], La Patria [10/11/1902, p. 44].

¹⁵⁰ Limantour [1904b, p. 9-10].

¹⁵¹ Creel *et al.* [1903b, p. 174], Limantour [1904b, p. 9-10].

¹⁵² For Spanish version see Limantour [1904b, p. 9].

¹⁵³ Romero [1898b, p. 586], Peña [1903, p. 134].

injuries¹⁵⁴, and it had only benefited to minority¹⁵⁵. Furthermore, many people considered that silver depreciation had been an obstacle to Mexico's development¹⁵⁶. In this way, an international analysis of Mexico's situation by Gaines was further considering silver depreciation like the cause of country's poverty in 1903¹⁵⁷. For instance, in a following paper, he said that silver depreciation had been affecting mining, the principal industry of the country¹⁵⁸, and others, that it had diminished the purchasing power of the working classes¹⁵⁹. As Gaines [1903, p. 284] claimed,

"There is no doubt but that this state of affairs has had the strongest of influences in keeping the country as a whole impoverished".

a) Mexican products became more competitive

Perhaps, the most often mentioned argument¹⁶⁰ was that each fall in the silver price had caused that the products from gold-using countries be more expensive than Mexican commodities. Therefore, the foreign products were substituted in the internal market by national production considering the additional protection that silver depreciation provided them and the lowest costs in terms of silver. Moreover, it was said that Mexico could export different products than mining because Mexican commodities had an increasing gold premium, so it made attractive to national producers the foreign trade as it had never been. As Conant *et al.* [1903a, p. 501] commented,

According to the bimetallic views, the fluctuations in exchange brought about by the depreciation in the price of silver were looked upon in the first place as especially injurious to countries with the gold standard. It was over and over repeated that the lands which have such a depreciation in their monetary standard enjoy thereby

¹⁵⁴ Moreno [1902, p. 122], Altamira [1903, p. 37], García-Granados [p. 67], Gaines [1903, p. 283].

¹⁵⁵ García-Granados [p. 67], Gaines [1903, p. 283].

¹⁵⁶ Gurza [1902, p. 68, 69], Conant *et al.* [1903a, p. 501], Creel [1903, p. 43], Macedo [1905, p. 506].

¹⁵⁷ Gaines [1903, p. 284].

¹⁵⁸ Gaines [1904, p. 350].

¹⁵⁹ Boston Herald [02/07/1902, p. 108], La Patria [11/28/1902, p. 61], Casasús *et al.* [1903b, 64], Peña [1903, p. 111], Guerrero [1905, p. 88-9], Macedo [1905, p. 121, 124], Martínez-Sobral [1909, p. 37].

¹⁶⁰ See, for instance, Aldasoro *et al.* [1886, p. 64], Crespo y Martínez *et al.* [1886, p. 53], Casasús [1894, p. 308], García [1895, p. 321-2, 401-2], Romero [1895, p. 706], Temple [1897, p. 570 fn. 1, 571 fn. 1], Romero [1898b, p. 585 fn. 1, 587, fn. 1], Russell [1898, p. 331-2, 398, 449], El Economista Mexicano [07/12/1902, p. 1], Gorozpe [1902, p. 2-3], Casasús *et al.* [1903b, p. 19, 22, 23, 64], Casasús *et al.* [1903c, p. 3], Conant *et al.* [1903a, p. 501], García-Granados [p. 66-7], Ihuart [1903, p. 41], Limantour [1903a, p. 3], Limantour [1903c, p. 40], Peña [1903, p. 116, 135], Hernández [1904, p. 225, 226], Limantour [1904b, p. 7], Macedo [1905, p. 107], Kemmerer [1916, p. 490, 494].

important advantages in international competition; that their exports are encouraged by the depreciation of their standard; and that their internal production receives by this depreciation a desirable protection against importations from gold-standard countries...

At the start of silver depreciation, a report of 1878 by Foster whose statements were supported by Romero claimed that the fall in the silver price was a problem because it diminished the Mexican imports because they were more expensive¹⁶¹. And, Romero proposed as a solution to substitute silver in exports by other national products whose exportation was easy and its price had not been affected by silver depreciation so Mexico could get the income for import's payments¹⁶². It seems that until 1886, many people considered that silver depreciation had been one of the principal causes in the development of national industry, agriculture and mining¹⁶³. They took in account that when silver depreciation began in 1873 the production of national commodities for the internal market increased, and the Mexicans products that had not been exported they started in that period. Therefore, a few people claimed that silver depreciation was an advantage, and it would develop the economic sectors in Mexico, as a result, the country would get the equilibrium in the trade balance without relaying only on mining production¹⁶⁴. Moreover, Trinidad García said that silver depreciation caused the constant economic movement prevailed in 1895, and it implied the creation of new taxes that increased the public income¹⁶⁵, Kemmerer [1916, p. 494] asserted this too. And, the public opinion held that any failure in commerce could not be attributed to the fall in the silver price in 1902¹⁶⁶. As Russell [1898, p. 398] quoted the Mexican Commissioners at the International Monetary Conference in Paris, 1892, in the following way:

The depreciation of silver as it has appeared to foreign countries- for in our own country values have not perceptibly changed- has produced an actual premium on exportation. Articles which were not exported formerly are sold now in the markets of Europe and the United States at a loss of 8, 10, or 15 per cent on the cost of their production and the expenses incurred, because compensation is found in the gain in exchange of 25 or 30 per cent, corresponding to the depreciation of silver, and for this reason the export of articles, other than silver, has risen from \$6,000,000, in 1873, to \$27,000,000, in 1891. In view of these results we have reason to believe that, after a few years, we shall be able to pay the value of our foreign imports in produce of the country and in raw material, and perhaps, even more than this; and that our silver, of which the present production is 40,000,000 piasters a year, will disappear from the European markets.

¹⁶¹ Romero [1879, p. 89-90, 91, 92, 114].

¹⁶² Romero [1879, p. 93-4, 197].

¹⁶³ Crespo y Martínez [1886, p. 50], García [1895, p. 321-2], Romero [1895, p. 706], Russell [1898, p. 398, 449], El Economista Mexicano [07/12/1902, p. 1], Casasús *et al.* [1903b, p. 22, 23, 64], Casasús *et al.* [1903c, p. 3, 13], Hernández [1904, p. 225], Macedo [1905, p. 107].

¹⁶⁴ Crespo y Martínez [1886, p. 53], García [1895, p. 321-2], Russell [1898, p. 398].

¹⁶⁵ García [1895, p. 401-2].

¹⁶⁶ El Economista Mexicano [07/19/1902, p. 3].

Since 1886, there were different opinions against this benefit attributed to silver depreciation¹⁶⁷. Like Bulnes in his study of 1886 stated that the advantage in commerce was not silver depreciation, according to him the benefit was that the silver price had decreased less than the commodities respect to gold¹⁶⁸. But, one of the studies by the Monetary Commission of 1903 argued in favor to abandon silver standard considering that this benefit had disappeared after few years¹⁶⁹. In 1898, Russell, a gold monometallist who analyzed all the International Monetary Conferences of the last century, considered that the stimulation to exports by silver depreciation could only be profitable to a silver producer like the U.S.¹⁷⁰. He also claimed that the prosperity based in silver depreciation could be dangerous to any country because it represented an easy way to get money, although there was a limit when people could not pay their obligations in gold¹⁷¹.

The majority of the studies by the Mexican Commissioners of 1903 declared in different ways why silver depreciation had not stimulated the national economy. One of them held that Mexico had exported only the cheaper agricultural products¹⁷² and, silver depreciation benefited a few farmers¹⁷³. Gurza went further stating that some conditions were not fulfilled because silver depreciation did not have a pronounced fall; therefore exporters had little stimulation and, that competition never existed¹⁷⁴. He considered that only half of the exports could have been influenced by silver depreciation too¹⁷⁵. Moreover, some commissioners stated that when silver depreciation is immense with new and pronounced falls the export industries could be greatly injured¹⁷⁶. Furthermore, the Fourth Subcommission under Casasús's direction, one the best Mexican economists, observed that the imports increased and the prices of agricultural products were not stable. Therefore, they said that the protection argument disappeared and, the prime to exportation was not permanent¹⁷⁷. It is interesting to mention that they accepted that silver depreciation increased the national production although they recommended to fix the silver value¹⁷⁸. Additionally, the Mexican Commission on International Exchange

¹⁶⁷ See, for instance, Bulnes [1886, p. 137, 148], Díaz-Duffoó [1893, p. 121], Russell [1898, p. 449, 450, 451], García-Granados [1902, p. 27], Gurza [1902, p. 64, 65, 67, 72], Bulnes *et al.* [1903, p. 104, 106], Casasús *et al.* [1903a, p. 107, 108], Casasús *et al.* [1903b, p. 52], Conant *et al.* [1903b, p. 439], Creel *et al.* [1903b, p. 173-4, 174], García-Granados [p. 72-3], López y Parra [1903, p. 84], Limantour [1904b, p. 8, 9, 10], Kemmerer [1916, p. 479, 491, 492, 492-3, 501].

¹⁶⁸ Bulnes [1886, p. 137, 148].

¹⁶⁹ Bulnes *et al.* [1903, p. 104].

¹⁷⁰ Russell [1898, p. 449, 450].

¹⁷¹ Russell [1898, p. 451].

¹⁷² García-Granados [1902, p. 27].

¹⁷³ García-Granados [1903, p. 72-3].

¹⁷⁴ Gurza [1902, p. 64, 65, 67, 72].

¹⁷⁵ Gurza [1902, p. 64], Kemmerer [1916, p. 492-3].

¹⁷⁶ Bulnes *et al.* [1903, p. 106], Casasús *et al.* [1903b, p. 52].

¹⁷⁷ Casasús *et al.* [1903a, p. 107].

¹⁷⁸ Casasús *et al.* [1903a, p. 108].

considered that wages in the gold-using countries were low too¹⁷⁹; therefore the costs of labor had to get the equilibrium and this could minimize the profits of the Mexican exporters¹⁸⁰.

Moreover, Limantour stated that the stimulus to exports by the depreciation of silver could not be perceived and, it had only protected the domestic labor¹⁸¹. In a different way, one letter to "Sociedad Agrícola Mexicana" claimed that the gold standard was necessary in order to get same economic conditions in the international commerce¹⁸². After some years of the Monetary Reform in Mexico, an important economist writer claimed that the Mexican producers had taken advantage of the fall in the silver price, but it had injured the consumers¹⁸³.

In a different way, the Commission on International Exchange of the U.S. made a statistical study, it demonstrated that Mexico had been exploited in favor of foreigners, because it had been giving more national labor and obtaining less gold earnings¹⁸⁴. It was also verified some years later by Kemmerer¹⁸⁵. Additionally, in his econometric study proved the negative relation between exports and silver depreciation. But, the author concluded that this had been a misunderstanding because Mexican population had increased; therefore the exports tended to increase without any artificial stimulation¹⁸⁶.

b) Mexico attracted more foreign investment

Since 1886, many people observed that when silver depreciation began the investments from the gold standard countries increased¹⁸⁷ because the Mexican market was more attractive when silver fell to its lowest price¹⁸⁸. As Landero y Cos stated,

¹⁷⁹ Creel *et al.* [1903b, 173-4].

¹⁸⁰ Creel *et al.* [1903b, p. 174], Kemmerer [1916, p. 493].

¹⁸¹ Limantour [1904b, p. 8, 9, 10].

¹⁸² López y Parra [1903, p. 84].

¹⁸³ Kemmerer [1916, p. 501].

¹⁸⁴ Conant *et al.* [1903b, p. 439].

¹⁸⁵ Kemmerer [1916, p. 479].

¹⁸⁶ Kemmerer [1916, p. 491, 492, 492-3]. We should note that Zabludowsky [1992] argues econometrically that silver depreciation stimulated exportations and protected the national industry by less importations.

¹⁸⁷ See, for instance, Aldasoro *et al.* [1886, p. 74], Crespo y Martínez *et al.* [1886, p. 54], Romero [1895, p. 708, 711], Díaz [1896, p. 567 *fn.* 1], Romero [1898b, p. 584 n. 1, 602], Landero y Cos [1903b, p. 110].

¹⁸⁸ Huart [1903, p. 51-2], Landero y Cos [1903, p. 110].

*"although it seems paradoxical, it is a fact that in our country there has been a coincidence between silver fall and the major investments of foreign capital"...*¹⁸⁹

The arguments were that silver depreciation gave a premium to gold investments when they were converted into silver, so the foreign investors could double their capital in Mexico. Moreover, the foreign capital enjoyed the low silver costs and the owners could sell their products in gold price. Therefore, the foreign investors would obtain large profits in the country¹⁹⁰. As Romero [1898b, p. 602] put it,

Our silver standard encourages the investment in Mexico of capital from rich countries having the gold standard, since every gold dollar when sent to Mexico is converted into two silver dollars, at the present rate of exchange, and, when invested in lands, wages, and other expenses for the raising of agricultural products which are sold for gold in foreign markets, like coffee, the proceeds are so large that they constitute a very great inducement for the investment of capital...

In this way, the silver standard had to continue in Mexico because the President Díaz and other important Mexican authorities considered it like a great benefit that would attract the necessary capital in order to develop the national industry¹⁹¹. Furthermore, the studies by the Commission of 1886 claimed that silver depreciation was an opportunity that the Government could not leave¹⁹². Additionally, this kind of capital was invested in different branches of the industry¹⁹³, mainly in the export sector¹⁹⁴. As Romero [1895, p. 711] stated,

"we offer greater inducements to foreign investors than formerly; and the country is undoubtedly more prosperous than it has ever been"...

However, on account of the distrust, we should mention that silver depreciation was considered like an obstacle that scared investors away causing many failures to mining business in 1895¹⁹⁵. Basically, there were a few who discussed that silver depreciation frightened the foreign capital around the beginning of this century¹⁹⁶. In

¹⁸⁹ Translation from ... "pero aunque parezca paradójico, es el hecho que ha coincidido en nuestro país la baja de la plata con las mayores inversiones de capital extranjero"... Landero y Cos [1903b, 110].

¹⁹⁰ Díaz [1893] in López y Parra [1903, p. 94-5], Romero [1895, p. 708], Temple [1897, p. 571 fn. 1], Romero [1898b, p. 602], Peña [1903, p. 128-9, 135].

¹⁹¹ Aldasoro *et al.* [1886, p. 74], Romero [1895, p. 711], Díaz [1893] in López y Parra [1903, p. 94-95], Peña [1903, p. 137].

¹⁹² Aldasoro *et al.* [1886, p. 74], Crespo y Martínez *et al.* [1886, p. 54].

¹⁹³ Peña [1903, p. 129].

¹⁹⁴ Temple [1897, p. 571 fn. 1].

¹⁹⁵ García [1895, p. 341].

¹⁹⁶ See, for instance, García [1895, p. 341], Russell [1898, p. 355-6], García-Granados [1902, p. 28], Gurza [1902, p. 68, 73], Casasús *et al.* [1903b, p. 66, 67, 77], Conant *et al.* [1903a, p. 53-4], Creel *et al.* [1903b, p. 171, 174], Diéfferbach [1903, p. 104-5], García-Granados [p. 78], Huart [1903, p. 51], Peña [1903, p. 111, 114-5, 129], Kemmerer [1916, p. 487].

this way, some Mexican commissioners and the public opinion claimed that more investments would have come if there had not been silver depreciation¹⁹⁷. Furthermore, some people held that other causes had attracted some of them¹⁹⁸. For instance, some of the commissioners and national observers held that silver depreciation had extremely affected the investor's earnings, so that when the foreigners wanted to convert their money in gold, they obtained less quantity that they had invested¹⁹⁹. Consequently, one of the Mexican commissioners said that the foreign capital had been invested in speculative negotiations²⁰⁰. Additionally, the International Commission of the U.S. held that the depreciation of the white metal had affected the credit market because of uncertainty in the repayment of the Mexican borrowers²⁰¹.

c) Higher circulation of money

Less silver exports and more money supply

This argument to keep the silver standard was roughly that silver depreciation had caused the export of the agricultural products. Therefore, they could be used for gold obligation's payments; consequently, more silver coins were left at home for circulation²⁰². As a result, the country had an increasing money supply together with a rise in prices²⁰³ that benefited the development of national business, labor, banks, industries, and specially agriculture²⁰⁴. As Romero [1898b, p. 603-4] put it,

"The low price of silver abroad makes it unprofitable to export it, and its value at home makes it useful in all industries, an we send out our agricultural products to pay for our imports and for our gold obligations, keeping at home our silver and thus increasing our

¹⁹⁷ Fossum [1902, p. 102], Gurza [1902, p. 68], Casasús *et al.* [1903b, p. 77].

¹⁹⁸ Diéfferbach [1903, p. 104-5], Huart [1903, p. 51].

¹⁹⁹ García-Granados [1902, p. 28], Gurza [1902, p. 68], Casasús *et al.* [1903b, p. 66, 67, 77], Creel *et al.* [1903b, p. 174, 185], Diéfferbach [1903, p. 104-5], Huart [1903, p. 51], Peña [1903, p. 129].

²⁰⁰ Gurza [1902, p. 68, 73].

²⁰¹ Conant *et al.* [1903a, p. 100], Kemmerer [1916, p. 487].

²⁰² See, for instance, Díaz [1893] in López y Parra [1903, p. 94], Temple [1897, p. 571 fn. 1], Romero [1898b, p. 603-4, 615].

²⁰³ For a further explanation of this relation see Kemmerer [1912, p. 234-5, 235-6].

²⁰⁴ Romero [1898b, p. 603-4, 615], Díaz [1893] in López y Parra [1903, p. 94].

circulation, so that we now have an ample supply of money in our banks. That fact, of course, stimulates industry, keeps up prices, and increases the demand for labor.

In 1879, surprisingly Romero²⁰⁵ criticized people at the Government who did not wanted the exportation of silver because they claimed that it could affect the financial transactions and daily operations considering the decrease in the stock of silver coins. Hence, he considered it like a wrong statement that was claiming that silver's drain could cause Mexico's poverty.

Inflation is better than deflation

One the one hand, we found few documents²⁰⁶ which argued that silver depreciation was profitable because when prices went up it reactivated commerce and industry; therefore it could develop the national wealth. In the other hand, an appreciating standard caused a lot of inconveniences to the countries, as we will see in the next section. As Russell [1898, p. 363] quoted,

He [Arthur Balfour, Irish Secretary] maintained that it was wrong to imagine that all the inconveniences since 1874 had sprung from a divergence of the values of the two metals, but that the divergence had had a large share in them, that it would be better for the country to suffer from an inflation than from contraction, and that an international agreement was possible and desirable, but could not perhaps be carried out against the prevailing opinion of mercantile circles...

However, there existed a different perspective of this reason to keep the silver standard internationally in the past century²⁰⁷. Basically, Dr. Broch, who was a commissioner from Norway at the International Monetary Conference of 1878, and the English Gold and Silver Commission said that certainly silver depreciation was an important stimulus to production. But, inflation would be the origin of the most terrible crisis because there is a moment when silver depreciation could make that internal prices could go up extremely, affecting the consumers that received a fix income. Therefore, a commercial and industrial depression could follow. However, deflation could develop steady commerce according to citizen's needs. As Herschell *et al.* [1888, p. 84] put it,

That when prices are falling, trade is carried on with greater circumspection and maintained in closer correspondence with the real wants of the community than in times of great inflation and excitement. In illustration of this it is pointed out that the great commercial crises and disturbances of trade rarely occur in times of so-called depression, but are usually the result of the great stimulus to production and speculation caused by a general rise of prices.

²⁰⁵ Romero [1879, p. 240-1, 266].

²⁰⁶ García [1895, p. 330], Russell [1898, p. 296, 363].

²⁰⁷ Herschell *et al.* [1888, p. 84], Russell [1898, p. 228].

Taking in account these different monetary perspectives, it is important that the Secretary of the Treasury considered that inflation or, deflation to high levels could affect the conditions of the commercial transactions in the same way, causing a great disturbance in all the productive sectors. Therefore, he ordered to the Monetary Commission of 1903 to study the effects of these problems in Mexico²⁰⁸. As a result, the Mexican commissioners considering the facts mentioned above declared that inflation had been strongly affecting the national economy²⁰⁹, so they favored the abandon of the silver standard²¹⁰.

To avoid deflation and, possibly, recession

Beyond the depreciation of silver, a reason to resist the adoption of the gold standard was to avoid deflation²¹¹ and, possibly, recession²¹². Indeed, this could not be idiosyncratic to Mexico²¹³ and in fact, a recession was running in the gold standard countries:

"In this way every industrial advance which was made in India, Mexico, and other silver lands was ascribed to the healthful effect of the falling standard, while, on the other hand, the decline of European agriculture and even mere temporary depressions in industry were ascribed to the overpowering competition of the silver-standard countries in consequence of the depreciation of their coin. In short, with every degree of refinement the theory was built up that the worst standard was the best". *Conant et al. [1903a, p. 501]*.²¹⁴

The recession in the gold-using countries allegedly brought the appointment of different commissions to analyze the situation²¹⁵. Such as in Great Britain, the richest of the European nations²¹⁶, brought up the Royal Commission on the

²⁰⁸ Limantour [1903a, p. 2-3].

²⁰⁹ *El Economista Mexicano* [07/12/1902, p. 2].

²¹⁰ Gurza [1902, p. 73], Casasús *et al.* [1903b, p. 64], Macedo [1905, p. 124].

²¹¹ ... "Turning next to the effects of the fall in the gold price of silver, we find that one of the effects most prominently put forward is the general fall of gold prices" ... Herschell *et al.* [1888, p. 77]. Also see García [1895, p. 300], Romero [1895, p. 710-1], Russell [1898, p. 262], Kemmerer [1920, p. 60-1], Kemmerer [1938, p. 359]. It is interesting to mention that Herschell *et al.* [1888, p. 60] considered the high level of prices in 1873 out of comparison because they became after a period of excitement and speculation.

²¹² For the depressing effects of deflation see Herschell *et al.* [1888, p. 83-4], Mallet *et al.* [1888, p. 221], Casasús [1896b, p. 65], Romero [1898b, 587-8 n. 1], Russell [1898, p. 146], Kemmerer [1920, p. 61-2].

²¹³ ... "If all states should resolve on the adoption of the gold standard there would be a fear, on the one hand, of a depreciation of silver, and one, on the other, of a rise in the value of gold and a corresponding fall in the price of commodities"... Russell [1898, p. 227]. See also Goshen [1878] quoted in Casasús [1893, p. 85], Riquelme [1903, p. 63].

²¹⁴ See also Mallet [1888, p. 275], Russell [1898, p. 256, 330, 333 fn. 1, 368, 380, 433], Kemmerer [1938, p. 367], Kemmerer [1944, p. 89].

²¹⁵ For a further examination see Russell [1898].

²¹⁶ Russell [1898, p. 333 fn. 1].

Depression of Trade and, afterwards, the Gold and Silver Commission to study the problem of value in precious metals²¹⁷. Moreover, as the fall in prices and wages continue many people in the gold-using countries considered the restoration of bimetallism²¹⁸. As Russell [1898, p. 332-3] put it,

Business, which had been languishing for ten years, seemed to fall flat in 1885, and the complaints were so numerous and came from such influential sources that the government responded by appointing a royal commission to investigate... The reports of the United States consults in Great Britain for that year furnish similar statistics for nearly every line of business. The value of the exports fell off largely, but it was due to a shrinkage of values rather than of quantities, and, while the financial centers were anxious to avoid the appearance of suspecting that the shrinkage was the work of an appreciating gold basis, the manufacturing centers openly accused the sanctified standard of English money as the cause of it all.

Comparing experiences

Undoubtedly, few Mexicans saw fearfully the recession in the gold world²¹⁹ because they observed that in Mexico the prices and wages had had an increasing tendency and, the production and commerce had been extended. Consequently, until the beginning of the last decade of the 19th century, Romero, Casasús, and Trinidad García stated that the situation in the silver standard countries had been radically different to the gold standard countries, being the case, that these countries had not suffered crisis, and they had enjoyed prosperity²²⁰. As Romero [1898b, p. 593 fn. 1] put it,

when the financial crisis of 1893 was producing its direct effects in the United States, that is, when prices had come down, factories were closed, operatives dismissed, wages reduced, strikes occurring everywhere, business depressed, many men were without employment, and in consequence of all that a very unsatisfactory condition of things prevailed all over the country. It is to that condition of things that the article refers in stating that Mexico had not suffered so much as the United States during that period.

²¹⁷ Russell [1898, p. 258, 332-3, 342-3, 398].

²¹⁸ ... "The Royal Commission appointed in 1893 to inquire again into the depression of agriculture issued during the summer a final report dealing solely with the evidence submitted for and against a change in the English monetary system as a remedy for depression" ... Russell [1898, p. 460]. See also Russell [1898, p. 146, 362, 402, 433, 456], Kemmerer [1920, p. 58], Kemmerer [1944, p. 91].

²¹⁹ See, for instance, Bulnes [1886, p. 1], Bulnes *et al.* [1886, p. 270-1], Casasús [1886, p. 237, 238, 239, 245, 246], Crespo y Martínez *et al.* [1886, p. 18, 47], Casasús [1894, p. 259, 303], García [1895, p. 300, 377, 393, 400-1], Romero [1895, p. 707 n. 1, 710-1, 711], Romero [1898b, p. 587-8 n. 1, 593 n. 1], Casasús *et al.* [1903b, p. 53].

²²⁰ Casasús [1894, p. 259, 303], García [1895, p. 377], Romero [1895, p. 707 fn. 1, 710-1, 711], Casasús [1896b, p. 68-9], Romero [1898b, p. 587-8 fn. 1, 593 fn. 1].

Although, the gold standard could increase the fiscal income, deflation could be so pronounced that the most valuable product would cost less than its inputs²²¹. Therefore, the silver standard had saved Mexico from a great cataclysm²²²; considering even the fall in prices was the worst thing that a country could suffer²²³. As Casasús put it,

*"The increase in the value of money and the decrease in prices are more injurious than war, starvation, epidemics, causing the worst misery and injustice that any other legislation have ever done".*²²⁴

Nevertheless, these bimetallic arguments fell down when at the end of the 19th century gold production increased, the silver price went down extremely and, the price of the cereals in the gold standard countries increased²²⁵. Moreover, García-Granados, in his judgment to the Monetary Commission in 1903, declared that under those conditions the advantages of silver depreciation disappeared²²⁶.

Changes in the velocity of money

In the last decade of 19th century, another problem as a consequence of the gold standard adoption was that it would decrease the monetary stock in Mexico. Therefore, it would not compensate the decrease of the monetary circulation coefficient that joined with a decrease in prices²²⁷; it would produce a terrible disorder that could affect the transactions in the internal market and the future negotiations following by a commercial and monetary crisis²²⁸. As Kemmerer [1938, p. 369] explained:

Another evil of falling prices was the depressing effect they had on most kinds of business... When the prospects are strong for a period of declining prices, consumers postpone purchases, retailers and wholesalers let their supplies run down, manufactures "play safe" both in running their plants and in purchasing raw materials. New buildings and other new capital equipment are postponed for the day of lower prices. Under such conditions there is much unemployment with all this resulting hardships.

²²¹ García [1895, p. 300, 377].

²²² García [1895, p. 400-1].

²²³ Casasús [1896b, p. 68-9], Russell [1898, p. 164].

²²⁴ Translation from ... "El alza del valor de la moneda y la baja de precios, son más perjudiciales y causan mayor miseria que la guerra, el hambre y la peste, y provocan más injusticias que todas las leyes malas hasta hoy promulgadas" Casasús [1896b, p. 68-9].

²²⁵ Russell [1898, p. 465].

²²⁶ García-Granados [1903, p. 140].

²²⁷ García [1895, p. 263-4, 267-8], Casasús [1896b, p. 62-3, 63, 64], Kemmerer [1938, p. 369].

²²⁸ García [1895, p. 263-4, 267-8], Casasús [1896b, p. 62-3], Andrade [1904, p. 214], Kemmerer [1938, p. 369].

Decrease in money supply

In the last quarter of the past century, few international commissioners and Mexican people argued that the adoption of the gold standard allegedly would imply a lack in the money supply because of the scarcity of gold. Therefore, this supply would not represent the market value of the metal²²⁹. Consequently, the interest rate would increase causing heavy financial burdens upon debts and fixed obligations, affecting the profits of the businessmen²³⁰. As Russell [1898, p. 237] quoted:

But more important, in his view [General Walker at the International Monetary Conference of 1878], was the probable effect upon the production of wealth resulting from the diminution of the money supply of Europe and America by the continued demonetization of silver. He said: 'Cutting, as in the first instance it does to very quick, into profits of the entrepreneur or man of business, which profits constitute the sole motive to production under the modern organization of industry, and enhancing, as in its ultimate operation it must, the burden of all debts and fixed charges, public, private, or corporate- which debts and charges are, in effect, the mortgage which the representatives of past production hold upon the products of current industry- a diminution of the money supply is one of the gravest evils which can menace mankind.

Gold stock would decrease because of trade deficits

Finally, we have to mention that since the 90's years of the 19th century, the Secretary of the Treasury mainly, some important economists, Mexican commissioners in 1903, national and international observers and, the public opinion resisted to the gold standard because Mexico had an unfavorable trade balance²³¹. Considering that silver was used mostly in the payments of imports and other gold obligations²³² they claimed that at the same time as Mexico had bought the gold it would have gone out of the country²³³. By that, the poor countries were considered with little faculties to attract gold²³⁴. Therefore, the country would lose its gold reserves and, it would be necessary the issue of bills²³⁵ or, it would have to resort to

²²⁹ Herschell *et al.* [1888, p. 47-8, 52, 82], Casasús [1896b, p. 63], Romero [1898b, p. 588 fn. 1].

²³⁰ Romero [1898b, p. 588 fn. 1], Russell [1898, p. 237].

²³¹ See, for instance, Casasús [1896b, p. 67-8], Limantour [1897, p. 591 fn. 1, 591-2 fn. 1], Russell [1898, p. 451], *El Tiempo* [11/26/1902, p. 120], García-Granados [1902, p. 28], Peña [1903, p. 116-7, 117-8], Barrera-Lavalle [1914, p. 5-6].

²³² Limantour [1897, p. 591 fn. 1], Peña [1903, p. 116-7], *El Tiempo* [11/26/1902, p. 120], Barrera-Lavalle [1914, p. 5-6].

²³³ Casasús [1896b, p. 67-8], Limantour [1897, p. 591 fn. 1, 591-2 fn. 1], Russell [1898, p. 451], García-Granados [1902, p. 28], Peña [1903, p. 117-8].

²³⁴ Casasús [1896b, p. 67-8].

²³⁵ *El Tiempo* [11/26/1902, p. 120].

credits imposing heavy gold obligations upon the nation²³⁶. As Limantour [1897, p. 591-2 fn. 1] put it,

Mexico's commercial balance is very unfavorable, its exportations far exceeding its importations, and besides the value of these latter it has to pay in gold the service of its foreign debt, the interest on its bonds, its railroad dividends, and those of many other industrial and mining enterprises, which had been established or are worked with foreign capital...

Well, taking altogether the exportations necessary to pay up these various sums: silver represents from 55 to 60 per cent., and the remaining 45 or 40 per cent. Other products; in other words, 65, 000, 000 of silver against 45,000,000 or 50,000,000 of all other export articles put together

Under these conditions, what expedient must we resort to in order to retain the necessary gold bought, and not to suffer the deception, which other nations have had that have adopted the gold unit, of seeing, powerless to avoid it, the exodus of their gold to foreign nations.

²³⁶ Peña [1903, p. 116-7, 117-8], Barrera-Lavalle [1914, p. 5-6].

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