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The development, boom, and eventual bust of Aspen, Colorado, is among the great mining tragedies in Western history. The town was built on silver, and with the collapse of silver's value in 1893 thousands of people lost their work, lost their homes, and were forced to leave in search of new opportunities. The once booming Victorian haven tucked into the roaring fork valley was left largely abandoned for the remaining people to pick apart for scraps. With hindsight, it can be seen that Aspen's silver mining industry was bound to fail from the start. The major trading nations of Europe, Britain, France, and Germany, had all turned away from silver in favor of the gold standard in the mid-nineteenth century, leaving very few silver economies to utilize an ever-growing supply of the metal. The United States tried to follow suit in 1873 but failed because a large portion of the country had become increasingly reliant on cheap money provided by silver and the greenbacks of the Civil War. What ensued was over a decade of reactionary American monetary policy, trying to control rising inflation due to overprotective western silver mines like those in Aspen. While the original inhabitants of Aspen hoped their settlement would stand the test of time, the very land the town was built upon lost its value due to the global shift away from bimetallism.

American problems with bimetallism go back all the way to the first act to establish a uniquely American currency. In 1792, the United States moved to establish a national mint in Philadelphia, Pennsylvania. The Coinage Act established a national currency for the United States, which, like its predecessors in England and France, relied on bimetallism: the free monetization of both gold and silver. Free coinage meant that anyone who came into possession of bullion of either metal could bring it to the new mint, pay a small coinage fee, and walk away

with their freshly minted coins. While this was standard monetary practice for the time, the Coinage Act of 1792 had a few major flaws.

First, the measurements for silver dollars were based on the assay of Spanish silver coins which had been circulating around the globe for some time. The worn-down coins were taken at face value and replicated in the American mint at 371.25 grains of pure silver. This meant that freshly minted American silver dollars contained slightly less silver bullion than their Spanish and Mexican counter parts. Despite their difference in weight, on the global market the Spanish and American coins were trading at a 1:1 ratio. American merchants were going to the West Indies, trading their American silver for the heavier Spanish coins, and bringing them back to the United States to mint into more money than they had before. Second, the established gold to silver exchange rate of 15:1 only matched the global exchange rate for a couple of years. By the last years of the eighteenth century the global exchange rate had changed to 15.65:1, and the United States failed to adapt. With foreign silver flooding the American economy and depleting the gold reserves, the United States abruptly halted silver coinage until it was necessary to resume in the mid-eighteenth century.<sup>1</sup>

The early lack of commitment to American bimetallism foreshadows the further difficulties of the nineteenth century. For over three decades, the United States tried to maintain a gold to silver exchange ratio that did not match the globally decreasing value of silver. They allowed foreign silver to circulate within the country at the value ratio of 15:1 but refused to coin any silver of their own.<sup>2</sup> What resulted was the draining of the nation's gold reserves, as foreign silver flooded in to be exchanged for the more valuable gold. This phenomenon can be explained

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<sup>1</sup>Dean, Austin. "Silver Begins Its Fall: The Global Circulations of the U.S. Trade Dollar, 1873-1887," in *China and the End of Global Silver*, (Ithaca, NY: Cornell University Press, 2020). pp. 23.

<sup>2</sup> Dean, "Silver Begins Its Fall," 24.

by Gresham's Law, an economic principle that states in a two-specie system, bad money (in this case silver) will drive out the good (gold). To counter this, the United States passed the Coinage Act of 1834 which raised the value ratio of gold to silver to 16:1.<sup>3</sup> The hope was to draw more gold into the country and to sell off silver, but the advent of the California Gold Rush in 1848 upset the ratio. As gold poured into global markets, the ratio dropped to 15.45:1.<sup>4</sup> The American system failed to adjust but cut its losses and continued to coin silver at the 16:1 ratio. Luckily for the United States, the discovery of the Comstock Lode in 1859 greatly increased their supply of silver, which in turn could be sold to the European powers for gold. The resulting fall of silver prices would force the imperial economies of Europe to reconsider their commitment to the white metal. Further difficulty for the American economy arose when the French, the great stabilizers of the global bimetallic ratio, turned away from the uncontrollably increasing silver supply in favor of a strictly gold standard in 1873.

The bimetallic trading networks of Europe in the mid to late nineteenth century were incredibly complex. According to the famed economist Marc Flandreau, France held massive reserves of both as a result of its robust trade agreements with the gold favoring English empire and the silver favoring German states. This gave France both the reserves it needed to protect itself from global shocks to the market, which included the California Gold Rush and the aforementioned Comstock Lode, and the power to dictate European monetary policy.<sup>5</sup> Throughout the 1860s, France was dealing with an internal debate over the fate of bimetallism, much like the United States.

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<sup>3</sup> Ibid., 24.

<sup>4</sup> Ibid., 24-25.

<sup>5</sup> Flandreau, Marc, "The French Crime of 1873: An Essay on the Emergence of the International Gold Standard, 1870-1880," *The Journal of Economic History* 56, no. 4 (Dec., 1996), pp. 862-897.

Along with the internal debate, the French were facing increasing outside pressures to determine which metal would go on as their currency standard. As Flandreau puts it: “One tends to favor the currency that is used by one’s main trading partner.”<sup>6</sup> But as European trade networks became increasingly interconnected, the favoring of one metal over the other was not so simple. A handful of provinces of France had become increasingly aligned with the German economy, which meant they were dominantly reliant on silver. This alignment was threatening to the national economy, which primarily traded with the gold-backed English since the Cobden-Chevalier Treaty of 1860. Not wanting to do their German rivals any economic favors, the French opted to begin exploring a nationally coordinated shift to the gold standard in the mid 1860’s. At the 1867 International Monetary Conference, the French and the English used their influence (and economic strength) to elect the gold franc as the standard for international exchange. What the French realized soon after they encouraged this reform was that to enact it they would have to find someone willing to buy off at least one billion écus (5 billion francs) in silver in exchange for more gold to back their reserves.<sup>7</sup> The most logical buyer would have been the Germans, but at the same time they were beginning to look for options to transition to Gold, as to not be left behind by the upcoming major European reforms.

The Franco-Prussian War of 1870-1871 drastically changed the economic dynamics of the European continent, and in turn the world. Tensions had been building up as a result of a feared Prussian-Spanish alliance against France due to Leopold of Hohenzollern-Sigmaringen’s accepting of the Spanish throne. On August 2, 1870, the French invaded German territory, prompting a war that would ultimately close with French defeat and the unification of the

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<sup>6</sup> Flandreau, “The French Crime of 1873,” 882.

<sup>7</sup> *Ibid.*, 883.

German states under Otto von Bismarck. In the terms of surrender, Germany imposed the payment of five billion francs in reparations. Along with unification, the massive reparations prompted German parliament to begin planning to purchase large reserves of gold to bolster their economy against the coming economic reforms.<sup>8</sup> The Germans believed they would have no difficulty disposing of their old silver currency but the French, once again unwilling to help their bitter rivals in any capacity, expedited their swap to gold the day after the completion of their last reparation repayment by limiting the coinage of silver francs to 280,000 per day.<sup>9</sup> This is what Marc Flandreau refers to as “the pebble that started the avalanche” in the emergence of the international gold standard.<sup>10</sup> As will be explored, the wide European acceptance of the gold standard outside would combine with forces at work within the American economy to drive monetary policy which would create political divides within the United States.

While France’s large reserves of both silver and gold gave its fractured economy a decisive exit from bimetallism, American instability as a result of the Civil War forced it to pursue indecisive economic policies that drove deep divisions in national politics. The Union had spent itself into a hole fighting the confederacy, depleting its reserves of both gold and silver. To rectify this, the Federal Government passed the Legal Tender Act in 1863 to allow for the creation of paper currency backed by neither silver nor gold. The idea was that the circulation of paper currency, legal for all payments except the repayment of federal loans, would draw more specie back into the Federal Reserve. Because the silver reserves were so low, the government also continued to allow the free coinage of silver at market price.

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<sup>8</sup> Flandreau, “The French Crime of 1873,” 885.

<sup>9</sup> Flandreau, “The French Crime of 1873,” 885.

<sup>10</sup> *Ibid.*, 887.

A period of inflation and economic mobilization ensued, seemingly relieving the woes of the wartime economy. This period of inflation, along with the passing of the Homestead Act in 1862 incentivized Americans in the east to begin moving west, settling tracts of land to farm in open, unsettled territories.<sup>11</sup> While the western gold rush had since come to an end, plentiful silver veins began popping up across the western states. Free coinage of silver, which continued into 1873, helped to increase the money supply for homesteaders dealing with the expenses of improving the tracts of land given to them by the government through the Homestead Act.<sup>12</sup> In 1873, while the United State's major trading partners were turning away from silver, a huge fraction of its people were almost wholly reliant on cheaper money provided by both silver and the paper greenbacks.

Alarm over inflation, along with the gold standard taking hold over Europe caused the United States to adopt an incredibly restrictive monetary policy to try to settle its unstable economy.<sup>13</sup> In what is largely referred to as the "Crime of 1873," the United States passed a coinage act which demonetized silver altogether.<sup>14</sup> While greenbacks were still legal tender, the sudden cutting off of silver as a money supply immediately decreased the amount of specie in circulation, causing massive deflation. According to Wyatt Wells, between the years of 1873 and 1878 domestic prices of critical agricultural goods like cotton and wheat fell over 50 percent.<sup>15</sup> This pushed the large portion of the country reliant on silver and agricultural prices (mostly the American South and West) into absolute outrage. Devaluation of silver and agricultural

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<sup>11</sup> "Homestead Act (1862)," National Archives and Records Administration.

<sup>12</sup> Wells, Wyatt, "Rhetoric of the Standards: The Debate Over Gold and Silver in the 1890s," *The Journal of the Gilded Age and Progressive Era* 14, No. 1 (January 2015), pp. 49-68.

<sup>13</sup> Wells, "Rhetoric of the Standards," 50.

<sup>14</sup> Friedman, Milton, "The Crime of 1873," *Journal of Political Economy* 98, No. 6 (December 1990), pp. 1159-1194.

<sup>15</sup> Wells, "Rhetoric of the Standards," 50.

production meant that it was nearly impossible for farmers or miners to keep up with falling prices. This outrage drove geographical party divisions within the United States, with people in the South and the West advocating for the reimplementation of silver currency to increase the money supply and Eastern capitalists looking to keep prices down by limiting the amount of money in circulation.<sup>16</sup> A compromise between the two seemed nearly impossible, especially with the major trading partners of the United States remaining unfriendly to silver as a medium of exchange. The issue would be temporarily resolved by the passing of the Bland-Allison Act in 1878.

Initially, the advocates for cheaper money locked onto greenbacks as their chance to bring more money in. Unfortunately, the United States remained unfriendly to their cause, favoring the industrial East's desire to keep prices low. A stroke of luck came to the inflation advocates when large strikes of silver in the Rocky Mountains gave them another attractive vehicle for inflation.<sup>17</sup> One of the richest discoveries to date was in the former and largely abandoned town of Leadville, Colorado. The December 29<sup>th</sup> issue of the *Rocky Mountain News* speaks of the "Brilliant prospects" of the Lake County mines and their containing of rich silver minerals, which could prove useful with sufficient investment. Discoveries like that in Leadville sent shockwaves through the nation and gave the government access to the cheap money it needed to settle the outrage.

Rather than reinstating the free coinage of silver, which would have undoubtedly driven the American economy back into the clutches of inflation, the United States passed the Bland Allison Act in 1878 which required the government to purchase between \$2 and \$4 million of

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<sup>16</sup> Wells, "Rhetoric of the Standards," 50.

<sup>17</sup> *Ibid.*, 50-51.

silver each month at the fixed price of \$1.29 an ounce.<sup>18</sup> Prospectors and businessmen alike rushed to the Rocky Mountains to take advantage of this government subsidy. The black sands surrounding Leadville, which reportedly contained 15 ounces of silver per ton, brought the town back to life. By 1879, it had once again achieved its status as a booming mining town.<sup>19</sup> The boom in Leadville solidified interest in the potentially rich lands beyond the Continental Divide. In this context, prospecting parties began venturing into the Roaring Fork Valley in the summer of 1879.

The development of the silver mining industry in the Roaring Fork Valley, unique as it was, was part of a massive expansion of western silver mining, which would flood the American economy with money that was bound to be limited by federal legislation. The early settlement consisted of very few men searching the surrounding hills for potentially rich plots of land.<sup>20</sup> The camp was temporary by definition: the prospectors staked their claims, removed ore samples, and scrambled back to Leadville to determine their value. From the beginning, it was uncertain whether the site would be the next great boom for the Silverites. Rich gold deposits discovered at the head of the Roaring Fork Valley were the first to draw large attention, but the assaying of galena ore samples from the future site of Aspen brought hopeful people flocking over in the summer of 1880. Between 1881 and 1883, the town had transitioned from a rag-tag group of huts and canvas tents to a hopeful society in search of permanence and decency. Before Aspen had the needed infrastructure to profit from its mineral wealth, public works projects, including the building of roads, telegraph lines, and a schoolhouse, set it apart from the debaucherous

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<sup>18</sup> Timberlake Jr., Richard, "Repeal of Silver Monetization in the Late Nineteenth Century," *Journal of Money, Credit, and Banking* 10, No.1 (February 1978), pp. 28.

<sup>19</sup> "A Timeline of Leadville's History," Leadville, Colorado, May 17, 2017, <https://leadville.com/a-time-line-of-leadvilles-history/>.

<sup>20</sup> Rohrbough, Malcolm J. *Aspen: The History of a Silver Mining Town 1879-1893* (Boulder, CO: University of Colorado Press), pp. 16-29.

boomtown on the other side of the Continental Divide.<sup>21</sup> In those days, Aspen's silver remained relatively disconnected from the outside world. Due to their lack of a smelter or railroad ore shipments, they were limited to whatever could be carried by a jack train back over Independence Pass to the superior industrial establishment of Leadville. This meant that their mining industry relied more on shipping prices and smelting prices than any changes in silver prices. All of this would change over the course of the 1880s with the arrival of a series of Eastern capitalists keen on investing in the potential of the silver the town sat on.

The arrivals of Jerome B. Wheeler and David Hyman put Aspen's silver mining industry on course to boom. Wheeler's preexisting wealth from a fortunate marriage into the Macy family in New York was put to good use in Aspen. He finished a smelter that had been left uncompleted by a failed venture a year prior, purchased mining claims on Aspen Mountain, and financed the construction of a fine opera house complete with a bank backed by his own personal finances.<sup>22</sup> While supplying a much-needed injection of capital, Wheeler's contribution of the opera house and a fine hotel helped to further the growing sense of permanence among its people. David Hyman entered Aspen with his business associate Charles Hallam, intent on piecing together an enterprise of his own. He was funded not by his own wealth, but contributions from investors back in his hometown of Cincinnati, Ohio.<sup>23</sup> The two large personalities would eventually come together in a dispute over claim boundaries on Aspen Mountain that gripped the entire city. Eventually, litigation cleared with the formation of the Compromise Mining Company, which combined the holdings of both Wheeler and Hyman into one effort.<sup>24</sup> While the combination of

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<sup>21</sup> Rohrbough, *Aspen*, 45-49.

<sup>22</sup> *Ibid.*, 67-79.

<sup>23</sup> *Ibid.*, 84-85.

<sup>24</sup> *Ibid.*, 106.

these claims produced a mine capable of \$6 million in profits, all shipping out of Aspen was still being conducted by jack trains over the pass.

Opportunity for further economic growth in Aspen spurred the arrival of two separate rail lines in 1887 that connected Aspen to the shipping pipeline across the United States. At the moment, the completion of the Denver Rio Grande and the Colorado Midland felt like a solidifier for the town's permanence. On October 15<sup>th</sup>, the Rocky Mountain Sun headline read: "THE MORNING LIGHT IS BREAKING."<sup>25</sup> The sense of jubilation was sincere, but what went unrealized is that the massive silver supplies that would soon be triumphantly rolling out of Aspen contributed heavily to the flooding of American and global markets, causing the value of silver to come into question once again.

During the period of Aspen's development, the global price of silver remained relatively stable at around \$1.00 per ounce.<sup>26</sup> The United States was able to temporarily maintain the price of silver by limiting domestic coinage and searching for opportunities to enter into trade with the Chinese, whose economy still primarily relied on silver imports. Within the Bland-Allison Act, the United States signed an attempt to both enter into Chinese Trade and to rid the country of excess silver through the creation of a trade dollar equal in weight to the Spanish and Mexican coins favored by the Chinese.<sup>27</sup> Immediate enthusiasm over the potential inroads to Chinese trade was high, even the English considered creating a similar "trade dollar" to find an outlet for flooding Indian silver reserves.<sup>28</sup> Unfortunately, the success of the trade dollar was limited to Chinese port cities only. Due to interior merchants' trust in the well-established Spanish and

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<sup>25</sup> *The Rocky Mountain Sun*, October 15, 1887.

<sup>26</sup> Rohrbough, *Aspen*, 211.

<sup>27</sup> Dean, "Silver Begins its Fall," 29-33.

<sup>28</sup> Dean, "Silver Begins its Fall," 35.

Mexican coins and the fact that China was one of the few silver trading nations left, the US dollars only threatened to flood their economy and subject them to the same inflation that was gripping the rest of the world. First, Europe had turned away from mass coinage of silver and now trade in the Far East had failed to live up to American expectations. The United States economy was moving in the wrong direction, but the mines in Aspen continued to grow more productive: shipping almost four thousand tons of silver ore per week.<sup>29</sup>

In the face of increasing supply and decreasing demand, the global price of silver began to plummet. Before the arrival of the railroads in 1887, the price was \$1.10 per ounce. By 1888 it had fallen to \$0.93.<sup>30</sup> The United States tried to reform its silver purchases by passing the Sherman Silver Purchase Act in 1890, changing the obligation of the treasury to purchase 4.5 million ounces of silver per month at market price. As miners increased their supply to try to make up for their losses, they would only drive the price of silver down further. Inflation in the United States exploded, causing policymakers to turn their eyes toward repealing the Sherman Silver Purchase Act. Simultaneously, inflation in the British imperial economy forced them to shut down the British Indian Mint, the last bastion for silver coinage.<sup>31</sup> The western silver mining industry had lost its biggest buyer. Besides advertisements for Aspen's largest mine owners selling off all of their machinery in the June 27<sup>th</sup> issue of the *Aspen Times* are several articles expressing existential panic over the price collapses.<sup>32</sup> By the end of 1893, the working population of Aspen fell from 2,250 to a mere 150.<sup>33</sup> The town was left largely abandoned.

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<sup>29</sup> Rohrbough, *Aspen*, 209.

<sup>30</sup> Rohrbough, *Aspen*, 212.

<sup>31</sup> "From Over The Water," *The Aspen Daily Times*, June 27, 1893.

<sup>32</sup> "\$10,000 Worth of Machinery," *The Aspen Daily Times*, June 27, 1893.

<sup>33</sup> Rohrbough, *Aspen*, 219.

In conclusion, the silver mining industry of Aspen, Colorado was doomed to fail from the start. With most major nations turning away from bimetallism, the explosion of western silver mining in the late nineteenth century only served to flood the global market with more silver than it knew what to do with. The United States tried to control inflation and maintain cheap money for agricultural and mining economies by passing a series of silver purchase acts, but the global economy could not handle the excess silver pouring out of the United States. By 1893, the government subsidizing of silver mining was only damaging the United States economy, forcing them to repeal the Sherman Silver Purchase Act. Mining silver in Aspen was no longer profitable, and the town was largely abandoned for over half a century.