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Editor's Note

The accompanying historical narrative will interest different people in different ways. To the student of history it will spotlight conditions in a New England state just following the Revolutionary War; to the economist it will point to certain economic laws relating to money and inflation; to the lawyer it will be the story of a well-known and fundamental court decision; and to the average person it will be a true story with a lesson, as pointed out in the last sentence of the narrative. Although our domestic money system has progressed a long way since 1786, now, as then, a legitimate money transaction should involve both a willing buyer and a willing seller. No party to such a deal is "willing" if there is funny money involved.

THE MAN WHO WOULD NOT ACCEPT PAPER MONEY^{1/}

By

Elston G. Bradfield

The jostling crowd outside the courtroom elbowed and shoved as individuals tried to get closer to the open windows. The benches inside were jammed and spectators filled all available standing room. For this was the day Newport's excessively poor butcher John Wheeden was standing trial for refusing to accept paper money.

For months the dispute between paper money men and their opponents had rent the state of Rhode Island. Business had practically ceased in the port towns. Some merchants had given up their fight for sound money and, abandoning their enterprises, had fled to adjoining states where they hoped to be allowed to carry on normal operations. Fist fights had become an every day occurrence and mob action threatened more than once. Now the time for legal ruling had come.

As a result of the long years of the Revolution and the unsettled conditions following the collapse of the continental currency, all of the newly independent states were unhappy in that year of 1786. But nowhere were there more malcontents than in the state of Rhode Island. With a population of about 55,000, her people were ready for any panacea that might offer salvation. Anything that seemed to promise relief from heavy taxes and burdensome debt was welcome. So Rhode Island fell victim again to that will-o'-the-wisp of the desperate - "easy money."

^{1/}From The Numismatic Scrapbook Magazine, January 1950, and reproduced by the courtesy of the publishers, Hewitt Brothers, 5450 North Clark Street, Chicago, Illinois.



FIVE SHILLING NOTE MADE LEGAL TENDER
FOR ALL DEBTS BY THE RHODE ISLAND
GENERAL ASSEMBLY, 1786.

Two years earlier a proposal for a bank of paper money had been beaten down. In spite of the opposition of the wealthy seaboard towns and the propertied classes, the representatives of the country districts pushed a bill calling for paper currency through the assembly in May 1786.

A paper bank of one hundred thousand pounds was authorized. The bills were to be issued in convenient form in denominations of sixpence, ninepence, one shilling, two shillings sixpence, three, five, six, ten, twenty, thirty, and forty shillings, and three pounds. Each note below ten shillings required two signatures only; those from twenty shillings up bore three signatures. On the reverse was imprinted the admonition "Death to Counterfeit." The currency was to be legal tender for all debts and in case any person refused to receive it as such his debt was to be barred forever. The bills were to be paid into the treasury by the end of fourteen years. Four percent loans were to be pledged with real estate for double the sum borrowed. This was thought to be sufficient guarantee.

Immediately upon issue the currency skidded down the familiar depreciation slide. Merchants would not accept the paper except at heavy discount. To push their paper money

on the unwilling, the assembly quickly drew up and passed a forcing act, making one who refused to accept the currency at face liable to a penalty of one hundred pounds and the loss of the rights of a freeman. In consequence many businesses simply closed up shop or resorted to primitive barter.

Grass almost grew in the streets of Providence and Newport. Over half the shops had their shutters up. Business was stricken. And since the merchants would not take the paper money, farmers boycotted them and refused to sell any produce. By July food was short in the towns and suffering intense. Still the farmers held to their rag money and the townsfolk to their insistence on a sounder variety. The deadlock was not broken until an incident occurred in Newport that threw the whole matter into the courts.

One day in September 1786, John Trevett, a cabinet maker who had lost an eye while serving as an officer during the Revolution, stopped in John Wheeden's butcher shop for a few pounds of beef at fourpence a pound. In payment he proffered the new issue paper. Wheeden refused the tender. Travett, a strong paper money advocate, angrily signed a complaint against Wheeden. The test case was on.

Trial began immediately, September 16, for the legislative act had anticipated such resistance and specified that a hearing must be held within three days. The right of jury trial was specifically forbidden by the act, nor was any appeal possible, the decision of the judges being final.

The case was heard by the Supreme Court of Judicature. Both the plaintiff and defendant were well represented by counsel, one of the defending attorneys being the noted Major General James M. Varnum. On the bench were Chief Justice Paul Mumford and Justices Joseph Hazard, David Howell, and Thomas Tillinghast.

The first day was taken up with presentation of the case. Feeling was so intense and opinions so pronounced that two of the judges so far forgot their judicial dignity as to speak from the bench against the paper bank. The two principals in the action were almost entirely overlooked as the great constitutional questions involved were argued.

Varnum spoke long and eloquently. He attacked the recently enacted laws under which the case had been brought to trial. He demolished the action of the legislature in setting up special tribunals "incontrollable by the Supreme Judiciary of the state."

General Varnum referred to the delicate system of checks and balances between the legislative, judicial, and executive branches on which our government rests. "A nation may be considered as a moral being, whose health and strength consist in the due proportion, nice adjustment, and equal preservation, of all its parts; and when one branch of the government steps into the place of another, and usurps its functions, the health and strength of the nation are impaired; and should the evil be continued, so as that the one be destroyed by the other, the nation itself would be in danger of dissolution."

The main portion of the defense attorney's speech, however, was aimed at the legislative fiat forbidding trial by jury. He said jury trial was one of the basic rights of freemen long before the barons presented the Magna Charta to King John. Numerous acts and judicial rulings were cited from English and colonial jurisprudence down to the Declaration of Independence. The general was astounded that "some of our warmest politicians, whose heads are undoubtedly wrong, and it is greatly to be feared their hearts are not right" have prevailed on the assembly to abrogate trial by jury. "It is possible that these pretenders to the knowledge of the law should be serious, when they avow so dangerous an opinion? If they are, let them be informed that they contradict the wisdom and the practice of the ages."

The general closed his impassioned speech with "Trial by jury is a fundamental, a constitutional right - ever claimed as such - ever ratified as such - ever held most dear and sacred; that the legislature derives all its authority from the constitution - has no power of making laws but in subordination to it - cannot infringe or violate it; that therefore the act is unconstitutional and void; that this Court has power to judge and determine what acts of the General Assembly are agreeable to the constitution; and, on the contrary, that this Court is under the most solemn obligations to execute the laws of the land, and therefore cannot, will not, consider this act as a law of the land." Judgment was not long in coming. Next day Justice Howell delivered the court's decision that the criminal charge brought by the state against Wheeden was not within the jurisdiction of the court. In effect, this amounted to a declaration that the Assembly's paper money acts were unconstitutional and void. Generations of jurists since have cited the case of Trevett vs. Wheeden as a precedent for the right of the judiciary to rule on the constitutionality of laws enacted by legislative bodies.

As soon as the justice finished, a great shout broke out in the courtroom to be taken up by the waiting townfolk outside. Wheeden was a free man and the champions of sound finance had taken a long step toward victory.

But the paper money group were not ones to accept defeat readily. At once the "erring" judges were haled before Assembly to explain their effrontery. Since the judges had committed no punishable offense, however, grounds for impeachment were lacking. With great reluctance, the fuming legislators let the justices go, only to dismiss them from office a few months later when their commissions came up for renewal.

Meanwhile, the currency had fallen rapidly. In September the Assembly set an official rate of three shillings in paper for one in coin. By April of 1787 the ratio was six for one. From then on deterioration was rapid.

One more attempt was made by the legislature to enforce acceptance by requiring that citizens take a test oath to support the money and accept it at par. Penalties for violation were severe. The oath was so highly unpopular, however, that it was soon repealed. At the

same time the forcing act the Supreme Court of Judicature had refused to recognize was revoked. Thereafter the currency sank lower and lower until finally the official rate was fifteen to one. Total repeal came at last in September 1789. In February 1793 burning of the notes commenced and continued from time to time until May 1803. During that time 96,646 pounds of the 100,000 issued were destroyed.

A nineteenth century writer said "Rhode Island was the most unfortunate of all the colonies in her currency legislation. She kept peag^{2/} longer than any of the others, and plunged into paper issues more recklessly than any. The loan bank system she tested to the bitter end." Her experiment in making something out of nothing was no more successful than countless others, before and since.

 2/ Editor's note: peag, peage, wampumpeag, wampum, shell money. Beads made of shells used by North American Indians as money and by early colonial settlers in the fur trade (Webster).

ANTI-FRICTION HEATING METAL

The E&MJ Metal and Mineral Markets, New York, is authority for the statement that "Liqui-moly," manufactured by the Lockrey Company, College Point, New York, is available for experimental purposes for lubricating high-speed, high-temperature, and high-pressure bearings. Some forms of molybdenum possess the characteristic of plating a surface that is under pressure and such material as represented by "Liqui-moly," it is claimed, forms a permanent friction-supporting film which cannot be "squeezed out."

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The National Rifle Association publication, the American Rifleman, February 1950, states that the Alpha Corporation, Greenwich, Connecticut, is marketing a molybdenum disulphide powder called "Molykote Type Z" that has a high film strength and low coefficient of friction under extreme bearing pressures. The Type Z plus SAE No. 10 oil in a 3 to 1 mixture is the usual method of lubricating dies used in drawing out metals.

ALUMINUM BRIDGE

In the Annual Report of the Canadian Department of Mines and Resources for 1947 just issued it is stated that "an aluminum highway bridge weighing 200 tons is being built across the Saguenay River at Arvida, Quebec."

GOLD AMALGAM IS UNPROCESSED GOLD

According to Pay Dirt, January 20, 1950, published by the Arizona Small Mine Operators Association, gold amalgam has been included in the Treasury Department's definition of unprocessed gold which may be sold on the open market without a license. "Such amalgam must not have been heated or treated in any way before sale. What if the purchaser retorts the amalgam? The Treasury so far is silent on that point but it is pretty clear that the further negotiability of the gold would be questionable."

SYNTHETIC MICA

Synthetic mica with essentially the same properties as natural mica is being made successfully by scientists of the National Bureau of Standards according to an announcement by Secretary of Commerce Charles Sawyer. It is stated that the synthetic product has properties of withstanding high temperatures superior to the natural mineral. The synthetic mica is made from four materials, quartz, magnesite, and bauxite, plus a fluorosilicate compound which acts as a crystallizing agent. This fourth material, it is said, is the critical one which gives the synthetic material its superiority over natural mica in resistance to high temperatures.

CHROMIUM SERVES MULTIPLE PURPOSES
IN STEELMAKING; MOST OF IT IMPORTED

(From Steel Facts, October 1949, published by American Iron and Steel Institute, N.Y.)

Chromium has a popular connotation of flashiness; perhaps because of the shiny chromium plated trim on automobiles and household equipment. In the raw state, it is a hard, gray metallic element, and one of the "workhorses" of the steel industry. More than 80 percent of all chromium mined is consumed by the world's steel industry.

Imports required

The United States takes a little more than half of total world chromium output, but produces normally less than one percent. This country depends largely on imports from Rhodesia, New Caledonia, Cuba, South Africa, Turkey, and several other countries in lesser amounts. In addition to the tonnage purchased from abroad, some chromium is recovered from steel scrap melted in electric and open hearth furnaces.

The principal use of chromium is as an alloy in making steel. More than 212 million pounds of the metal were used for this purpose in American furnaces in 1948. However, chromium in pure form is not added to steel, but is used as ferro-chromium, an iron-chromium alloy.

Depending on the amount used in a heat of steel, the addition of chromium has a wide range of effects on the product. It combines with carbon, intensifying the effect of that element in making steel harder and tougher. Steels containing one to two percent chromium make excellent magnets because of their ability to remain magnetic for long periods of time. Chromium also dissolves in iron and improves its corrosion resistance. Stainless steels, containing 14 to 22 percent chromium, have been developed for their corrosion resistance. The ability to maintain a high degree of strength at elevated temperatures is imparted to steel by the inclusion of 17 to 19 percent chromium. The manufacture of high speed steels and tool steels commonly utilizes the element to maintain hard, keen cutting edges. When nickel or vanadium is used in conjunction with chromium, the value of each increases as an alloying element in steel.

Heat resistance is high

The resistance of chromium compounds to heat and to corrosive slags accounts for its secondary use in the steel industry. Chromite, the only commercial ore of chromium, is a valuable refractory in basic open hearth furnaces. An estimated two and one half pounds of this material, in brick or lump form, is consumed for every ton of steel produced.

Though the steel industry is the major consumer of chromium, it must buy the raw material in competition with several other industries. Probably the second largest use for chromium is in electroplating. Household appliances and fixtures are chromium plated for beauty and corrosion resistance. Chromium plating also resists wear and cylinders of internal combustion engines are often plated to resist piston wear. Refractories for glass and ceramic making furnaces also require chromite. Chromium chemicals are used in dyeing, paint pigments, and in leather tanning. The nonferrous metals industries use such chemicals for pickling.

Seek domestic sources^{1/}

To meet the demand for chromium, extensive research is being undertaken to locate and develop new domestic sources. Deposits in the United States and its possessions are generally low grade. The cost of processing the mineral for use in steelmaking often makes it noncompetitive with that which is imported, though shipments have been made from Alaska,

^{1/} Note: Domestic chromite mines, even those which can produce what was considered metallurgical grade during World War II, cannot compete with foreign chromite in peacetime. Aside from low wages paid foreign miners according to our standards, revaluation of foreign currencies in terms of the dollar further reduced the chances of profitable operation of domestic mines. Only the government can afford to undertake research to locate and develop new domestic sources.

California, Idaho, Montana, Oregon, Texas, and Washington. Since chromium is a strategic material, continuing efforts are being made to find economical methods of concentrating chromium minerals in low grade ores.

The increase in use of stainless and heat resistant steels is reflected in the consumption of chromite since 1940. In only three of those years has consumption decreased. During 1948, about 875,000 net tons were used for metallurgical, refractory, and chemical purposes.

ENGLE BILL WOULD ASSURE CREDIT FOR ASSESSMENT WORK

"The House Public Lands Committee has approved a bill which clarifies the procedure by which holders of mining claims can claim credit against the current assessment year (ending July 1, 1950) for assessment work performed on mining claims during the year ending July 1, 1949. The measure was introduced by Representative Clair Engle of California in the closing days of the last session.

"The assessment moratorium act of June 17, 1949, provided that any labor performed or improvements made on any mining claims during the year ending July 1, 1949, could be credited against the labor or improvements required to be performed or made for the year ending at 12 o'clock Meridian on the first day of July 1950.

"Claimants who wished to take advantage of this provision were required to file notice of their intention by August 1, 1949. However, some confusion existed as to the act's provisions and many failed to file the affidavits of work performed, merely taking advantage of the assessment moratorium provisions. Engle believes that the diligent claimants who have done their work should not be discriminated against merely because of this omission, and introduced the following bill to correct the matter:

"That every claimant of a mining claim in the United States who wishes to obtain the benefits conferred by the second proviso to the first section of the Act of June 17, 1949, may file, or cause to be filed, in the office where the location notice or certificate is recorded, on or before 12 o'clock Meridian on the first day of July 1950, a statement of the labor performed or improvements made on any such mining claim during the year ending July 1, 1949, or such statement may be included as part of the annual notice of the performance of assessment work for the year ending at 12 o'clock Meridian on the first day of July 1950." "

(From Pay Dirt, January 20, 1950, p. 12.)

MINERAL MARKETS

Market prices for metals and minerals as of February 16, 1950, are reported by E&MJ Metal and Mineral Markets, New York, as follows: Copper firm at 18½ cents per pound Connecticut Valley. Quotations for lead were steady at 12 cents New York. Zinc was steady at 9 3/4 cents per pound East St. Louis. The uncertainty over the coal situation affected transactions as far as galvanizers were concerned. Tin was quoted between 74 3/8 cents and 74½ cents for prompt delivery. The General Services Organization, formerly the Bureau of Federal Supply, is acquiring tin for stockpiling through the RFC. The quicksilver price varied from \$71 to \$73 per flask according to quantity.

Aluminum ingots 17 cents per pound; in pigs, 16 cents. Antimony, bulk, Laredo, 27½ cents per pound. Bismuth, per pound in ton lots, \$2.00. Chromium per pound, 97 percent, spot, \$1.12. Cobalt per pound, 97-99 percent, from \$1.80 to \$1.87 according to quantity. Columbium per kilogram, \$250 to \$280. Germanium, per pound, \$180. Indium, per ounce troy, 99.9 percent, \$2.25. Iridium, per ounce troy, \$100. Lithium, per pound, 98 percent, \$9.85 - \$11. Magnesium, per pound carload lots, 20½ cents. Manganese, per pound, minimum 96 percent Mn, maximum 2 percent iron, 35½ cents carload lots in cases. Electrolytic manganese, 99.9 percent Mn, 28 cents carload lots. Molybdenum per pound 99 percent, \$2.60 to \$3.00. Nickel, per pound Port Colborne, Ontario, 40 cents, U.S. import duty included. Osmium, per ounce, \$100. Palladium, per ounce troy, \$24. Platinum, per ounce troy, \$66. Radium, per milligram, \$25 to \$30, according to quantity.
