FREE COINAGE OF SILVER.

SPEECH

OF

HON. BYRON G. STOUT,

OF MICHIGAN,

IN THE

HOUSE OF REPRESENTATIVES,

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WASHINGTON.
1892.

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The House having under consideration the bill (H. R. 4426) for the free coinage of gold and silver, for the issue of coin notes, and for other purposes—

Mr. STOUT said:

Mr. SPEAKER: I appreciate the fact that I must condense my remarks to bring them within the limit of time allowed me. I desire that amendment be made to the bill so as to embrace both gold and silver as standard units of value instead of the alternative of one or the other, as stated in the bill. At the outset it is pertinent to ask, what is bimetallism? There are those who define it as the right to use two metals in ordinary business payments. I do not agree with that definition. The proper meaning of bimetallism is the actual use of both metals, not the mere right to such use.

Let us recall the coinage law of 1792, which established the ratio of 1 to 15. In this, gold was underrated, and went where it was rated higher. Our country was drained of gold and its place supplied with Spanish milled dollars and small abraded silver coins. The ratio of France being 1 to 15½, there was a profit of 3 per cent in shipping gold. This difficulty continued with varying conditions till 1834–'37, when a new ratio was established by law. The gold eagle was reduced from 270 to 258 grains, making the new ratio of 1 to 16. This overrated gold, and accordingly silver left the country.

To remedy the difficulty the act of 1853 was passed, which cut off over 14 grains of silver from the half dollar, which was reduced from 206¼ grains of standard silver to 192 grains, and the small coins proportionately. This restored temporarily the equilibrium. This shows the futility of all efforts to establish a ratio between gold and silver without the coöperation of the leading commercial nations of the world; and it is in this view that I wish to postpone the policy of unlimited coinage until we can have such coöperation as will insure a general uniformity in ratio. Thus only can the two metals be kept together.

It will be noted that the act of 1853 inaugurated the policy of Government purchase of bullion and coining it for its own account. The legal-tender function for over $5 was taken away. Here was the real demonetization of silver, though it was credited to the year 1873, because it suits the purpose of critics to attack the living rather than the dead. The alleged great crime of 1873 was the leaving out of the list of coins the dollar which really had no existence outside of brokers and curiosity shops

But comparisons are made between our per capita circulation and that of the French. Ours is only $25, while that of the French is said to be $40. But why has France the larger ratio? Only from the habit of her people to hoard money. Most of us do our business with banks and draw checks even for small amounts. Our money is active, it circulates rapidly, and our dollar does double the work that the dollar of the Frenchman does.

Now, I came here as a Democrat and Greenbacker—Democrat in this, that I want the money of the country equally valuable and mutually interchangeable; and Greenbacker, that I want all the paper money that can be kept at par. I came here to respond to the doctrine that was put forth in every platform throughout the country, that we should have an equality and interchangeability between the gold, silver, and paper of the country; and I think I reflect the sentiment of all parties on that subject. The grangers, the laboring men, and almost every other party are in favor of this mutual interchangeability of the currency of the country. They wanted an honest dollar, and I will say this, in justice to the special friends of silver, that I do not denounce their dollar as dishonest.

If you were to demonetize gold it would fall a greater per cent than silver, because there are more economic uses to which you can put silver than gold. Silver is dishonest only as made such by law. This bill is not so much in the interests of the people as a great many of the friends of silver suppose. I look upon it as emanating from the speculators in silver and the producers of silver in the West; and the time will come when they will demand that your greenbacks shall be retired from circulation in order to make room for their silver. We have $346,000,000 of greenbacks in circulation. That amount has served a very good purpose. It has saved us from at least $346,000,000 principal and over $650,000,000 of interest, if compounded on the basis of 4 per cent interest, the same rate as the outstanding bonds.

Now, it seems to me that we never should retire these greenbacks; and I am here to say that the Democratic party will have no use for me when it plants itself upon the platform of retiring them for any purpose whatever. Yea, more than this, I would enlarge the amount of the greenbacks; I would be willing to-day to vote for a bill compelling all the banks whose charters have expired to retire their circulation immediately. I would vote further than this, to provide that no bank whose charter still exists shall have the right to add another dollar of circulation, and I would replace the national-bank circulation with greenbacks. I claim to be a better Greenbacker than a great many of the special friends of this bill.

Now, it seems very strange to me that the silver miner and the Greenbacker, as I recognize my friend, the gentleman from Missouri [Mr. BLAND], to be, are harmonizing on this question, protesting that it is wrong to have a circulation without silver dollars behind it. What is the picture to-day? It seems to me that the silver man is on the steed, riding on the saddle and the Greenbacker is behind him on the sweat-cloth, with his hands around his brother, pretending to hold the reins, but really only holding on. I hope they will have no disaster if by any chance the gold buckle in the girth should break, or the gold bit fall from the ass's mouth.

Now, what we want is an honest dollar, and I am willing to recognize the silver dollar as honest if it can only be put upon the proper basis. It requires only a small amount of gold in the Treasury to make good every dollar of silver and every dollar of paper that is in circulation. Make that dollar an honest one, and let us know there will be no fluctuation, and the time will come very shortly when we will be able to borrow money at still lower rates for every legitimate enterprise.

I have spoken of an honest dollar; but, as before intimated, I do not share the criticism of the silver dollar that it is dishonest. It is such only when its parity is destroyed; but one country alone can not maintain it. All coins, stamped by the Government as money, have two elements of value; one a utility value in the arts, and the other a conventional, or statute value, given by custom or law as money. These two constitute the value of a coin. Take away one, and a part of the value disappears. If by law or custom the money function is taken away, the value for the arts can not alone sustain the price. Substitute something else in the arts, and the money use alone is not sufficient.

The influences sustaining the present price of silver are the demand for the arts and a limited use for money. These demands make silver bullion worth about 90 cents per ounce. No doubt the price would go to any ratio between 12 and 20 for silver to 1 for gold which a national agreement might establish. The purchase of $24,000,000 a year, under the BLAND act, and the purchase of 54,000,000 ounces a year, under the act of 1890, have no doubt influenced prices, yet neither have served to prevent a decline in value.

THE DECLINE HAS GONE ON STEADILY.

Were it not for the menace that some time the vast amount stored in the Government vaults might be put upon the markets, no doubt still larger purchases, or free coinage, would enhance the value.

The present abundance of silver and the world's restricted recognition of the metal, is what is reducing its value. Should this policy change and an agreement of the leading commercial nations restore silver to a uniform ratio with gold, nothing but a most extraordinary increase in production could prevent an advance to a value where none could say that the dollar was not an honest one; nor can the present silver dollar be called dishonest so long as it is exchangeable like the national-bank note and the greenback for gold.

WHICH IS THE STANDARD THAT MAKES THE PRICE OF ALL OUR PRODUCTS SOLD ABROAD?

I am contending for fairness in this matter. As a token, which is now the real status of silver, it is honest money. And it will not be dishonest till in the absence of proper recognition by other nations, its special friends push it to the extent of driving out gold and establishing the actual monometallism of silver. And though this end were attained, and all new contracts were adjusted to the new conditions, the situation might be tolerable; still the wrecks strewn along the pathway pending the transition from limited bimetallism to monometallism would be a warning against a wanton trifling with public confidence.

Strange to say, the worst enemies of silver are in the house of its pretended friends. As an exchangeable token silver is honest; as an unlimited money metal, without international support, it lacks the fundamental quality of credit.

It can not be successfully disputed that the coinage act of 1792 and 1834–1837, so far as maintaining a uniform ratio between gold and silver, were failures. The silver committee, in their manifesto, concede the fact, and it is significant to note that through one hundred years of coinage legislation, no act but that of 1853 made even an approximation towards accomplishing bimetallism. This act remanded silver to the position of a subsidiary coin, made it a token, and limited its legal-tender function to $5. Coinage was made only of bullion purchased on Government account.

HERE WAS THE REAL DEMONETIZATION OF SILVER.

The full effect of the law of 1873 is what is now in dispute. It has pointed more oratory than the dismemberment of Poland or the revocation of the edict of Nantes. Upon one point all can agree, that had it never passed every silver dollar coined between 1873 and 1878 would have left the country as bullion. For five years, then, it was as harmless as the Pope's bull against the comet. When the time came in 1879 that silver dollars, under resumption, had no temptation to wander away from the discharge of their duty as legal tenders, there were none in circulation, but we had an issue outstanding of over $350,000,000 of greenbacks ready to do the same duty; besides there was $300,000,000 of national-bank notes, which if not themselves a tender, were exchangeable into greenbacks, which were legal tender.

With an issue aggregating $650,000,000 of currency endowed by law with practically the function of gold, so far as home payments were concerned, the ignoring of the silver dollar by the act of 1873 was not a wrong which an equivalent issue of legal tenders would not have righted. Besides, the act of 1873 authorized the issue of trade dollars, which, if not a tender, were at first exchangeable into greenbacks, which were tenders.

The history of the time bears no evidence of any conspiracy to do the public a great wrong by the passage of the act of 1873. The dollar was an obsolete coin, and it is significant to note that while the friends of silver quote the great writer, Ernest Seyd, as a stanch friend of silver, the standard silver literature of the times makes this same friend of silver the agent of the money kings of Europe, intrusted with £100,000 of foreign gold to be used to bribe Congress to demonetize his own favorite metal.

Candid men will reflect that it was utterly impossible to have resumed specie payment in 1879 without shrinking the prices of products from the paper standard of 1873.

There was far greater distress in 1877 in anticipation of resumption than in 1879, when it actually occurred. The country has not forgotten that in 1877 every large city of the Union was patrolled with soldiers to curb the madness of men who wanted bread and work. From Harrisburg to Pittsburg there was scarcely a mountain top from whose summit, along the line of the great Pennsylvania road, the smoke of burning cars could not be seen. In Pittsburg and Allegheny City robbery and pillage was almost unchecked. All this came from the transition from inflated prices, and they mark every era of the world's history where like conditions have prevailed. The English panic of 1819 was not caused by Parliament demonetizing silver, but by the necessary shrinkage of prices in order to come down to stable values after twenty years of inflation during the struggle with Napoleon.

How, then, was it possible for the business of the country to descend from the high stilts of war prices; how possible to reduce our gold-interest bonds from 6 per cent to 3; how possible to cut down mortgage rates from 10 per cent to 6 without a contraction of the prices of products? It was a process as inevitable as fate, and they who clamor about it are baying at the moon. The great blunder of the age was not making the first greenbacks receivable for all public dues, including interest on bonds. Gold could not have gone to one-tenth of the premium. Our fault was in going up in the balloon at all, not in falling after the whole thing had collapsed.

If, then, all of our legislation to secure real bimetallism has been only failure, and that, too, when the mints of other nations contributed to aid us, all from a diversity of ratios; if the coinage of the major part of our silver product from 1878 to 1890, if the coinage of nearly all our product since the act of 1890 have all failed even to maintain the price of silver, can we now reasonably expect that this bill will work anything more than the actual monometallism of silver?

But we are asked if the silver dollar does not purchase as much as gold. Certainly. Does it not pay our home debts? Certainly. Is it not receivable for taxes and customs? Certainly. Does it not answer all the purposes of small business transactions? Certainly. But why? Because if anyone desires to exchange it for gold or paper he can do so at any bank. All this can be done at home, but not outside the realm. As a token silver accomplishes the same purpose as gold, but only because it is a token and as such is exchangeable. The nickel to the extent of $1 will do the same.

What the present bill might do to maintain a parity between the metals is a problem. The chairman of the Coinage Committee in his address to the House estimates the amount of silver that would come to the mints at seventy-five or a hundred million dollars, should it become a law. Whether this would be bimetallism or monometallism he does not say. That it would be only the latter few can doubt. Most of the friends of the measure not only expect but desire this result. Why not be frank and acknowledge it? The issue would then be plain.

Were I a money-lender I should favor the bill. Rates of interest would rise 50 per cent. It would be the harvest of the shyster. This class fattens on fluctuations. Syndicates to control the output of the mines, to check or accelerate the stream of silver to the Mint, as best suits their purpose, would be the inevitable outcome of such legislation.

The rates of interest are fast declining. Does the borrower want them increased? The Government could borrow at 3 per cent $500,000,000 on a day's notice. Municipalities can get all they want at 4 per cent. With any promise that the mortgagor will pay in what he receives, he can get large loans in the East at 5 per cent, and in the West at 6 and 7 per cent. What more the Western borrower pays is to the middleman. What if the wheat-grower gets a little more for his wheat, will not all of his expenses increase? Will he get any more in London or Liverpool for his crop? Let the farmer remember that if he secures any better price at home it is because his money is not worth what it purports to be.

The bill before the House is not the restoration pure and simple of the status of silver, prior to the act of 1873. It goes much further, and even under the changed conditions of silver in Europe, I would be inclined to vote for the bill, if coinage were limited to the product of our own mines, by means of an import tax on foreign silver, or if the bill offered a single guaranty that a parity would be maintained. But regarding the bill as certain to put the country on an exclusive silver basis, and standing pledged to the policy of maintaining a complete parity between gold, silver, and paper, I should be false to the declarations of almost every Democratic convention, if I should support the bill.

From the standpoint of personal interest it is not strange that the silver-producing States favor the measure. The extra 40 cents per ounce is surely a temptation to realize present profit at the possible expense of future loss.

Under the act of 1890 the purchases are more than double the amount under the law of 1878. It would seem to be a matter of prudence to test fully the effect of the present law before embarking on a broader sea.

It can not be denied that the world is fast outliving the use of gold as a currency, or even silver, only as a small coin. Gold is little more than a standard of exchanges. It is such not only from its value as compared with its bulk but from the partiality of most great commercial nations for its use. Nominally at the bottom of the scale, it rises to the top when currency is redundant, and flows off through the great international waste weir on the mission of restoring equilibrium in exchanges.

But gold will never be exported till it is cheaper than products, and currency will never go to the Treasury for gold redemption so long as business needs require its use. Redemption is never sought till currency becomes redundant or confidence in it is impaired.

But the South and the extreme West seem to be almost a unit for free coinage. But how is the free coinage of European, Mexican, and Western silver going to add a cent to the price of Southern cotton in Liverpool and Manchester? Will it diminish the number of acres and so shorten supply? Will it cause any more bacon and corn to be grown to get which many planters now pledge their crop and pay usurious interest to money-lenders? Will it stop the big four of Chicago from putting down in every city market of the South beef that ought to be fed at home? Will free coinage supplant the object lesson so potent north of the Ohio, that Northern thrift comes from the fact that the price of no staple will tempt the farmer to plant it at the expense of growing also his own supplies?

"The fault may be in our stars" if times are not prosperous.

I see before me the representatives of many Southern cities, which, located on navigable rivers or on the coast, are ambitious to share in the commerce of the world. But what interest have Memphis, Galveston, Mobile, and Pensacola in a possible 40 per cent profit to the silver-miners of Europe, Mexico, or even of the West, if that profit, without an international agreement to secure freedom from fluctuation, shall make capital timid and drive it from their borders? Is not the great influx of capital to the South for the last fifteen years a standing protest against impairing public confidence.

The South needs the Nicaragua Canal; she needs ocean lines connecting her ports with either shore of South America; she needs direct intercourse with the islands of the Pacific and the Occident. Mobile and Pensacola ought to be great entrepôts of Southern commerce. Their output should be coal, pig iron, and railway material, as well as lumber. These points are natural locations for plants to refine half of the sugar that comes from Cuba. Ere long the heavy transit trade of Colorado, Kansas, Nebraska, and Oklahoma, to say nothing of that of the Lone Star State, will seek the sea through gulf ports. I envy the brilliant career of many young men of this House whose memory can not go back as far as the civil war but the possibilities of whose statesmanship, if prudence and wisdom shall direct it, will open up the grandest development for the country that history has ever recorded. What I have said of the South applies equally to the West, it also needs capital, and capital and confidence go hand in hand.

The great difficulty with remedial measures in legislation is the failure to correctly diagnose the ailments of the body politic. Doctors of politics are as necessary as doctors of medicine. Nor are the quacks all in one place. They abound in the state as well as in the sick room. The times are out of joint, and who but the free trader, who never saw his prescription actually put in practice, knows as well as he what to put on to contract the tendons and keep the bones in place. The protectionist surrounds the whole body politic with splints and bandages, and if these afford too much liberty, what can do better than a frequent doubling up of ligatures. And lastly, the money-maker, not the money-earner, but the veritable maker, comes and with a magic wand bids Poverty begone and Plenty, with her thousand benedictions, hover over cottage and palace alike. Hail to the new deliverer! Hail to the magic power of law!

We must double the amount of money, say the new financial doctors. If that be not enough, we must treble or quadruple it.

First, we must issue coin notes against all the silver that may come from Europe, Mexico, and the West. Next, we must print $100,000,000 of notes and loan them to the people of Kansas and a like sum to the people of Indiana—surely the other States are not to be left out—all must have their share in this grand cornucopia of plenty.

And next comes the Alliance party, whose platform contains some of the noblest declarations of political reform; propositions which, if carried out, would conserve the best interests of a people—a party containing many who are the impersonation of honor and integrity—many whose heads, were they as level as their hearts are patriotic, would be the sure guardians of the people's rights. This party comes before the people through its representatives to the St. Louis convention, and in the last clause of its platform declares in favor of issuing fiat money enough to make good as gold the war pay of the soldier. And so a new bureau is to be organized in the Treasury Department to ascertain the monthly fluctuations of greenbacks during the war; and to pay this alleged shortage more millions of paper money are to be issued.

The prudent, patriotic soldier will call a halt in this effort to prejudice his just claim upon the country.

The Alliance and People's party, who are loudest in their demand that silver be menometallized, demand Government ownership of telegraphs and railroads. How are they going to pay for them? Do they propose to issue four thousand million dollars of paper, or will they levy that amount of additional taxes upon the people? The country has got, sooner or later, to meet the railway problem; and that, too, before "system into system runs" and it is powerless to check them.

I have always subscribed to the doctrine that under the right to regulate interstate commerce, Congress could regulate the railroads, and how better than to have begun in 1878 and made first-mortgage bonds of dividend-paying railroads, covered into the Treasury, the basis of what amount of currency a wise interstate-commerce commission, under a law of Congress, might determine to be prudent and necessary.

Such an interest in the railway bonded debt of the country would carry with it a supervision, not ownership, to protect its interest, and a careful husbanding of railway resources would insure cheaper rates of freight and passenger traffic. This policy might be an improvement upon national ownership and national management.

With the silver already purchased the operation of even the present law will show in the Treasury at the end of this decade $1,000,000,000 of silver.

Had a purchase of the bonds of interest-paying railways been begun in 1878 instead of the purchase of silver, and had the accruing interest been invested yearly, and both covered into the Treasury as a basis for the issue of coin notes, in place of $400,000,000 of inert silver now in the Treasury, we would now have $600,000,000 of bonds, bringing the Government $30,000,000 of interest annually.

Continuing the same policy for the current decade, the net Treasury holdings with interest added yearly would amount to $2,000,000,000 in 1900, against $1,000,000,000 of silver which may and may not be worth what it purports to be.

As an alternative proposition to piling up silver that will never be of any use, I commend these figures. The estimates may be visionary, but a paying bond may be better than idle silver, as a living ass is better than a dead lion.

I do not say that the class who live by loaning credit, not capital, would think this policy feasible. There are always constitutional objections against doing what you do not wish to have done. The policy which I have broached only as an alternative of what I think much less feasible would put in the Treasury every available interest-paying railway bond in the country, and more, would bring from Europe every American security there, which now drains the country's resources to pay interest. It would furnish security for circulation, and bring a revenue equal to a large fraction of national taxation.

Few reflect that our boasted balance of trade is little more than the measure of our interest and dividend debt to Europe; and this is not a tribute to actual foreign capital but to foreign credit.

But why can not we capitalize our own credit? England is banking to-day on bonds issued to pay the goldsmiths for the stealings of Charles II. Consols issued to put down the Yankee rebellion in 1776 are sold every month on the London Exchange. The proceeds of hundreds of millions of dollars of absolute waste to keep royalty on thrones are loaned every year to build American, Indian, and Asiatic railroads; and though the consideration perished years ago, it lives as capital (credit) to accomplish its mission.

Thirty thousand million dollars of foreign capital embodied in national debts has no more basis as a veritable entity than an undreamed dream; and yet it serves the purpose of capital. Why? Because it is a mortgage on labor for all time—credit, and nothing more. I will not further pursue the argument, but would say that by prescribing proper general rules against stock-watering, dishonest management, and thus raising the credit of American corporations, our very credit can be so capitalized at home that not an enterprise that promises even slight returns will ever be wanting in capital to undertake it. Nothing but the failure of Government to properly regulate corporate credit by law renders it necessary to send a single American bond to Europe.

Let those who think a fluctuating currency can supply the place of a capitalized credit ask themselves whether the money sign is better than the thing signified, or the servant greater than his master.

To sum up the argument. The uniform demand of popular sentiment has been for such measures as will secure a parity of value between gold, silver, and paper, and then complete interchangeability. Not a platform in the country has declared for silver monometallism. The bill before the House unmistakably will result in that. It gives the Treasurer of the United States the option of paying any coin note in gold. There is no check upon favoritism by which gold might be paid to one and not to another.

The bill does not contemplate coinage at all, only as a chance depositor of bullion may desire coin from his own metal. So long as there are now $400,000,000 in the Treasury there would be no more coinage, only storage of bullion. Besides it is proposed that whenever France alone will join us we will recoin all our silver dollars, which may at the time amount to $1,000,000,000. Should this arrangement be made the dollar of the fathers will be clipped 12½ grains. This will put 3 per cent profit into the hands of the holders of silver certificates. The coinage of the silver dollar under the Bland act of 1878 cost the country $1,000 a day for twelve years, and should the bullion under the act of 1890 ever be coined under our ratio and recoined under the proposed deal with France, the recoinage of $1,000,000,000 can be estimated.

The stereotyped denunciation of Wall street can not conceal the parentage of this bill. The world is familiar with the cry of "Stop thief!" The bill did not emanate from the Coinage Committee further than to be put in form. It originated with a banker in New York.

There is one way, and only one, through which to secure bimetallic parity of gold and silver, and that is by international free coinage; if not by all nations, at least by the greater number. And we can no more maintain a parity alone than we can dam the Gulf Stream in mid ocean. Till a sufficient number will join us, our bimetallism will be only monometallism. I can not support the bill.

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