

SILVER BULLION CERTIFICATES.

SPEECH

OF

HON. THEODORE E. BURTON,
OF OHIO,

IN THE

HOUSE OF REPRESENTATIVES,

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1890.

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OF
HON. THEODORE E. BURTON.

The House having under consideration the bill (H. R. 5381) authorizing the issue of Treasury notes on deposits of silver bullion—

Mr. BURTON said:

Mr. SPEAKER: In the solution of this question, I take it, that legislation is wisest which goes furthest to secure two results: First, the concurrent and unlimited use of both metals, silver and gold, as money; second, the accomplishment of this condition with the least shock to the business world and with the least degree of injustice to parties who have existing contracts.

I do not believe many can be found in this country who favor a single standard as an ideal monetary system. In view of the fact that we are the producers of more than 40 per cent. of the silver of the world, every consideration of self-interest would lead us in formulating a financial policy to use both metals for money.

Not only is there this consideration of self-interest, but the benefits arising from the use of both metals as money have been universally appreciated and understood. Alexander Hamilton, the most masterly of our financiers, in his report to Congress in 1791, said:

To annul the use of either of the metals as money is to abridge the quantity of its circulating medium and is liable to all the objections which arise from the comparison of the benefits of a full with the evils of a scanty circulation.

Gold or silver used as the basis of circulation, and which fix our standard of value, are after all but commodities, subject like other commodities to the laws of demand and supply and to fluctuation, from varying conditions as to production. If two metals are used as money, these fluctuations will necessarily be less severe, and by the use of both, the relations of equality in value between the circulating medium and other values will be more perfectly maintained.

We may concede, for the sake of argument, at least, that the demonetization act of 1873 was wrong. I believe it was, although I am loath to believe that it was the result, as has been alleged, of a deep-laid conspiracy. It seems impossible that a conspiracy should have successfully obtained the passage by this House, and by the Senate, and the approval by the President of a measure which was not understood. The elaborate discussion of the subject at the time would seem to disprove the idea that this legislation was the result of a plot. But, whether a conspiracy or not, it was a serious error in judgment, an error which we shared with many other nations.

The initial step in the demonetization of silver, so far as our own Government is concerned, was taken in 1867, at the monetary conference in Paris, at which our delegate, Mr. Ruggles, acting under instructions from Secretary Seward, advocated, with the representatives of other countries, the discontinuance of the coinage of silver, except for subsidiary money. In the year 1870 there were but two nations in Europe,

England and Portugal, in which the free and full coinage of silver was not a part of their settled financial policy.

But by various acts of legislation from 1871 to 1875, a radical change was made in the use of silver as money. Germany, Denmark, Norway, and Sweden adopted a single gold standard, making silver subsidiary. France, Belgium, Switzerland, Italy, and Greece ceased the coinage of full legal-tender silver pieces. In 1875 Holland closed her mints to the coinage of silver. In 1876 Russia suspended the coinage of silver, except for use in the Chinese trade. From this it will appear, it was not so much our demonetization act of 1873 as the legislation of other nations which led to the depreciation in the value of silver. Indeed, from the organization of our Mint in 1872 till the demonetization act of 1873, the total number of silver dollars coined in our mints was only 8,045,833. Yet no one can deny that this extensive demonetization of silver, in our own and other countries, depreciated its value and wrought injustice to debtors, both public and private.

Again, I have little confidence in the argument that the great fall in prices, averaging $33\frac{1}{2}$ to 40 per cent. in the last seventeen years, is due alone to achievements in invention, improvements in machinery, the opening up of new fields of production, and improved facilities for transportation.

Even if the fall in prices were due to these agencies, there nevertheless should be a parity between the decrease in the value of the general commodities and the purchasing power of the metal or metals used as the basis for the circulating medium. He who lends a dollar now ought not to expect to purchase with the same article, which is indeed but a commodity, when repaid to him some years hence, a half more, or perhaps twice as much of other commodities as it would purchase now. It is not fair for the dollar, in keeping the ledger account with the different articles and commodities which are subject to barter and sale, to have all the advantage.

Is it not proper that gold and silver should be subject to the same laws of supply, the same possibilities of increase in production, as other commodities of the world? I do not say that an exact ratio must be maintained, but in the cheapening of the cost of production, the precious metals should be subject to the same general influences as other things. In the great and almost universal fall in prices which has occurred during the past years, a careful calculation would seem to show that silver has more nearly maintained a ratio of equality with other articles than gold.

All these facts afford argument for the use of silver as money. Nevertheless, I can not give my assent to the idea of immediate free coinage. We are confronted with this fact. The relation between the intrinsic value of the amount of silver and gold, included in a standard dollar of each metal, is as 72 to 100. Neither the legislation of one nation, nor the legislation of all nations, can at once destroy this difference. The passage of a law might do away with a slight variance, but it can not bridge over a wide chasm like this. Methods adopted to restore silver to its full legal-tender position should be gradual, normal, and not adapted to give the benefits of a change to the manipulations of speculation.

It is proposed by a free coinage act, by one stroke, to do away with all the results which have followed from the conditions of the last seventeen years. It is proposed to allow the possessor of 72 cents' worth of bullion to present his silver at the mint and pay therewith a debt which he contracted when the same dollar which he received was

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worth 100 cents. The great volume of credits now existing, the contracts now in force, were not made seventeen years ago, but within a few months or years, when silver as compared with gold was at a very large discount. Only a very small share of the debts of 1873 continue in 1890. Many who were creditors then are debtors now, and *vice versa*.

A favorite argument with many seems to be that some kind of retaliation should be visited upon some one for the demonetization act of 1873, as if some one, it makes little difference who, should be punished for the legislation of that period.

But let us not mislead ourselves by the delusion that in any legislation that looks toward sudden fluctuations in the value of the basis of the circulating medium, we are going to injure the capitalist or banker. He is like one who stands upon a commanding eminence and can take in at one view the whole financial horizon. It is in his power to grasp all the opportunities of every new situation. His resources and opportunities are such as to make it possible for him to provide for each emergency, and in every violent fluctuation in the purchasing power of currency, in the history of this or any other country, it has been true in the past, and will be true every time in the future, that the man, who will profit most by the change, will be he who is possessed of large means and the resulting opportunities.

I can not see that the immediate and unlimited coinage of standard silver dollars would benefit the very classes on whose behalf it is most strongly urged. It will not materially benefit the farmer. True, it may give greater buoyancy to trade and increase the prices of his products, but it also increases the prices of everything which he must buy.

It will not benefit the wage-earner, or the man who lives by a salary, because the articles which he must purchase will rise in value far out of proportion with his stated remuneration. The wages of the wage-worker will rise more slowly than the prices of the things which he must buy.

One argument in favor of silver legislation has been the benefits accruing from an increase of circulation. Certainly the volume of currency should be amply sufficient for all the requirements of business, and, in view of the withdrawal of a considerable share of the national-bank-note circulation, an equivalent or greater supply of currency should be furnished to take its place and to meet all requirements. While we increase the circulation of silver, let us not diminish the circulation of gold. Pass a bill which provides for the unlimited coinage of silver and immediately the hoarding of gold increases. The shipment to foreign lands to settle balances of trade will also increase. The withdrawal of gold from circulation is likely to be much greater than the increased supply of money that is given by the coinage of silver, even if you utilize the whole surplus of the world, even if you keep all your mints busy.

Under such legislation, if gold is not entirely withdrawn from circulation it would be for one reason only, namely, that you could not coin silver dollars in sufficient numbers. If an attempt is made to keep the two in circulation in anything like equal quantities, and at a time when their intrinsic values are unequal, by a law as inevitable as fate, every dollar of gold must be hoarded or driven out of the country. Thus, if an increased circulation is to be our object, we will not have an increased, but a diminished volume of money.

The perplexing problem of the concurrent coinage of gold and silver

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can not be solved by one nation alone. Its solution is affected by the financial policy of every nation with which we have trade relations. Yet with our native buoyancy, our courage and ability in meeting difficulties and solving new problems, I believe that we should be brave and take the initiative in seeking to restore silver to its old position.

Already powerful influences are at work in other nations to do away with the financial legislation which has been the most potent factor in depreciating the value of silver. Let us take the lead, but not with hasty steps or by a policy which by its sudden shock shall create a financial revolution like to those which have characterized the sudden changes in values during the last thirty years. The best and most sensible course is, to seek by all available means, consistent with a conservative and sound financial policy, to bridge over this wide difference between the two metals by gradual steps, so that we can come to a parity between them which shall be just and fair to all.

Objection is made to the pending bill that by its terms you reduce silver to the rank of mere bullion. The gentleman from Kentucky, who has just preceded me, states that by it you demonetize silver. You put it away in warehouses, it is said. Where are our silver dollars now? Under the Bland-Allison act of February, 1873, providing for the coinage of silver of a bullion value of not less than \$2,000,000 per month, over three hundred and fifty millions of standard silver dollars have been coined. Every practicable means has been adopted by the Treasury Department to place them in circulation among the people; but by official statistics, not more than fifty-seven millions are now in circulation. The rest, five times as many, are in the vaults of the Treasury. So great has been the accumulation that new vaults have had to be constructed to relieve the overflowing storehouses of our Treasury and subtreasuries. So we seem to have a warehouse system, if you choose to so call it, now. Is it any less a deposit of bullion because the silver dollars are there in pieces containing 371½ grains, than if bullion in larger pieces were there? And would a less proportion accumulate in the vaults of the Treasury, if the coinage of silver were free and unlimited, than under the present system, by which the bullion value of \$2,000,000 per month is coined? The great majority of this accumulation of silver is represented by silver certificates in circulation among the people. Clearly, it would be far better to have certificates in circulation based upon actual bullion value. In this connection, I may say that the storage of silver in the Government vaults is not a fatal, nor perhaps, an essential objection, to its use as the basis of a circulating medium, for it is well known that in the use of money people prefer that which is lightest and least bulky. But in any event, the value of the bank bills or greenbacks we carry will depend upon the equivalent of bullion for which they can be exchanged.

I have little patience with a view, which is certainly the logical result of the position taken by some members on this floor, namely, that the stamp of the Government upon a piece of metal changes its intrinsic value and gives it a value and a quality which it did not possess before. Under this view it makes little difference whether the dollars we coin contain 72 cents, or 50 cents, or 25 cents', worth of metal or, any value at all. If in this way we are to add to the volume of the currency, let us do something which is decisive. Let us keep the printing presses at work printing paper dollars and place them in circulation. That ground was fought over some years since, and we thought

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this fallacy was dead and buried; but it seems that its ghost is still stalking abroad.

But, objection is made to the clause by which the silver certificates may, upon demand of the holder, at the option or discretion of the Secretary of the Treasury, be redeemed in silver bullion. Now I want to quote from a bill on this subject introduced by General Warner four years ago. No one will question his zeal or ability on behalf of silver. He may be called the "most stalwart apostle of silver remonetization," yet in 1886, while a member of this House, on the 11th day of January of that year, he introduced the bill (H. R. 3766), from which I now quote:

Be it enacted, etc., That any holder of silver bullion may deposit the same with the Treasurer, or any assistant treasurer, of the United States, in amounts not less in value than \$10, and receive therefor certificates in denominations of \$10," etc.

The bill then goes on to say that these certificates shall be of different amounts, and then it contains this provision:

Such certificates shall be receivable in all parts of the United States for customs, taxes, and all other public dues; shall be a legal tender in payment of all debts, public and private, except where payment in coin is expressly stipulated. They shall be redeemable on presentation at the Treasury, or subtreasury, in the city of New York, in coin; or, at the option of the Secretary of the Treasury, in silver bullion, at its market value, at the time of redemption.

Will any one question General Warner's zeal, his ability, his interest in giving silver its full rank as a money metal? And yet when the disparity between the two metals was not as great as it is now, he introduced a bill which has all the so-called objectionable features of this measure, brought forward by the majority of the Committee on Coinage, Weights, and Measures, and which is now pending.

What he sought by that bill was unlimited monetary power for silver, not its coinage at any particular ratio. The most strenuous advocates of silver coinage have all along maintained that, if the surplus product of silver could be available for money at a rate equal to its bullion value, only a few years would elapse before the old ratio between the metals would be restored in the actual relation of value between them.

Indeed, I can not see how the most ardent advocate of silver can find fault with the pending bill. It provides for the compulsory purchase of \$4,500,000 worth of silver bullion per month and the issuance of certificates thereon. Now, according to the figures of the Director of the Mint, sanctioned by the Secretary of the Treasury (page 66 of the last annual report on the state of the finances), it is estimated that, counting the coinage in this country under the Bland-Allison act as part of the surplus, the total surplus product of silver in the year 1888, for the whole world, above that used for coinage in other countries and in the arts and manufactures, had a market value of \$37,867,500. This bill makes it compulsory to purchase \$54,000,000 worth every year, nearly a half more than the annual surplus product. It is true that there is in the world an accumulated stock of silver, valued according to the most generally received estimates, at \$7,000,000,000, but the source from which we must derive our supply is like that of wheat or corn, the current product of each year. The accumulated stock of seven billions, or whatever it may be, has been coined, manufactured into ornaments, or used in the arts. By manufacture, in the great majority of cases, an increment of value has been added, so it will not pay to melt the silver and dispose of it as bullion. Although an

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amount, estimated at some ten millions every year, is converted by the melting-pot into bullion, the great source of supply must be from the annual surplus product.

On this subject Senator JONES, after averring that the surplus stock of silver bullion available was not large and that no considerable quantity would be brought here for sale, made this statement in a recent speech in the Senate (page 5908 of CONGRESSIONAL RECORD):

If anybody doubts this statement, let him make the attempt in all the money centers of the world to buy from accumulated stock even \$5,000,000 worth of it. He will fail to get it in London, Paris, Berlin, Calcutta, New York, San Francisco, or in all combined. There is no source from which to get silver except the current supply from the mines, and, whatever that is now, it is not likely ever greatly to increase.

No one can deny that in this provision for compulsory purchase there is a grave possibility of danger. Speaking for myself, I should have preferred a bill in which provision was made for the purchase of such bullion as might be presented at the Treasury, or subtreasuries, leaving the amount unlimited. It is not probable that any appreciable share of the silver now used as coin would be brought here as bullion. Not only the necessity for its use as a circulating medium abroad, but political opposition to discontinuing the use of silver as coin, in other countries, would alike tend to prevent this. If free and unlimited right to exchange silver for certificates were given, it is not probable that an amount would be presented equal to that provided for in this bill. I should not be greatly surprised if, by a corner in the market, within a few months, the current price of the metal in a silver dollar should temporarily be brought to an equality with that in a gold dollar. While there seems to be danger of speculative influences in advancing the price of silver under this bill, it should certainly satisfy the advocates of an increased or unlimited coinage, and the bill of the majority, while realizing the uncertainties of the situation, seeks to relieve the present financial situation, and to confer all the benefits which can come from the unlimited use of silver as money.

Mr. Speaker, while not unaware of the obstacles in the way, I must express my strong desire to have established again, at the old ratio, the use of silver to an unlimited extent in this country. With proper conservatism and judicious management, I believe this end can be secured with fairness to all. It will not require seventeen years, nor yet seven. In securing this object the bill proposed by the committee provides the best and most effectual measure which has been brought before this House for many years. Pass this bill and it will give new life to trade; it will give us all the benefits arising from an increased circulation; it will utilize our whole silver product; and, while there may be some shifting of values, it will accomplish results whose benefits will far outweigh slight financial changes, namely, the restoration to its full rank as a money metal of that metal which, in the early days of the Republic, and for long ages before, was the most familiar coin in the exchanges and business transactions of the great mass of the people.

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