SILVER BULLION CERTIFICATES.

SPEECH

OF

Hon. EDWIN H. CONGER,

OF IOWA,

IN THE

HOUSE OF REPRESENTATIVES,

THURSDAY, JUNE 5, 1890.

WASHINGTON.
1890.

SPEECH

OF

HON. EDWIN H. CONGER.

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

Mr. CONGER said:

Mr. SPEAKER: The silver question has become one of the most important, and at the same time most difficult of satisfactory solution, of any that are now pending before Congress or the country. It has been continuously agitated and discussed for the past fifteen years; theorized upon and prophesied about, and yet during all this time the conditions which surround it have each day made its immediate solution more difficult.

I shall not attempt to recite the history of silver nor to discuss the philosophy of its use as money, but, leaving that to my distinguished friends who are to follow, shall content myself with a few practical suggestions on the present unfortunate situation and the bill proposed for relief.

The time has arrived in which something must be done, and whatever the solution may be it should be wise, conservative, and judicious, and yet at the same time liberal, comprehensive, and courageous.

The settlement must be made on facts and logical conclusions, not on mere fancy or vain hope.

The conditions must control, and not the theory.

We must take the conditions as we find them and meet the demands in a practical way.

Silver is and always has been one of the twin money metals of the world, and for generations walked side by side with gold. But now it has been outlawed or discriminated against by the great commercial nations of the globe.

The United States furnishes about 45 per cent. of the entire world's production of silver, and yet in 1873—no matter how nor for what purpose—our Government, by legislative enactment, joined in the general crusade against this metal, and gold has become the principal standard of value in the great markets of the world. Since that date the price of silver, as compared with gold, has fallen 30 per cent., or at least the two metals have parted company to that extent.

Our business and population are marvelously increasing, and a corresponding increase of money is demanded. By reason of approaching maturity and consequent high price of bonds our national-bank circulation is being rapidly retired. We are now purchasing $2,000,000 worth of silver each month and coining it into dollars. There is great depression in some branches of industry, notably that of agriculture, the largest and most important of all, and in which more than half of our entire population is directly or indirectly engaged.

These, then, are the conditions to be met, and therefore the objects to be attained by legislation are to restore silver to its old place by the side of gold, increase its use, and so appreciate its value, increase the volume of our currency, raise prices of farm and other products, give relief to all depressed conditions, and finally coax or compel some international agreement that will make the desired situation stable and permanent, but at the same time do nothing that shall imperil values, endanger business, or greatly risk personal or national credit and prosperity.

Every possible measure has been proposed and every sort of solution suggested, from the closing of our mints to silver by the man who believes only in gold, to the immediate opening of our doors to the free and unlimited coinage of all the silver of the world by him who puts all his trust in that metal.

The Committee on Coinage, Weights, and Measures have given patient hearings to all, to the suggestions of men who have given the question years of study, to those of practical experience, to Representatives who have introduced favorite measures, and to the distingished Secretary of the Treasury, whose personal experience and successful refunding operations during a previous term of service entitle his suggestions to careful consideration and great weight.

We recognize the fact that no measure can be satisfactory to all men, nor to all parts of the country. You might as well expect the Laplander and the Hottentot to exchange residences and then each insist that the climate of his new home was delightful.

In a great country like this, with interests so divergent, all general legislation must of necessity be a sort of compromise. So the bill we have offered to-day exactly suits no one. I am sure it is not just such a law as my gold friend from Massachusetts [Mr. WALKER] would have prepared if left to himself; neither is it the ideal measure of my silver friend from Nevada [Mr. BARTINE]; nor is it entirely satisfactory to me. I have believed and still believe that the bill first reported and now on our Calendar was the best.

But this is a bill which a majority of the committee believe will greatly improve the present status and make a long stride in the direction in which we ought to go. It is a plain, simple, practical plan, experimental it is true, yet one which meets all the demands of the bimetallists, except that of immediate and absolute free coinage, and it is a most important preparation for that step, an end which under this scheme may be hoped for at no distant day.

The first section of the bill directs the Secretary of the Treasury to purchase $4,500,000 worth of pure silver each month at the market price, not exceeding $1 for 371¼ grains, and to pay for the same in Treasury notes prepared for the purpose. This will take substantially the entire product of the mines and smelters of this country.

Our product last year, including Mexican ore smelted and refined here, was 60,000,000 ounces. About 6,000,000 was used in the arts, leaving 54,000,000 for purchase, practically the amount required under this bill at the present price, which is about $1 per ounce.

This measure will add $54,000,000 new Treasury notes each year to our circulation. And these notes go at once into circulation, the Secretary being compelled to pay out these, and only these, in purchase of the bullion, while under the present law the Secretary pays for it with any funds on hand, and the coin may be represented by certificates or it may, as much of it does now, lie idle in the vaults, without any representation whatever in the circulation of our country.

In my judgment fixing an absolute limit to the amount which must be purchased every thirty days may lead to speculative attempts at cornering, etc., which may prove dangerous, if not disastrous. But the more conservative element has yielded this point to our extreme silver friends, with the assurance from them and the hope that we may be mistaken. As bearing upon this feature of the bill, I will append to my remarks in the RECORD some valuable statistics in regard to the production and distribution of silver and gold the world over, furnished by the able and experienced Director of the Mint and by Mr. Ivan C. Michel, one of the most reliable statisticians in regard to precious metals in America.

From these many obvious conclusions will be deduced as to the scope and effect of this legislation which it is not necessary for me now to take time to discuss.

Section 2 provides for the redemption of the notes, namely, in coin, *i. e.*, gold or silver coin, or, if the holder demands it, the Secretary may, at his discretion, pay out bullion. This insures the redemption in the best money we have, if desired. Or if, peradventure, the best can not be received, the holder knows that he can demand a dollar's worth of silver bullion. But it is not believed that redemption will be required, but that faith in the Government, and absolute knowledge of its ability always to pay, will keep the notes continually and permanently in circulation.

The bullion proviso in this section, while only the shadow of that in the original bill reported to the House, yet is practically the only real conservative feature of the substitute, and ought to be conceded by all; for it both adds credit to the notes and gives the Government the opportunity to protect itself in case danger should arise, and it also furnishes the opportunity to the public to procure silver bars from the mint, just as gold bars can now be procured under existing law, and I believe silver should be treated as well as gold.

Whether the prophecies of the silver men or the gold men shall come true, or neither, this feature of the bill makes it absolutely certain that come what may, happen what will, the man who owns one of these notes, whether earned by the sweat of his face or won in speculation, whether in strong-box of the capitalist or in the sacred fund of the small savings-bank depositor, will at all times and under all circumstances positively know that his dollar will always be worth 100 cents. But without this feature that assurance can not be had, unless we should authorize the Secretary to sell bonds to procure gold in case the necessity for its use shall ever arise. Our people seem to be unwilling to perpetuate our bonded indebtedness for any purpose, and so I insist that the bullion redemption clause should be left in this bill.

It is charged that this provision furnishes the opportunity for collusion between the Secretary of the Treasury and the holder of Treasury notes to buy and sell the same bullion over and over, and so prevent the increase of circulation, as intended or expected. But there is nothing in this, for no inducement can exist for such manipulation. The bullion of the world will be for sale, and neither the owners thereof nor the holders of the notes could possibly profit by its depreciation.

Such a charge, Mr. Speaker, can only be based upon the assumption that we are to have occupying the exalted position of Secretary of the Treasury a man devoid of conscience, a scoundrel fit only for the penitentiary. And the fact is, if such a thing should ever be attempted by any Secretary, he would at once be impeached or removed in disgrace.

The proposition is so utterly improbable and preposterous that I dismiss it without further comment.

Section 3 directs the Secretary to coin whatever amount of bullion may be necessary to redeem notes presented for redemption in coin, thus fully preserving the coinage and money principle and absolutely exploding the charge that silver is to be treated simply as a commodity.

Section 4 is simply administrative and directed to the management of and accounting for the bullion at the Mint.

Section 5 repeals so much of the act of 1878 as requires the monthly purchase and coinage of not less than two million nor more than four million dollars' worth of bullion, but does not affect the legal-tender character of the standard silver dollar.

Section 6 provides that whenever the market price of silver, as determined in pursuance of section 1 of this act, is $1 for 371.25 grains of pure silver, it shall be lawful for the owner of any silver bullion, the deposit of which for notes is herein provided for, to deposit the same at any coinage mint of the United States, to be formed into standard silver dollars for his benefit, as provided in the act of January 18, 1837. And by the amendment of the gentleman from Maryland [Mr. McComas] purchase of bullion shall close while the mints are open, so that we will not be buying $4,500,000 worth and coining free at the same time.

Section 7 repeals certain provisions of law which require a special fund to be held for the redemption of notes of national-banking associations, the effect of which is simply to unlock about $70,000,000 which is now held as a special fund to redeem the notes of national banks that have become insolvent, gone into liquidation, reduced their circulation, or surrendered their charters, and which can be used for no other purpose. This covers it into the Treasury whence it can be paid out and thus add that much more to our volume of circulation.

The notes issued under this bill are a full legal tender. It is true some of the ablest lawyers at both ends of the Capitol think that even under the latitude of the late legal-tender decisions no warrant can be found for clothing them with this function. But certainly no harm can result and much good may, and because we want the best money possible we have given them this power, and we hope our judgment will be indorsed by the House.

While it is neither expected nor believed that, under the administration of this law, much of the bullion will be coined, yet it preserves the right and empowers the Secretary to coin every ounce of it, if it shall be necessary.

But it is quite evident, from our experience under the present law, that we have already an amount of silver coin very much in excess of any demand; for, although the Treasury Department will ship silver dollars to any and all points free of expense, yet it has during all the years since 1878 been able to put out and keep in circulation less than $60,000,000, while we have piled up in our vaults $295,000,000 represented by certificates.

The people do not want more of the coin; but they do want its paper representative, and they do not care whether it is based on bars or on coin.

We have, therefore, gone to all the trouble of coinage, with the necessary expense and wastage, to no purpose whatever, since the bars stored in our vaults would answer every legitimate demand. Under the proposed law every ounce of silver purchased will be represented by paper in our circulation, while under the present one the silver is bought with current funds, coined, and then much of it piled up in the vaults without any representation in our circulating volume, and frequently the amount of this unrepresented or "dead silver" has reached the enormous sum of seventy, eighty, and even ninety millions of dollars.

It is claimed by many, and the statement is frequently reiterated by the press, that our currency has recently been suffering a serious contraction. The statement is not borne out by the facts, but on the contrary our circulation has considerably increased every year since 1878. The total circulation of all kinds on March 1 of that year, as shown by the books of the Treasury, was $805,793,807.

Mr. PAYSON. What does that include?

Mr. CONGER. That includes every thing that was in circulation, gold, silver, and paper.

On October 1, 1889, the amount was $1,405,018,000, showing a total expansion of $599,224,193. During that time the increase of population has only been about 33 per cent., while the circulation has increased over 74 per cent. The per capita circulation was only $16.50 in 1878; but in 1889 it was $21.75.

Mr. PAYSON. Mr. Speaker, will it interrupt the gentleman if I ask him a question? The figures which the gentleman from Iowa gives, if I understand it, make a statement of the amounts of currency of different kinds outstanding, including everything that has been issued from the mints and everything that has been issued from the Treasury, without regard to the vast amounts of money that are absolutely tied up and practically as dead as though they had never been issued. Am I not correct in making that statement?

Mr. CONGER. That is not right; but if the gentleman will allow me——

Mr. PAYSON. Now, can the gentleman from Iowa state, so that the House may understand, what as a matter of fact the actual per capita circulation is in the United States? I do not mean what amount ought to be in circulation, if all issued was actually used, but what amount is in active circulation?

Mr. CONGER. This is the fact as nearly as it can be ascertained in the entire country. It is presumable that the per cent. in actual circulation of the total volume in 1878 would be the same as the per cent. in circulation of the total volume in circulation to-day.

Mr. PAYSON. Mr. Speaker, as I understand—and I ask this so that we may understand the facts in what we are trying to do here—the total amount in circulation as given by the gentleman from Iowa is one billion four hundred and some odd millions of dollars; and it is upon that basis, dividing that amount of money by the population of the United States, that he arrives at the per capita circulation.

Now, I understand the fact to be, and I think I will be able to demonstrate it when the time comes for me to take part in this debate, that as a matter of fact there is to-day less than $900,000,000 of money in actual circulation in this country; in other words, that $700,000,000 of this money, embraced in the figures made by the gentleman from Iowa, are tied up and are as dead as though that amount had never been issued. The fact is this, as I believe: This amount given by the gentleman from Iowa is made up from statements by the officers of the Mint, the Comptroller of the Currency, and the Register of the Treasury. All money issued, of every kind, is charged up to circulation; but no account is taken of the vast sums held in reserve by the Government, as well as the banking institutions of the country, nor of the vast sums lost by actual destruction in the conflagrations of great cities, as in Chicago, Boston, etc., nor of the natural destruction by ordinary use, nor of gold hoarded, nor of gold taken abroad and spent, and numerous other losses, obvious without statement.

The statement of the gentleman is therefore misleading, and badly so. This I can show.

Mr. CONGER. I will be glad if the gentleman can show that; but he can not, for the figures represent only the actual circulation outside the Treasury, and not a dollar held therein as reserve or for any other purpose. Of course, I can not tell, neither can the gentleman from Illinois tell, how much is hoarded by banks and individuals; but the fact remains the same, that the per cent. of the total volume of circulation that was in use in 1878 is just the same to-day, and I divided that eight hundred and five million by the population in 1878 just the same as I divide the one billion four hundred and five million by the population to-day, and that gives the per capita circulation as correctly at one time as another, and the per cent. of increase would be the same, regardless of how much was tied up, as the gentleman says.

Mr. PAYSON. But you do not take into consideration the amount that is tied up.

Mr. CONGER. Certainly I do; but I do not agree with the gentleman's guess, and it is only a guess, as to the amount tied up; the proportionate amount tied up or lost would be the same at one time as at another—the same in 1878 as in 1889.

Mr. PAYSON. Not at all, because there are $100,000,000 in gold tied up in the Treasury now as a reserve fund, to protect the $340,000,000 in greenbacks outstanding, that might just as well be in the mines as in the Treasury, as far as circulation is concerned. I can show the gentleman where there are millions and millions of dollars of other reserves; this I shall be glad to call the attention of the House to when my time comes to address the House.

Mr. CONGER. Do you not know that that $100,000,000 and more was also there in 1878.

Mr. PAYSON. No, sir, because the law authorizing it was not passed until 1879.

Mr. CONGER. There is really no law authorizing it now. But the resumption act was passed in 1875, and by 1878 a considerable portion of the redemption fund was collected in the Treasury.

Mr. PAYSON. I only wish to understand the gentleman from Iowa as we go along.

Mr. CONGER. I will be glad to have you show the date of the passage of the bill authorizing the $100,000,000 gold redemption fund.

Mr. PAYSON. I will show it.

Mr. CONGER. Of course I have not time to go to the records now, but when you do go to the records you will find it as I state.

I will print tables, Mr. Speaker, which will show the fact more in detail, and the gentleman from Illinois can find in those tables a sufficient and accurate answer to his question.

Notwithstanding this increase in circulation I join in the general belief that we need more money, and this bill will furnish it. As a compromise, this bill for the present meets fairly well every demand.

If wisely administered, the apprehensions of the most conservative will be avoided; the silver producer who demands the largest use of his product finds a market for the entire output of this country. The farmer who believes an increased money volume will bring better prices and relieve the great depression which his calling now experiences will find $54,000,000 added annually to our circulation; and all who hope for good from the permanent establishment of bimetallism will find realization from the operation of this measure.

I believe in silver and in its largest possible use as money, and believe we should have free coinage at a fixed ratio at the earliest possible date; but we should reach it under conditions that will be safe and permanent. But with the present attitude of the great commercial nations of the world toward silver it would be neither wise nor safe for this Government to attempt it alone.

The world's market has, for the present at least, established the value of silver at its present price, namely, 30 per cent. less than gold, and free coinage here means simply that this Government alone shall undertake to raise the price of all the silver in the world one-third and keep it there. In my judgment and in the judgment of many of the wisest and ablest financiers and statesmen of our day, this can not be done without serious disturbance to all values and the risk of such financial disaster as neither this nor any other Government could stand.

On the 1st day of March, 1890, the credit of the Government was already carrying at a nominal value—

Of standard silver dollars	$58,850,380
Of subsidiary silver	53,950,362
Of silver certificates	284,176,262
Of United States notes	337,087,151
Of national-bank notes	187,928,229
In all	921,992,384

Of this amount the United States notes owe their whole value to the public faith, and the other items are upheld on a par with gold by the readiness of the Government to receive them as equivalent to gold and by its ability to pay gold to creditors if they so demand.

To uphold its credit under this burden the Government had on that day of gold $100,000,000 in its legal-tender reserve and $87,988,948 besides.

Now, if in addition to this burden we undertake to carry the silver of the world and should fail, we will, instead of establishing bimetallism, have driven our own country to the single silver standard, and, surrendering the high commercial place now occupied, must take our place by the side of China, Mexico, and India. Then the gold-using nations would make out of the United States the same profits of exchange which it is alleged England now extorts from India.

For theorize as we may the fact remains and should not be lost sight of that the commerce of the world is based on gold as the standard of value, and the balances of trade and the exchanges of products among the great commercial Governments, even those using silver, are uniformly settled to-day in gold, or, if in silver, at its gold valuation.

Our duty, then, as men charged with a great public trust, is to so legislate as to force silver to bear its full share of trade burdens and at the same time relieve the pressure somewhat from gold, and compel them both together to bear the weight of the world's exchanges.

As before stated we produce nearly one-half of the silver of the world. But if we open wide the doors of our mints and fix the price at $1 for 371¼ grains, the price must come up all over the world or else all the silver will come here.

It would at once add $30,000,000 to the value of the foreign product of last year alone, without any advantage whatever to us, but with possibly the disadvantage of furnishing the foreign owners with a market for it at the increased price.

Free coinage at once means still more. It means a profit of 26 cents on every dollar's worth of bullion taken to our mint. It means that the bullion-owners of this country can take their $50,000,000 worth of bullion to the mint and walk away with $63,000,000, pocketing at once a clear profit of $13,000,000, and the tax-payers must pay it; while under the present practice, or under the proposed law, the Gov-

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ernment makes whatever seigniorage there is. And last year this amounted to over $9,000,000, and since 1878 it has in the aggregate amounted to $56,000,000, which has been covered into the Treasury and been used to pay the current expenses of the Government.

It is claimed, Mr. Speaker, that if we should open our mints to free coinage the other great nations would be forced to open theirs; that a strong silver party is growing up in England and on the Continent, and that France is anxious to take the step. But the legal ratio between the two metals in France is 15½ to 1, while ours is 16 to 1, and she knows that the moment she unlocked her mints, our silver, both bullion and dollars, would be poured in there and overwhelm her. It is also susceptible of demonstration that opening our mints, and thus loosening our gold, would, instead of inviting to free coinage, be an added inducement for other Governments to further demonetize silver.

Take the situation of France again. Lying between the gold-using countries of England and Germany, she has been trying for years to reach a single gold standard, and while in forty years her silver coin has increased only $200,000,000 her gold has increased more than $800,000,000. She could, even at the difference in our ratios, exchange her silver for our gold with comparatively little loss. The Bank of France holds $250,000,000 of silver as the basis for the same amount of paper circulation; but as such basis it only has its bullion value, and that is $190,000,000 in gold; the balance is simply upheld by the credit of the Government. She could, therefore, exchange this silver for gold and float the same amount of paper with equal ease.

It is also claimed by the advocates of free and unlimited coinage that our Government is great enough, rich enough, and powerful enough to do whatever we please in this line; that we can open our mints and defy the world.

Mr. Speaker, I will yield to no man in admiration for my country and appreciation of her strength and credit. I know we are the richest and the strongest Government on the face of the globe and I know we have a credit far beyond that of any other nation in the world. I know, and I glory in the fact, that wherever our flag floats among civilized men it is the symbol of a promise that is payment itself. But it is so because of our always wise, safe, and honest financial legislation, and it always will be so, for I believe the good sense of our law-makers will still hold us inside "the danger line of peril."

We ought to get to free coinage of silver at the earliest possible date. But we must have some of the other great commercial nations join with us in the effort. It is true several attempts have already been made in that direction, but always with unsatisfactory results. Yet it is believed by those best able to judge that the time is now ripening for successful negotiations if attempted. The trend of our legislation should therefore be in that direction, and not away from it. This bill is a step, and a very long one, on that line. If passed and fairly executed, as it will be, it will surely pave the way for a succeeding Congress to open the doors and rehabilitate the white metal with all the power and crown her with all the dignity now enjoyed by her yellow sister.

Mr. Speaker, it is a favorite argument with some of our extreme silver friends that our volume of currency is grossly inadequate to our needs, and they cite the per capita circulation of France for proof. Why, sir, the circulation per capita is larger in the United States than in any of the leading countries of Europe, except France; and when we take into consideration our greater number of banks, our unparalleled national and individual credit, and our innumerable facilities for making a single dollar do countless duties by checks, drafts, certificates of deposit, exchange, express, telephone, and telegraphic orders, etc., many of which are unknown in France, we really have a larger and more effective per capita circulation than even that country.

The following table shows by way of comparison the estimated amount of gold, silver, and paper money in circulation in the United States and the principal countries in Europe:

Statement of the estimated amount of gold, silver, and notes in circulation in the United Kingdom, France, Germany, and the United States.

Countries.	Population.	Gold.	Silver.	Notes outstanding.	Total metallic and paper.
France	38,250,000	$900,000,000	$700,000,000	$594,000,000	$2,194,000,000
United Kingdom	38,165,000	550,000,000	200,000,000	190,000,000	840,000,000
Germany	48,000,000	500,000,000	215,000,000	275,000,000	990,000,000
United States	64,000,000	375,607,112	116,298,802	938,728,545	1,430,634,459

Per capita.

Countries.	Gold.	Silver.	Paper.	Total.
France	$23.53	$18.30	$15.53	$57.56
United Kingdom	14.41	2.62	4.98	22.01
Germany	10.42	4.48	5.73	20.63
United States	5.87	1.82	14.67	22.36

In France gold and silver coins are the investments of the peasartry. Their savings are not deposited in banks or loaned out as here, but hidden away in the proverbial stocking or earthen pot, to be brought out only in time of personal need or at the demand of the Government, as was the case when the great war indemnity was so quickly paid to Germany.

At least two-thirds of the gold and silver coin in France is thus hidden away, and might as well have remained forever uncoined, so far as any exchanges in trade or commerce are concerned.

I wish it distinctly understood that I am not making this argument to disprove the present necessity for a larger circulation here, but simply to show the extreme, unfair, and untruthful lengths to which the bullion-owners or their advocates in this Congress are willing to go to gain their cause; for, disguise it as they may, this contention is one between the silver-mine owners and bullion speculators on the one hand and the business welfare and best interests of our 65,000,000 of people on the other.

It is true the former have called to their aid all that element which believes in and which has for the past fifteen years advocated and fought for *fiat* money, and they have also taken advantage of the present agricultural situation, and by means of specious arguments, illogical conclusions, and false promises have prevailed upon some of our farmer friends to lend themselves as cats'-paws to pull their (bullion-owners') chestnuts out of the fire.

It will be represented on this floor, Mr. Speaker, that there is a great clamor by the people and a general demand, especially from the farmers, for immediate free coinage. I have given careful and thorough investigation to this matter, and do not believe the statement. All winter long, Mr. Speaker, a powerful silver lobby has been operating about this city, a lobby paid for and supported by the bonanza mine and bullion owners. They have been faithful to their trust. They have been persistent in season and out of season, have plied their vocation at Capitol, hotel, and private residence.

From their headquarters printed petitions by the thousands for free coinage have been sent all over this land, with urgent appeals "to sign and return." And yet at the time our bill was reported to the House less than one hundred, with less than twenty-five names on each, had been returned, and found their way to the Coinage Committee of this House.

The purpose of these men is not to establish bimetallism in this country, but is unmistakably to drive us to a single silver basis. The arguments of their ablest and most effective advocates at the other end of the Capitol abundantly prove this, and they openly admit that they prefer such a situation.

They clearly show how, under present conditions, England is enabled to mercilessly rob her helpless subjects in India, and yet they are willing, if only the price of their bullion can be enhanced thereby, to surround us by the same conditions and plunge us down to a situation in which she can practice the same piracies upon us.

Gentlemen, do you know what a single silver standard means in this country? It means Mexicanization. It means an additional element of cost to be added to every dollar's worth of our imports, an additional tax upon every dollar's worth of our exports, for exchange must be drawn and settlements made in gold, but made through the medium of silver, and as that would be subject to rapid and material fluctuations the exchange will always involve a question of speculation. For this risk the broker must be paid, and the producers and the consumers must pay him.

This expense could not probably be less than 8 per cent. or 10 per cent., and would place an additional annual burden upon our people of more than $100,000,000.

The deplorable condition of a silver-using country has been so ably and truthfully portrayed by Mr. M. L. Scudder, jr., in a recent article on Mexico, as to merit the considerate attention of every one. I shall not take the time of the House to quote from or read it, but shall print it with my remarks, and I hope every member on this floor will carefully peruse it.

Sir, I have taken my stand with the sixty millions of toilers and tax-payers of my country as against the handful of bullion-owners and silver-speculators.

Gentlemen may do as they please, but while I retain my reason or my conscience I will never vote for a measure that will drive the intelligent farmer or laborer of my country down to the awful condition of the peons of Mexico, the coolies of China, and the ryots of India. [Applause on the Republican side.]

It is claimed that by reason of the act of 1873 a great and unjust burden was placed upon the debtor class; that it takes more of labor and its products for the farmer to pay interest on his mortgage now than then.

There is no force whatever in this statement, because ninety-nine-hundredths of the mortgages now upon the Western farms have been placed there during the last five years, and at a rate of interest more than 30 per cent. less than in 1873.

But the farmer has something else to do with the products of his farm than to pay interest and mortgages. He must buy clothing, food, and comforts for his family, and all of these are very much cheaper, and hence require much less of product and labor to pay for them than in 1873.

There is another condition the farmer must face. Should we so legislate as to make silver money plenty and cheap and at the same time drive gold into hiding or make it scarce, the frightened owner of loans and mortgages will demand immediate payment at maturity, and will not renew, except upon promise to pay in gold, and so bring upon borrowers and debtors a calamitous condition far more burdensome than the present status. Such instructions are already being sent by loan companies to their agents, and gold notes and mortgages are being prepared everywhere, in view of threatened free-coinage legislation.

This question, Mr. Speaker, should be approached from every side, and, as I said in the beginning, the conditions must control, and not the theory, and I very much prefer a practical, helpful, homely fact to any unsubstantial will-o'-the-wisp theory, however pretty and inviting it may be.

I want bimetallism. I want to see silver brought back to its old place by the side of gold, not only here, but in all the great commercial nations of the earth. I want a larger volume of good, sound money. I want better prices, better pay for labor, and better conditions for all my countrymen. The enactment of this bill into law will hasten their realization; immediate free coinage will not.

It is true that some of our farmers are in sore distress and are looking in every direction for help, and panaceas are being offered them on every hand. One tells them that the sugar-beet industry is to lift them from their slough of despond; another insists that the suppression of gambling in their products by bucket shops and boards of trade is to be their only salvation; another that the destruction of trusts and combines will bring relief, and another that certain changes in the tariff will help them up; another that certain amendments to the national-bank acts will give material aid; and still another that in more silver is their only hope.

But the truth is that in no one of these is there complete relief, but some in each and much in all. Gentlemen, your constituents are not imbeciles; you can not fool them with mere sentiment. They know their prices are down, and they believe that an increased volume of currency will raise them. They want more money and they want it quick, but they also want it good; and they want it under such conditions as will keep it good—such conditions as will give relief and at the same time make relief permanent. These conditions first and free coinage afterward. I believe both should come, and I believe both will come under the administration of this act, and your constituents believe it also.

Mr. Speaker, we have promised the country that this should be a business Congress. So far it is splendidly fulfilling that promise. Let us, gentlemen, emphasize that fulfillment by the speedy enactment of this bill.

In it there is much of hope for all, promise for increased remuneration for toil, for enhanced price of farm products, fresh impetus for all business and trade, greater confidence in investments, and stable and permanent financial improvement everywhere. [Loud applause on the Republican side.]

APPENDIX.

The amount and kinds of money in actual circulation on certain dates from 1878 *to* 1889.

[From report of Secretary of the Treasury.]

Year.	Date.	Total circulation.	Gold coin.	Standard silver dollars.	Subsidiary silver.
1878	March 1	$805,793,807	$82,530,163	....	$53,573,833
1879	October 1	862,579,754	123,698,157	$11,074,230	54,098,747
1880	October 1	1,022,033,685	261,320,920	22,914,075	48,368,543
1881	October 1	1,147,892,435	328,118,146	32,230,038	47,859,327
1882	October 1	1,188,752,363	358,351,956	33,801,231	47,153,750
1883	October 1	1,236,650,032	346,077,784	39,783,527	48,170,263
1884	October 1	1,261,569,924	341,485,840	40,322,042	45,344,717
1885	October 1	1,286,630,871	348,268,740	45,275,710	51,328,206
1886	October 1	1,264,889,561	364,894,599	60,170,793	48,176,838
1887	October 1	1,353,485,690	391,090,890	60,614,524	50,414,706
1888	October 1	1,384,340,280	377,329,865	57,959,356	52,020,975
1889	October 1	1,405,018,000	375,947,715	57,554,100	52,931,352

Year.	Date.	Gold certificates.	Silver certificates.	United States notes.*	National-bank notes.
1878	March 1	$44,364,100	....	$311,436,971	$313,888,740
1879	October 1	14,843,200	$1,176,720	327,747,762	329,950,938
1880	October 1	7,480,100	12,203,191	329,417,403	340,329,453
1881	October 1	5,239,320	52,590,180	327,655,884	354,199,540
1882	October 1	4,907,440	63,204,780	325,272,858	356,060,348
1883	October 1	55,014,940	78,921,961	321,356,596	347,324,961
1884	October 1	87,389,660	96,491,251	325,786,143	324,750,271
1885	October 1	118,137,790	93,656,716	318,736,684	311,227,025
1886	October 1	84,691,807	95,387,112	310,161,935	301,406,477
1887	October 1	97,984,683	154,354,826	329,070,804	269,955,257
1888	October 1	134,888,190	218,561,601	306,052,053	237,578,240
1889	October 1	116,675,349	276,619,715	325,510,758	199,779,011

*Includes outstanding clearing-house certificates of the act of June 8, 1872.

Comparison between March 1, 1878, *and October* 1, 1889.

[From Report of Secretary of the Treasury.]

	In circulation March 1, 1878.	In circulation October 1, 1889.	Decrease.	Increase.
Gold coin	$83,530,163	$375,917,715	....	$293,417,552
Standard silver dollars	....	57,554,100	....	57,554,100
Subsidiary silver	53,573,833	52,931,352	$642,481	....
Gold certificates	44,364,100	116,675,349	....	72,311,249
Silver certificates	....	276,619,715	....	276,619,715
United States notes	311,436,971	325,510,758	....	14,073,787
National-bank notes	313,888,740	199,779,011	114,109,729	....
Totals	805,793,807	1,405,018,000	114,752,210	713,976,403
Net increase	....	....	....	599,224,193

CON

Gold product of the United States.

Calendar years.	Fine ounces.	Value.
1878	2,476,800	$51,200,000
1879	1,881,787	38,900,000
1880	1,741,500	36,000,000
1881	1,678,612	34,700,000
1882	1,572,187	32,500,000
1883	1,451,250	30,000,000
1884	1,489,950	30,800,000
1885	1,538,325	31,800,000
1886	1,693,125	35,000,000
1887	1,596,375	33,000,000
1888	1,604,841	33,175,000
1889	1,586,700	32,800,000

Silver product of the United States.

Calendar years.	Fine ounces.	Commercial value.	Coining value.
1878	34,960,000	$40,270,000	$45,200,000
1879	31,550,000	35,430,000	40,800,000
1880	30,320,000	34,720,000	39,200,000
1881	33,260,000	37,850,000	43,000,000
1882	36,200,000	41,120,000	46,800,000
1883	35,730,000	39,660,000	46,200,000
1884	37,800,000	42,070,000	48,800,000
1885	39,910,000	42,500,000	51,600,000
1886	39,440,000	39,230,000	51,000,000
1887	41,260,000	40,410,000	53,350,000
1888	45,780,000	43,020,000	59,195,000
1889	50,000,000	46,750,000	64,646,000

E. O. LEECH, *Director of the Mint.*

BUREAU OF THE MINT, *April* 28, 1890.

World's production of gold and silver, 1889.

[Kilogram of gold, $664.60; kilogram of silver, $41.56, coining rate in United States silver dollars.]

Countries.	Gold.		Silver.	
	Kilograms.	*Dollars.*	*Kilograms.*	*Dollars.*
United States	49,353	32,800,000	1,555,486	64,646,000
Australasia	49,784	33,086,700	144,369	6,000,000
Mexico	1,465	974,000	1,335,828	55,517,000
European countries:				
Russia	32,052	21,302,000	14,523	604,000
Germany	1,958	1,301,286	32,040	1,331,576
Austria-Hungary	1,877	1,247,450	53,391	2,218,900
Sweden	76	50,000	4,648	193,000
Norway			7,200	299,000
Italy	160	106,000	34,280	1,424,600
Spain			51,502	2,140,400
Turkey	10	7,000	1,323	55,000
France			54,314	2,257,300
Great Britain	97	64,370	8,734	363,000
Dominion of Canada	1,919	1,275,045	10,866	451,680
South American States:				
Argentine Republic	47	31,000	10,226	425,000
Colombia	4,514	3,000,000	24,061	1,000,000
Bolivia	90	59,800	230,460	9,578,000

CON

World's production of gold and silver, 1889—Continued.

Countries.	Gold.		Silver.	
South American States, cont'd:	*Kilograms.*	*Dollars.*	*Kilograms.*	*Dollars.*
Chili	2,953	1,962,430	185,851	7,723,957
Brazil	670	445,300		
Venezuela	2,130	1,415,598		
Guiana (British)	687	456,580		
Peru	158	105,000	75,263	3,128,000
Central American States	226	150,000	48,123	2,000,000
Japan	564	375,000	32,065	1,332,650
Africa	12,155	8,078,000		
China	13,542	9,000,000		
India (British)	2,273	1,511,000		
Total	178,760	118,803,559	3,914,555	162,689,063

Stock of gold and silver in civilized world.

Countries.	Gold.	Silver.
United States	$689,275,007	$438,388,624
United Kingdom	550,000,000	100,000,000
France	900,000,000	700,000,000
Germany	500,000,000	215,000,000
Belgium	65,000,000	55,000,000
Italy	140,000,000	60,000,000
Switzerland	15,000,000	15,000,000
Greece	2,000,000	4,000,000
Spain	100,000,000	125,000,000
Portugal	40,000,000	10,000,000
Austria-Hungary	40,000,000	90,000,000
Netherlands	25,000,000	65,000,000
Norway and Sweden	32,000,000	10,000,000
Denmark		
Russia	190,000,000	60,000,000
Turkey	50,000,000	45,000,000
Australia	100,000,000	7,000,000
Egypt	100,000,000	15,000,000
Mexico	5,000,000	50,000,000
Central American States		500,000
South America	45,000,000	25,000,000
Japan	90,000,000	50,000,000
India		900,000,000
China		700,000,000
The Straits		100,000,000
Canada	16,000,000	5,000,000
Cuba, Hayti, etc	20,000,000	2,000,000
Total	3,714,275,007	3,846,888,624

E. O. LEECH, *Director of the Mint.*

World's circulation of gold coins.

[Comparative statistics by Ivan C. Michel.]

Countries.	In 1849.	In 1889.
Austria	$15,480,000	$46,145,847
Belgium	10,200,000	54,642,250
France	80,400,500	899,272,547
Germany	48,665,500	498,580,923
Great Britain	295,558,500	574,095,175
Holland	20,525,000	27,061,478
Italy	80,475,000	112,863,644

CON

World's circulation of gold coins—Continued.

Countries.	In 1849.	In 1889.
Portugal	$46,870,500	$46,695,866
Russia	30,500,000	249,156,845
Sweden and Norway	8,940,000	20,930,518
Spain	28,000,000	98,804,873
Switzerland	6,850,000	16,965,000
Turkey	8,540,800	77,652,000
United States	168,950,800	705,061,975
China	None.	None.
India	22,480,000	*None.
Total	872,445,800	3,427,928,941

*Gold coins no longer a legal tender in India.

In 1889	$3,427,928,941
In 1849	872,445,800
Increase	2,555,483,141

World's circulation of silver coins.

Countries.	In 1849.	In 1889.
Austria	$50,840,500	$88,088,487
Belgium	40,500,000	58,505,400
France	525,800,000	752,749,537
Germany	195,000,000	226,446,970
Great Britain	60,580,400	125,714,049
Holland	42,875,000	64,156,780
Italy	55,600,000	88,279,395
Portugal	35,400,000	13,459,855
Russia	50,250,000	49,020,580
Sweden and Norway	9,660,000	6,754,247
Spain	39,000,000	144,125,234
Switzerland	11,400,000	19,782,000
Turkey	5,760,000	46,880,000
United States	30,250,000	403,516,756
China	450,500,000	750,000,000
India	290,500,000	1,119,750,540
Total	1,895,905,000	3,957,229,830

In 1889	$3,957,229,830
In 1849	1,895,905,000
Increase	2,061,324,830

THE FREE COINAGE OF SILVER—THE EXAMPLE OF MEXICO.

A. J. Warner, of Ohio, in a speech accepting the chairmanship of a convention held in St. Louis in November, 1889, for the purpose of advocating free coinage of silver in this country, referred to the act of Congress of 1873, by which the gold dollar was made our sole monetary unit, as "worse than a blunder." Ten years ago he and the other so-called silver men of the country probably would have said that the passage of this act was effected by a conspiracy and by stealth. Possibly many American citizens still regard the dropping of the silver dollar from our coinage by the act of 1873 as the deliberate attempt of mysterious financial potentates to force the people of this country to pay in gold debts which might otherwise have been paid in silver.

At the time of the silver agitation which culminated in the act of 1878, authorizing the coinage of silver dollars, the circumstances surrounding the passage of the act of 1873 were closely examined, and every possible conjecture as to the motive of the authors of that act was submitted to a test of probability. It was established beyond controversy that the failure to continue the old silver dollar as a legal-tender coin was due solely to the fact that it was not, and had not been for at least a generation previous, in use as a monetary unit in this country. In the four months following the passage of the act of 1878 more silver dollars were coined than in all the time since silver-dollar coinage was first authorized by the act of 1792 up to the discontinuance of the coinage in 1873. Of the old silver dollars, 8,045,838 had been coined in the eighty-one years previous to 1873. From February 28 to June 30, 1878, $8,593,500 were coined.

What would have been the result had the act of 1873 continued the old silver dollar, though actually not in use, as a legal-tender coin? If the decline in the price of silver, which began in 1873, had found the mints of the United States obliged to accept silver bullion and give in exchange therefor coined silver dollars of 412½ grains each, nine-tenths fine, which would be a legal tender in payment of debts, it is hardly doubtful that the manufacture of these coins would have been demanded and carried on with all possible rapidity, and that the currency of the country at the resumption of specie payments in 1879 would have been based upon the silver dollar as its monetary unit.

I do not propose to go into an elaborate statement of the effect which the opening of the mints of the United States for free coinage of silver during the years following 1873 would have had upon the price of that commodity. The silver production of the world largely increased in those years, and the price of silver rapidly but gradually declined until, in 1888, it reached the lowest point in comparison with gold which it has ever touched. In the light of experience it can not be contended that the United States, by adopting an exclusive silver coinage and exporting its gold, could have prevented wholly this decline. Instead of accumulating a stock of gold, this country would have accumulated a stock of silver dollars. The gold—something like $500,000,000—which has been either produced here or imported since 1873 would have found its market elsewhere, and we should have had, say 1,000,000,000 or more of silver dollars in the banks or Treasury or in the hands of the people. What would have been our condition commercially and financially had this taken place?

For the purpose of picturing our condition under such circumstances we have a close analogy in the experience of our neighboring Republic, Mexico. The most notable product of Mexico is silver. The Government of Mexico, whether in the old time when it was a colony of Spain or during the many changes which it has experienced since the declaration of independence in 1821, has always attempted to encourage and carefully watch the silver-mining industry. Before 1850 it is calculated that two-thirds of the silver in use in the world had come from the mines of Mexico. It has been the policy of the rulers of Mexico from time immemorial to compel all silver taken from the mines to pass through the mints. Even now this is the law. All precious metal, both gold and silver, when taken from the mines, must be sent to the mints to be refined, and the mint charge, supposed to be uniform and said to be about 4.41 per cent. of the value of the metal, is levied upon all gold and silver alike. This charge is compulsory on all the products of the mines, and the owner of the metal may receive from the mint either coin or bullion at his option. Whether he chooses to take coin or bullion the charge is the same. A very large proportion of the precious metals which pass through the mints of Mexico comes out in the form of coin. Mexican silver dollars are a well known article of commerce. The coinage of the mints is much greater for this reason than the monetary affairs of the country require. Consequently there can not be a scarcity of metal money. The coinage of the mints is in large quantities taken for immediate export, and never passes into circulation at all.

The following table exhibits approximately the coinage of silver and gold since the conquest of Mexico by Cortez, the coinage in this case being almost identical with the production:

Coinage of Mexico from 1537 *to* 1873 (*beginning of fall in price of silver*).

GOLD.	
Colonial, 1537 to 1821	$68,778,411
Independence, 1822 to 1873	45,598,020
	114,376,431
SILVER.	
Colonial, 1537 to 1821	$2,082,260,656
Independence, 1822 to 1873	758,822,710
	2,841,083,366
Since decline in silver began, July 1, 1873, *to June* 30, 1888.	
Gold	$8,386,069
Silver	350,594,608

By the laws of Mexico the so-called bimetallic standard is established. Both silver and gold are legal tender. Previous to the fall in silver the currency of the country consisted of both gold and silver coins. Travelers report that the tables in the gambling-houses held piles of gold "onzas" as well as silver "pesos." Gold was used for larger transactions, and being more convenient for transportation, performed the principal service. The conditions in Mexico, therefore, when the decline in the price of silver took place, were similar to those which would have existed in this country had not the free coinage of the silver dollar been suspended by the act of 1873. There was an abundant supply for monetary use either of silver or gold in Mexico.

When, however, the fall in silver took place, the gold coin was rapidly exported and disappeared from circulation. The difficulty in effecting domestic exchanges, by reason of the greater weight of the silver, caused a notable embargo on internal commerce. The disturbed condition of the country made the transportation of large amounts of silver very precarious, and the rates of exchange between the capital and the chief towns became very high and constituted an almost total prohibition of trade. The unreliability of the Government rendered banking unprofitable, for a bank-vault containing precious metals afforded a temptation too strong to be resisted by the military chiefs temporarily in power. The issue of note circulation under these circumstances was impossible. For ten years following the fall in silver Mexico remained dependent entirely on silver dollars as a medium of exchange. This caused great complaint from foreigners undertaking to do business in the country. Travelers were obliged to carry heavy bags of silver dollars, and every enterprise of moment was compelled to employ a mule train and an armed guard in effecting its regular business transactions.

When the Government become more stable, after the railroads were built and brigandage was suppressed, and the party in power showed ability and determination to protect commercial credit, banks of issue sprang up, and paper money began to take the place of silver dollars. The National Bank, which had existed for a few years previously, was reorganized in 1884 under a new charter. This was soon after the second election of President Diaz. The first statement of this bank after reorganization, June, 1884, shows that it had in its vaults $2,890,274.85 in silver, and had a paper circulation outstanding of $4,341,377. About this time it was estimated that the coin circulation of the country was from 15,000,000 to 20,000,000 of silver dollars.* This I think an underestimate.

The National Bank at the present time (October, 1889) reports in its vaults in specie $12,304,206, and a paper circulation outstanding of $15,352,229. The London and Mexican Bank, the second largest in Mexico, reports $3,357,793 "cash," and an outstanding circulation of $5,344,698. This indicates a rapid increase in recent years in the circulating media of Mexico. In addition to the banks here mentioned there are in nearly all the principal cities banks which have some outstanding note circulation.

The population of Mexico is about 12,000,000. The rapid increase in the circulating media, it may well be supposed, has had a stimulating effect on the trade of the country. But even when thus stimulated it fails to attain what we would call a condition of activity. There has been some rise in prices. Staple commodities, however, are said not to be materially affected, but the prices of real estate in the capital and the wages of laborers along the lines of the railroads and in the principal cities have increased from 25 to 50 per cent. The import and export business of the country has also increased somewhat. It is probably 30 per cent. greater in volume than it was ten years ago. Government revenue has also shown an increase, but is still very small in comparison with that of other countries. The Mexican tariff on importations is said to be higher than that of any other country. Its foreign trade is limited and harassed by vexatious and intricate customs regulations. The internal trade of the country is hampered by irregular taxes levied on common commodities by the various States. Retail trade and banking operations are burdened by stamp taxes. The cities of Mexico levy petty taxes on food products, even on the canoe-loads of radishes or lettuce which the poor peons bring to market. A burro's load of fagots is taxed at the gates of the city of Mexico. Contending with such unwise and variable restrictions commercial affairs must be limited in magnitude and must remain in anything but a flourishing condition.

It interests us at the present time to trace the influence which the exclusive use of silver as a monetary basis has on the commerce and finances of Mexico. It is not to be contended that the sluggishness and unprofitableness of Mexican trade is chargeable solely to the silver currency. The mediæval methods of collecting Government revenue there would effectually prevent general prosperity, even if the soundest and most perfect monetary system prevailed. Yet I think there is a peculiar phase of the paralysis which affects Mexican commerce which may be attributed directly to the use of silver as the standard of value. There first is the inconvenience and expense involved in each movement of a considerable sum of money. Silver coins, even when at par with gold in Mexico and in the United States, are sixteen times heavier than equal values of gold. Whenever, therefore, it is necessary to transport a round amount of money the expense is sixteen times more if it be in silver than if in gold. But this is not the only or the most burdensome evil which the use of silver money inflicts upon the Mexican people.

The American traveler in Mexico experiences an agreeable sensation when he exchanges his United States funds for Mexican money. For every $100 of American money he receives from $135 to $140 of Mexican money. The pur-

*D. A. Wells: A Study of Mexico.

chasing power of his funds appears to have expanded. Nor is this altogether a delusion. Those commodities and services which a traveler requires are not notably higher in the city of Mexico in Mexican currency than they are in the United States in United States currency. Hotel and restaurant charges, carriage hire, railroad fares, and articles of common use produced in the country are generally obtainable at about the same figures as we are accustomed to pay in the United States.

The effect of this is that the American money which a traveler carries procures for him much more than it would in his own country, and his return across the border is accompanied by a disagreeable sensation when he sees his funds dwindle to their old proportions. Mexico, to the American traveler, seems therefore a land where living is cheap and where a given amount of income from the United States will go much further than at home. The first impression is that surplus funds from the United States placed in Mexican investments should prove very profitable. But a closer examination and a little experience remove or dissipate this view. The experience of investors in Mexican enterprises, railroads, banks, mines, and haciendas shows that there is an annual loss from a decline in the domestic currency which offsets the apparent profit. Reports of the railroad companies and of the banks owned by Englishmen or Americans contain each year a considerable item to be deducted for the depreciation of Mexican currency.

The experience of foreign merchants in Mexico is especially instructive. The question of exchange on every payment on foreign goods which the importers take into Mexico is one in which they find themselves constantly at a disadvantage. The process of shifting from the silver to the gold standard in making payments is an expensive one. It involves a speculation in silver. Exchange is always against Mexico in consequence of this peculiar condition. The money in which the Mexican importer sells his goods is only merchandise in the market in which he buys them; consequently in every transaction he is obliged to add a very considerable percentage over and above the difference between silver and gold to the price at which he sells his goods in Mexico in order to cover the risk he takes in paying for them in gold. This addition to the price must necessarily eventually come from the consumer or else the importer suffers loss. But the difficulty which has been experienced in correctly calculating with each importation the amount necessary to cover this risk often results in a loss to the importer. He finds that the price at which he has sold his goods, adding expenses, duties, and exchange into gold, will not cover the price at which he has bought them. It is probably not unfair to say that the average prices of imported goods to the consumer are made at least 10 per cent. higher than the difference between silver and gold indicates, in consequence of the risk necessary in the conversion from a silver standard to a gold standard in making foreign payments therefor.

Nor is the importer the only one who suffers from the uncertainty involved in making conversion from the gold to the silver standard. The exporter is obliged to take a similar risk. The larger part in value of the exports of Mexico is silver, mostly in the form of silver dollars. Exchange drawn against these shipments is estimated on the London price of silver and is converted at the Mexican banks into Mexican currency. The conversion involves a speculation by the banks in silver, and the charge for this service is necessarily much higher than it would be if the rate of silver were stable and showed no fluctuations—necessarily much higher than if the Mexican currency were on a gold basis and could be turned without risk into foreign currency on the same basis. In other words, if Mexican domestic trade were conducted on a gold basis, the Mexican mine-owners would receive more for their silver product. The same is true as to producers of all other Mexican products sold in foreign markets.

A friend of the writer, who contemplated engaging in the banking business in the City of Mexico, in making inquiries into the conditions of the exchange market, asked a broker how long it would take him to collect $25,000 in gold, to be shipped against an equal amount of exchange drawn. The broker replied that he would not be able to find so much gold in the City of Mexico in less than ten days. This fact shows that Mexican exchange must be almost altogether drawn against shipments of silver or merchandise, and the banker who draws such exchange can not protect himself against the risk of speculation by shipping gold, even if he is willing to pay a premium therefor. How much the export charge, made necessary by the conversion from gold foreign currency into the silver currency of Mexico, adds to the expenses of exportation can not be readily estimated. It is a fluctuating item, always adding something to the cost of selling in a foreign market, sometimes resulting in loss to the banks on exchange transactions, but generally undoubtedly being a loss suffered by the producer.

The experience of the Mexican importers and exporters affords an exact illustration of what would be the condition of our foreign trade if we were doing business in this country on a silver basis. The imports and exports of Mexico are comparatively small. They amount only to about $30,000,000 annually of imports and $40,000,000 annually of exports. The annual imports of the United States are not less than $700,000,000 and the annual exports are at about the same figure. If doing business on the basis of depreciated metal is a damage to Mexico, how much more would it affect the commercial affairs of the United States?

The foreign commerce of Mexico in 1880 amounted to only $5.66 per inhabitant. The foreign commerce of the United States in the same year amounted to $31.63 per inhabitant. The foreign commerce of the United States is not nearly so great in proportion to population as that of the principal nations of Europe; but if this commerce is curtailed or burdened with additional unnecessary charges it will greatly interfere with our prosperity as a nation At times in our history there have been outbreaks of narrow-minded American spirit when it was argued that this country was independent of the rest of the world, and would be most prosperous without international commercial intercourse. Many of the advocates of the free coinage of silver have maintained that this nation could adopt and maintain a silver currency no matter what the other chief commercial nations of the world might do. I think there is a prevailing notion that if we chose to use silver as our monetary basis, whatever loss there might be would fall on foreign nations. According to this idea the foreigners to whom we owe money would be obliged to accept silver instead of gold in payment. This would be simply scaling our debts held by the outside world. But we should still go on conducting our domestic commerce, producing food and manufacturing goods and exchanging commodities among ourselves with as much energy and success as ever. We could be as prosperous as we are now if the civilized nations outside our borders had no existence.

How far this conception of our actual situation is from the truth it is hardly worth while to consider. If we no longer had a foreign market for our wheat and cotton, our petroleum and provisions; if we no longer bought from foreign nations sugar and coffee and tea, it should be apparent to the least intelligent that our buying power of home products would be greatly curtailed and the condition of our lives rendered much less comfortable. We depend on our foreign commerce for our prosperity as absolutely as upon our internal commerce. Every unnecessary impediment placed in the way of our commercial intercourse with other nations is a distinct step backward, and materially damages our welfare.

The effect of estimating our transactions in silver money, while the chief nations with whom we exchange commodities estimate theirs in gold, is not, I think, clearly understood, and, so far as I know, has not been carefully analyzed. Even those who are opposed to free coinage of silver content themselves with saying that it would be a great damage to our foreign commerce, but do not attempt to show the particular forms in which this damage would occur. The condition of Mexican foreign trade illustrates well the damage which would result to the foreign commerce of the United States if we should come to do business exclusively on the silver standard. It costs the Mexican importer probably from 2 to 5 per cent. over and above the current discount on silver to make the change from the gold price, in which he buys his goods, to the silver price, in which he sells them. It would cost our importers a similar percentage to make the same conversion. In each case there would be a speculation in silver, and the charge for the risk involved would necessarily be imposed upon the goods imported. This charge would eventually be paid by the consumer. The effect would be the same as if an uncertain and fluctuating additional charge were made for the transportation of goods coming to our shores Sugar, coffee, tea, rice, all articles which we buy from other countries would experience this rise in price. On our $700,000,000 of imports this additional exchange charge would aggregate many millions, and would be paid in the long run by the people.

In the case of exports the necessary conversion from a silver to a gold standard would work even more to the disadvantage of the people. For the sake of illustration let us take as an example a common transaction. Say that a London commission merchant buys, through a Chicago commission merchant, 100,000 bushels of wheat, to be shipped to Europe. Say that the price of this wheat is $1 per bushel in the silver currency of the United States and that silver is selling in the London market at 42¾ pence per ounce, which would be about 70 cents for our silver dollar. The Chicago merchant ships the wheat, draws his draft on the London merchant, and takes it, with a bill of lading, to his Chicago banker. He asks the Chicago banker to buy the draft, in order that he may with the proceeds pay for the wheat. The draft is drawn payable in English currency, which is gold in London. The Chicago banker in buying the draft is obliged to make the conversion from gold currency to silver. He must estimate the value of the gold draft in silver, based on the quotation for silver in London, and he must take the risk of silver advancing or declining between the time when he buys the draft and the date at which the draft is payable. This necessitates a speculation in silver on his part, and it is reasonable to suppose that he will not engage in the speculation without making a charge which in his opinion will cover the risk of the transaction. What this risk may be will depend somewhat on the activity in the silver market. If silver is rapidly fluctuating in price, the charge will be higher than if the price of silver is comparatively stable; but under the most favorable conditions it is hardly probable that the banker will take this risk without compensation. He will pay less for the draft than the gold price of silver in London would indicate it worth. Exchange on London now never sells at a greater discount than the cost of sending gold to pay it in London, with interest added for the time. The speculation involved in the conversion from gold to silver would add a new element and make an additional discount.

Silver may fluctuate 5 per cent. in price while the wheat and the draft are on their way to Europe. If silver advances, the banker who buys the draft at the value of silver at the time when it is drawn will lose money. If silver declines he will make money. It can be readily seen, therefore, that the business of buying exchange against exports will be burdened with a considerable extra charge in consequence of the risk made necessary by the conversion of paper payable in gold into money on the silver basis.

This exchange charge, made necessary in the exportation of wheat by the conversion from gold to silver, must be taken account of by the Chicago merchant in purchasing wheat for export. He will pay less for wheat than he would if there were no exchange charge to be considered in the transaction, and it is obvious that the producer of wheat must eventually sell his product for export at a less price than if no exchange conversion from gold to silver were necessary in disposing of it in a foreign market. All the wheat exported from the United States will suffer this extra expense and be reduced in price accordingly.

It is a common belief that the price of wheat in this country is regulated and determined by the price of so much of our wheat product as is exported. If the wheat taken for export, therefore, must be sold at a less price, in order to pay for the risk made necessary in converting gold to silver, the price of the whole wheat crop must suffer accordingly. Can any one calculate what will be the effect of this depreciation? Will it be one, two, or three cents less per bushel that the farmers of the country must take for their wheat crop if it is sold on the silver basis in this country? What is said regarding the price of the wheat crop will be equally true with regard to the prices of our other principal products for export, our cotton and meats, our petroleum and manufactured goods.

We should not forget that much of the prosperity of the United States is due to the well ordered machinery by which commercial exchanges are here conducted. The facilities afforded for buying and selling, for handling goods, and for settling accounts, in no small degree increase the volume and the profit of our foreign and internal trade. Any change which causes new friction in the machinery will surely diminish both the volume and the profit of all our business operations.*

What has been said as to what would be the commercial situation of the United States had not the act of 1873 prevented free coinage of silver dollars may be said as to the future should free coinage of silver now be made lawful. The only means of avoiding the expense of converting gold into silver in international exchange, and the consequent burden upon our commerce, would be by raising the price of silver to par with gold and maintaining it at that point. It is improbable that such a consummation could be effected by any act of this nation or even by a combination of nations. The production of silver was so greatly in excess of the production in the early part of the century and is so constantly increasing, year by year, that the attempt to raise silver to par with gold, even by supplanting the gold in this country entirely by silver dollars as fast as our mints could turn them out, may well seem hopeless.

The following table shows the world's production, and the production of Mexico and of the United States, of silver for periods of five years each, begin-

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* Since this article was written, my attention has been called to a portion of the address delivered before the Bankers' Association, at Saratoga, in August, 1884, by the president of the association, at that time Mr. Lyman J. Gage, who is vice-president of the First National Bank of Chicago. As the course of reasoning, and the conclusion reached as to the effect of conversions from a gold to a silver standard, and *vice versa*, in making exchanges, is so exactly in accord with what is contained in my article, I quote here nearly all that is there said on that subject:

"It will not be disputed that, for all our commercial transactions with other people, settlement must be made in the London money market. If we buy sugar in Cuba, we pay in London. If we sell goods in Brazil, we take payment in English funds payable in London. So that, whether we buy or sell in the course of our foreign trade, London is the settling-house for all this trade. At the present moment our financial system rests upon and our commercial values are measured by the same metallic standard, namely, gold coin. Our gold coin shipped to the British mint may be coined into sovereigns at a nominal expense, and English sovereigns shipped to us may be transmuted into our gold coins at no material cost. Thus, in the competitive struggle for a place in foreign markets, we enjoy a great advantage in using the same metallic money standard.

"The rise and fall of gold, or the rise and fall of commodities in their relation to gold, affect us in our great competition in an exactly similar manner. We enter the commercial contest with weapons equally matched. Now it is proposed to voluntarily surrender this important condition. With silver money of ning with 1851. (The last figures in this table are for three years only, from 1886 to 1888 inclusive:)

PRODUCTION OF SILVER.

Years.	World.	Mexico.	Per cent.	United States.	Per cent.	All other countries, per cent.
1851-1855	$197,274,775	$104,635,125	53.0	$258,250	0.13	46.87
1856-1860	203,664,440	101,033,050	49.6	878,090	0.43	49.97
1861-1865	246,515,300	106,131,825	43.0	38,481,400	15.0	42.0
1866-1870	295,950,850	115,588,025	39.0	65,599,175	22.0	39.0
1871-1875	423,870,430	130,555,775	30.7	161,673,555	38.0	31.3
1876-1880	477,314,230	128,158,680	27.0	210,538,225	44.0	29.0
1881-1885	558,473,400	158,112,610	28.0	244,216,945	44.0	28.0
1886-1888	373,597,105	107,049,585	28.7	164,993,820	44.0	27.3

The following table shows the production by years for the last decade, and more plainly illustrates the relation of Mexico and the United States to the silver market.

PRODUCTION OF SILVER.

Year.	World.	Mexico.	Per cent.	United States.	Per cent.	All other countries.
1879	$96,293,845	$25,955,580	26.9	$40,800,000	42.4	$29,537,265
1880	97,284,135	27,935,950	28.7	39,200,000	40.3	30,148,185
1881	103,715,045	30,200,440	29.1	43,000,000	41.4	30,514,605
1882	108,801,445	30,298,555	27.8	46,800,000	43.0	31,702,890
1883	109,517,730	30,546,490	27.9	46,200,000	42.2	32,771,240
1884	115,383,600	32,742,770	28.4	48,800,000	42.3	33,841,830
1885	121,055,580	34,324,380	28.4	51,600,000	42.6	35,131,200
1886	121,541,320	35,239,670	29.0	51,000,000	41.9	35,301,650
1887	124,833,670	35,743,800	28.6	53,357,000	42.7	35,732,870
1888	127,222,115	36,066,115	28.3	59,195,000	46.5	31,961,000

(The above tables are compiled from figures furnished by the Commercial and Financial Chronicle and the Reports of the Director of the United States Mint, and are probably approximately correct.)

Mexico has produced yearly an increasing quantity, but the United States has increased its production of silver more rapidly. These two countries have increased their production of silver more rapidly than the rest of the world, but everywhere the production of this article has increased.

The price of silver declined from 59⅞ pence per ounce in London in January, 1873, to 41⅝ pence per ounce in May, 1888. This decline was attended by consid-

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the present weight and fineness the recognized and established money of account in our domestic affairs, we shall have our industrial exchanges carried on under a money standard about fifteen points removed from the English or settling-house standard. Our domestic values will rise and fall in relation to an entirely different standard. Can any one measure the deranging influence of this fact upon our foreign trade? But this indirect and ambiguous adverse influence is not all. In every settlement abroad we shall be at the disadvantage of converting our domestic money of account, silver, into English money of account, gold. And that this will always be at a charge to us is plain if we reflect a moment.

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"We all know that trade turns upon small percentages, and the larger the transaction the more influential is a fractional per cent. It follows, then, that, with silver the established money of account at home, our foreign trade will be prejudiced and restricted. It follows, also, that those who furnish products to go abroad must furnish them at a price somewhat less, and those who consume products brought from abroad must pay somewhat more, to make good the increased margin for cost and risk in converting the unrelated standards of the two countries. It will give an increased profit to dealers in foreign exchange. It will force the importer to add an extra per cent. to his otherwise selling price. It will make the exporter deduct a percentage from his otherwise purchasing price. Who will suffer therefrom? The industrial classes who produce and consume the exchangeable products."

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erable fluctuations, and fluctuations still characterize the silver market. The price of standard silver when at par with gold, in London, is 60⅞ pence per ounce. Although there is no large stock of uncoined silver now in sight anywhere in the world, the large accumulations in the form of plate and ornaments constitute a great reserve stock which would be drawn on undoubtedly if any considerable rise in price should occur. It is quite probable that if the free coinage of silver should be enacted by Congress at the present time, and the capacity of the mints for coining silver be made equal to the demand for silver dollars, silver sufficient to replace all our gold coin would be furnished from the world's stock within a year or two, and without raising the price of silver in the London market to anything like par with gold.

The act of 1878, at present in force, under which $2,000,000 worth of silver is purchased each month by our Government and coined into dollars, furnishes a market each year for about $25,000,000 worth of silver, which is coined into more than 28,000,000 of legal-tender silver dollars. At the time when this act was passed it was predicted by its advocates that the effect of the purchase monthly of silver by the United States would raise the price of silver to par with gold. In February, when this act was passed, silver sold in London at 55¼ pence per ounce; in December of the same year it had declined to 49¼ pence per ounce; and the decline from that time has been gradual, and apparently unaffected by the purchases of our Government.

In the face of these facts it is reasonable to conclude that any action of the United States in the coinage of silver dollars will not have a permanent effect on the market price of silver bullion. The coinage of the United States, under the act of 1878, of legal-tender silver dollars, has now amounted to about $350,000,000. The advocates of silver coinage now demand, if free coinage can not be secured, that the Secretary of the Treasury of the United States exercise the discretion conferred upon him by that act to purchase $4,000,000 worth of silver each month to be coined into silver dollars.

What will be the ultimate effect of the coinage of silver dollars under the act of 1878 should be a matter of grave consideration. Should the coinage continue until there is a supply of this kind of money equal to the monetary needs of the United States, it may well be imagined that a contingency will arise in which this silver money will take the place of the higher-valued gold money, and our stock of gold coin be exported. Should such displacement of gold by silver take place in this country, our commercial affairs will necessarily be brought from a gold to a silver basis. In that event the example of Mexico will be brought home to our experience. Mexico floated from a gold to a silver basis as a log floats down stream. The United States, under similar conditions, would yield to the same resistless forces, although it may be a fully equipped vessel, steered by commercial intelligence and manned by an energetic crew.

If silver circulation is provided in sufficient quantity for all our monetary uses, either by free coinage or by the manufacture of dollars under the act of 1878, or otherwise, the laws of commercial gravity will draw us down to the silver level.

The paralysis which the use of silver causes in Mexican trade will then also affect our foreign and domestic commerce. Our production, distribution, and consumption will be at a disadvantage. We shall be handicapped in the struggle for life in comparison with the chief European nations. Can we afford to assume this burden?

M. L. SCUDDER, Jr.

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