

THE PRO-SILVER POLICY OF THE
UNITED STATES.

REMARKS

OF

MR. ALDRICH,

OF RHODE ISLAND,

IN THE

SENATE OF THE UNITED STATES,

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S P E E C H
OF
M R . A L D R I C H .

The Senate, as in Committee of the Whole, having under consideration the bill (S. 2350) authorizing the issue of Treasury notes on deposits of silver bullion—

Mr. ALDRICH said:

Mr. PRESIDENT: There can be no clearer indication of the inherent weakness of a cause than is disclosed when its chosen advocates find it necessary to appeal for support to passion and prejudice rather than to reason and intelligence.

One without previous knowledge of the facts, and unfamiliar with the methods of American politics, who should hear the echoes of the silver debate in Congress, would suppose that the people of this country were really in arms, and divided into two great hostile camps over this question, each determined upon the financial if not the physical extermination of the other.

I can not believe that fables of this nature either amuse or deceive the American people. If there is one place in the world where a great monetary problem, affecting interests the magnitude of which no man can measure, should be discussed in a dispassionate manner and with sole reference to its intelligent solution, that place is this Chamber.

Mere declamation for the purpose of exciting class antagonisms and inflaming sectional feelings is not worthy of this forum.

I propose to show that those who indulge in such appeals and declamation do not represent the true interests of silver restoration, and that this great cause is entitled to be relieved from the discredit thus placed upon it.

The progressive retirement of national-bank notes has imposed upon Congress the duty of undertaking some readjustment of our currency system. A plan for this readjustment is suggested by the bill now under consideration reported from the Committee on Finance. Among the

issues involved in the consideration of this bill and the various substitutes proposed, the most important from every standpoint is to determine the effect which these several measures would have upon the future status of silver as a money metal. What has been the position of the United States on this subject?

I.

The decision of the United States to promote the restoration of silver was made by the act of Congress of February 28, 1878, and reaffirmed by the formal declaration of its official representatives at the Monetary Conferences of 1878 and 1881. The act of February, 1878, in addition to the provisions for the purchase and coinage of silver, provided, in section 2, "that the President should invite European Governments to join the United States in a Conference to adopt a common ratio between gold and silver."

The Commissioners of the United States at the Conference called in Paris in accordance with this requirement submitted to it the following propositions:

I. It is the opinion of this assembly that it is not to be desired that silver should be excluded from free coinage in Europe and the United States of America. On the contrary, the assembly believes that it is desirable that the unrestricted coinage of silver and its use as money of unlimited legal tender should be retained where they exist, and, as far as practicable, restored where they have ceased to exist.

II. The use of both gold and silver as unlimited legal-tender money may be safely adopted.

First. By equalizing them at a relation to be fixed by international agreement; and

Secondly. By granting to each metal, at the relation fixed, equal terms of coinage, making no discrimination between them.

The following third proposition was prepared and held in reserve, awaiting the development of the views of the Conference:

III. "The delegations here present agree to recommend to their respective Governments that, by the free coinage of silver at a relation to be agreed upon, or provisionally, through extended coinage upon Government account and the accumulation of silver bullion in public treasuries, they make a concerted effort to restore silver to its function as money of full power."

As adequate assurances of active co-operation by European nations were not secured, a second Conference was called in 1881 by joint action of France and the United States. At this Conference the following declarations were made with others in behalf of the two Governments:

1. The depreciation and great fluctuations in the value of silver relatively to gold which of late years have shown themselves and which continue to exist

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have been and are injurious to commerce and to the general prosperity, and the establishment and maintenance of a fixed ratio of value between silver and gold would produce most important benefits to the commerce of the world.

2. A convention entered into by an important group of states by which they should agree to open their mints to free and unlimited coinage of both silver and gold at a fixed proportion of weight between the gold and the silver contained in the monetary unit of each metal and with full legal-tender faculty to the money thus issued would cause and maintain a stability of the relative value of the two metals suitable to the interests and requirements of the commerce of the world.

This Conference adjourned July 8, 1881, to meet again in Paris April 12, 1882, but a change having taken place in the Ministry of France and in the Chief Executive of the United States in this interval, which rendered it impracticable to adopt measures in concert looking to future action, a further postponement was notified to the various Governments by the French and American Executives in the following terms:

PARIS, March 31, 1882.

The International Monetary Conference which was convened at Paris last year, upon the invitation of France and of the United States, and in which the Government of ——— was represented, adjourned to meet the 12th of April, 1882.

In making this decision at the session of July 8, 1881, the delegates anticipated that, before the date thus fixed, the Governments represented in the conference would be able to prepare solutions of the questions involved, with a view to the conclusion of an international convention, the terms of which should be discussed and determined by the conference.

This anticipation has been, in part, realized. From all the information which has been received it appears that in a large number of States the question has continued to be the subject of earnest consideration, and that various plans have been under discussion with the object either of re-establishing the free coinage of silver money, or of restoring to the metal silver its proper international value by enlarging its use as coin. Up to the present time, however, these investigations do not appear to have produced conclusions sufficiently positive to serve as a basis for formal deliberations of the conference.

Hence, in the opinion of the Government of the United States (and of France), in conformity with the view entertained by various other Governments, notably by those of Germany, Holland, and Italy, there would be no sufficient advantage in reopening the discussions of the conference at present.

In this situation the Governments of the United States and of France are of the opinion that it would be desirable to defer the convocation of the conference, subject to a determination on the part of the states interested of the date for its reassembling, the same to take place within the present year.

It is apparent that the convocation of another Monetary Conference is within easy reach should an occasion arise. Indeed, this view of the situation has been represented in discussions on the subject in the French Chambers and in the German Reichstag and in the English Parliament.

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By these several declarations the adhesion of the Government of the United States to the proposition that silver should as soon as possible be restored to its full monetary function was explicit and unequivocal. They also recognized the fact that the silver question was essentially international in its character, and could only be adjusted by concurrent action. The policy outlined in these statements has been adhered to by our Government with more or less fidelity from the time of its adoption. To-day all agree that it is extremely desirable to rehabilitate silver, and the official utterances which I have recited simply formulate the deliberate opinion of the great mass of the people of the country. There exists a universal belief that the action taken by various countries in 1871-1878, resulting in the partial demonetization of silver, was unwise, unfortunate, and injurious to the public interests.

II.

The unfortunate movement against silver at its inception had for its sole object the international unification of coins and monetary standards. It received the support of the learned men of all countries, and was analogous in character to the agitation which led to the adoption of the General Postal Union. There is no evidence that any motive or influences other than those affecting the convenience and uniformity of international currency were at any time potential in directing its counsels. The attention of scientific men throughout the world had been attracted to the desirability of adopting a uniform coinage which would facilitate exchanges between nations. So strongly had the merits of this policy been felt in this country that as early as 1857 a joint resolution was passed by Congress looking to important changes in our monetary system in this direction. This purpose was evinced in the formation of the Latin Monetary Union in 1865 and led to the calling and controlled the action of the Monetary Conference held in Paris in 1867. This Conference formally declared, by a unanimous vote of the twenty-two countries represented, including the United States, in favor of an international monetary unit and the adoption of the gold standard. Following this conference the first important step in the process of silver demonetization was taken by the newly created German Empire December 4, 1871. By this act the gold standard was established, and by the law of July 15, 1873, it was decreed that the

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imperial gold coinage established by the act of 1871 should take the place of the existing silver currencies of the various German States. A portion of the silver thus displaced was sold by Germany from time to time, as follows:

Year.	Proceeds of sales.	Average price (in pence) per ounce standard.
1873	\$2,324,170	59 $\frac{4}{5}$
1874	15,283,915	58 $\frac{1}{2}$
1875	4,552,110	57 $\frac{1}{2}$
1876	23,484,120	52 $\frac{1}{2}$
1877	57,606,055	54 $\frac{1}{5}$
1878	34,550,960	52 $\frac{1}{5}$
1879	6,983,600	50
Total.....	141,784,930	

The Scandinavian states, Norway, Sweden, and Denmark, by a treaty signed at Stockholm, December 8, 1872, adopted the gold standard and discarded silver. Holland suspended the coinage of silver and adopted gold June 6, 1875. France, by the order of September 6, 1873, limited the mintage of silver for private account, and her coinage of five-franc pieces ceased in 1876. In January, 1874, the states of the Latin Union—France, Belgium, Italy, Switzerland, and Greece—agreed that the aggregate coinage of the several states should not exceed 120,000,000 francs per annum, and this limitation continued until the final suspension of legal-tender silver coinage by the Union in November, 1878.

In the United States, then using paper money chiefly, action was taken in keeping with the general views which had in principle, as early as 1857, been sanctioned by Congress. The invitation of France in 1866 that we should join the Latin Union was taken into consideration by Mr. Seward, then Secretary of State, and it was no doubt anticipated that the Conference of 1867, in which this Government had taken an active part, would eventuate in serious measures to be adopted by Congress.

It was in accordance with this idea that, upon the report of Mr. Ruggles, bills to discontinue the silver dollar and to assimilate our gold coin to European units were introduced early in 1868. At the next Congress the bill prepared at the Treasury Department was presented,

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debated, and passed by the Senate, which in a modified form afterward became the Coinage Act of 1873.

The act of 1873 was, however, the least important of the series of legislative acts which discredited the position of silver as one of the principal money metals of the world. In 1873 silver formed nearly one-half of the general stock of the world's money, but the United States held but a handful of it in comparison with other nations, and in the form of full legal-tender coin it had not been in use in this country for more than a quarter of a century. Few legal-tender dollars had been coined at our mints at any time subsequent to 1804, the lesser silver coins had been cut down to tokens in 1853, and the Spanish dollar had been demonetized in 1857. The little metallic money that the use of paper had left in the country was gold, and gold had been our principal money at all times, for forty years prior to 1874.

In order that we may better understand the effect of these various legislative acts upon silver it should be remembered that exclusive of the absorption by Oriental countries and the small amounts held in America, the world's employment of silver for monetary uses was practically limited to the European countries, in which, with the exception of the states of the Latin Union, silver was the sole standard of value. The extent of the current demand for silver from these states for coinage purposes may be inferred from the statement that the coinage of 5-franc pieces by the Latin Union for 1872, the year preceding the partial suspension of coinage, amounted to 308,627,000 francs.

In 1878, however, when the United States commenced the compulsory coinage of standard silver dollars, other demands for silver, outside of Asia, for monetary purposes, had substantially ceased. To accentuate the change in the relative demands for silver, the net Indian imports of that metal fell from an average of 100,000,000 rupees per annum for the period of 1855-1870 to an annual average of 30,000,000 rupees for the years 1870-1875. Concurrently with the legislative destruction of the demand for silver there was a marked increase in the silver production of the world. The average annual production had more than doubled. For the ten years, 1866-1875, it was 71,000,000 fine ounces, while prior to 1866 the highest annual production had not exceeded 25,000,000 fine ounces.

This radical change in conditions, effecting a discontinuance of de-

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mand in the face of an increasing supply, naturally produced a marked divergence in the relative values of silver and gold. This divergence was emphasized by an augmenting industrial use of gold and a coincident decrease in its production, the aggregate production for the ten years following 1870 having been \$112,000,000 less than for the ten preceding years. While this revolution was taking place in the relative values and uses of the money metals, the paper-money circulation of the world was reduced according to Neumann-Spallart from 7,914,000,000 reichsmarks in 1873 to 4,856,000,000 in 1879.

III.

The pro-silver policy of the United States rests upon the belief that this disuse of that metal as money in some of the more important commercial countries and the lessening of its monetary use in others, causing the destruction of a long-established parity and leading to a contraction of the world's money, produced an appreciation in the value of gold, or, in other words, a decline in the general level of prices of commodities when measured by gold. Inasmuch as a certain sum is actually in use as the monetary basis for the transactions of the world, composed of about equal parts of the two precious metals, it is evident that if over large areas one of these is discarded or its monetary use is largely restricted, and the other metal is left to do the work alone, to that extent a disarrangement of values and general disturbance of business relations must occur.

It is not necessary for me to enlarge upon the disadvantages of a monetary standard which is constantly appreciating in value. Any cause that destroys the stability of money as a standard of deferred payments, which is its most essential attribute, imposes obstacles to the growth and development of the business interests of a community which can not be readily measured. Any considerable contraction of the volume of money causes inconveniences and imposes hardships upon all. If long continued it enforces constantly diminishing profits in industrial enterprises, produces irregularity of employment to all engaged in productive labor, and impairs the free development of the producing power of the world.

It is believed that a considerable share of the marked decline in prices which have taken place is primarily due to improved and cheap-

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ened methods in production and distribution and to the lessened cost of transportation, and that in so far as the fall has been attributable to these causes the advantage to mankind has more than compensated for any loss. While it is fairly established by weight of opinion that a portion of the decline is traceable to an appreciation in the value of money owing to inadequacy of volume, it must also be conceded that this consequence has resulted from general causes affecting alike the money and prices of every civilized country. The changes which have taken place in the currency of the United States have had no appreciable or specific effect upon these results, for as a matter of fact our monetary supply has increased at very nearly even pace with the growth of our population and business. While we have not suffered from any contraction of the volume of our own currency, the United States in common with other countries has felt the influence of the evils which have arisen from this general monetary disturbance throughout the world.

The divergence of the relative value of the precious metals has imposed upon us losses of a peculiar character, having stimulated exports from silver-using countries of competing agricultural products, notably of wheat and cotton, and at the same time tended to diminish the value of our own exports to those countries. It is further recognized that unless silver is fully restored to the monetary position which it occupied for centuries, a further and more disastrous fall in prices will in time be inevitable, while on the other hand, with the restoration of that metal to its full use as legal-tender money, the general level of prices will be more steady, greater stability in value of money be secured, more substantial equity maintained between different interests, and greater prosperity attained.

There is no substantial difference of opinion among Senators as to the nature of the evils which have arisen from the outlawry of silver. The diversity of opinion does not relate to the general question of the importance and the right of having silver restored to equality with gold, but merely as to the nature of the remedy which would be found effective and to the method of its application.

Senators forget in their enthusiasm over generalities that we are simply engaged in a controversy over the ways and means of accomplishing a result which has for many years been recognized as desirable. Such amazing effusiveness of argument as we have heard upon this

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floor in favor of silver is a work of supererogation. The real question before Congress is one as to the method of reinstatement, and this I propose to discuss.

But before proceeding with this, it may be profitable to refer very briefly to some of the underlying principles which should control our action in monetary legislation.

I have alluded to the disastrous effects resulting from a contracting currency, yet a rise in prices secured solely by an abnormal increase in the amount of money in circulation is equally unjust, if not equally deleterious. An excess of currency is only less mischievous than a scarcity. Growth of population and expansion in business should be adequately provided for, but to change the value of money in order to allow debtors to pay in a currency less valuable than the money of the contract is to legalize repudiation in its most dangerous form. Senators confuse the argument in favor of such a wise increase of the money supply as will maintain equitable relations, with the popular demand which is said to exist in some portions of the country for inflation. The cry for "more money," without regard to its quality, is indulged in mainly by unthinking people who expect that by some magical process their debts will be paid and their permanent prosperity and wealth secured by a large increase of the money supply. The difference between the natural expansion of the volume of money to meet increasing demands and to preserve an equitable standard of deferred payments on one hand, and an abnormal inflation undertaken for the avowed purpose of ameliorating the condition of the debtor class on the other, is as great as the contrast between justice and injustice. It is the difference between the healthy nourishment which gives growth, strength, and vigor to the human system, and intoxication, which exhilarates only to weaken and destroy.

The truth is that professional agitators and speculators in Wall street and elsewhere are the parties who are to-day most anxiously watching Congressional proceedings with a hope that they may profit by some scheme to be adopted which shall degrade our monetary standard and set the business of the country afloat upon a sea of uncertainty. There is no evidence that a proposition of this kind would command the support of the intelligent people of the country. It is true that a large number of petitions have been presented to the Senate in favor of the

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free coinage of silver, but they are largely of the machine class, such as are prepared by committees in Washington and sent out with appeals for signatures, to reappear here with the pretense that they embody the will of the people. Taken at their best, they represent, as I have indicated, but the vague ideas of that order of dissatisfied or speculative people who in all ages of the world have been attracted by visionary schemes for increasing prosperity by cheapening money, and by the belief that through some legislative legerdemain they can secure a competence for themselves without an exercise of the virtues of industry and economy. These vain hopes which so constantly reappear in human experience furnish the springs of action which give force to this movement for "more money." If money is to be cheapened and issued in unlimited quantities upon the plea that debasement and inflation alone will furnish a panacea for the dreadful ills that are now afflicting the people of the United States, and which, by the way, exist only in the imaginations of Congressional orators, then the unlimited purchase of silver, as proposed in the amendment of the Senator from Colorado, is the most extravagant and expensive remedy.

The plan of coining land proposed by the Senator from California [Mr. STANFORD], or the warehouse system for issuing notes on farm products, supported by agitators in the Farmers' Alliance, have great advantages in economy and in elasticity in volume of issue over the plan of our silver-inflation friends. Those who argue for cheapness and for quantity are logically bound to admit that inconvertible paper money, involving simply the cost of paper and printing, is in these respects incomparably superior to silver.

IV.

We have seen that the mischief from which all are suffering was caused by the arbitrary abridgment of the demand for silver in every part of the commercial world outside of the United States. It is obvious, then, that to restore silver, or to take any effective step in that direction, we must by some means secure a much greater aggregate employment of that metal as money in the countries where the diminution in use has taken place. It would be of no avail if one country should increase its holdings or uses and others should diminish theirs to an equal or greater extent. If from \$300,000,000 to \$500,000,000

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of silver should be transferred from the stock of other nations to the United States to take the place of our gold, no benefit, but only injury, would result to the cause of silver by the transfer. As the disturbance covers the area of the world, the remedy must also be world-wide. International restoration must be coextensive with international destruction.

Outside of this Chamber there exists, as I have indicated, a remarkable unanimity of opinion that the attempt of any single country, however powerful, to accomplish this work of restoration would necessarily result in failure. For example, the report of that portion of the British Royal Commission on Gold and Silver who were most friendly to silver contained the following emphatic statement:

No settlement of this difficulty is, in our opinion, possible without international action.

Indeed, I know of no leading political economist or student of monetary questions who has any claims to be considered an authority upon this subject who does not concur in this opinion. A complete remedy, then, can only be found in such action as shall secure the opening of the mints of the leading commercial nations to the free monetary use of silver at a common ratio. This action would successfully fix the relative value of the two metals, which would thus become interchangeable in use, and silver would again be added to and become a permanent part of the common mass of the world's money.

Partial and temporary remedy may be afforded by a concurrent agreement on the part of various nations to increase their holdings and employment of silver for monetary purposes.

V.

The measure reported from the Finance Committee, if adopted, would be simply a more determined and aggressive effort in the direction of the policy which was adopted by the United States in 1878.

This bill authorizes the purchase of \$4,500,000 worth of silver bullion monthly, to be paid for in Treasury notes of the United States, redeemable on demand in coin. The amount of these notes is never to be greater or less than the cost of the bullion held in the Treasury as security for their redemption. It was believed by the majority of the committee

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who reported this bill, in view of the necessary retirement of national-bank notes, to which I have alluded, that the addition of \$54,000,000 a year to the amount of our paper money circulation would not be excessive. They believe that the Treasury would have no difficulty, at least none in the near future, in maintaining this issue at par with gold and silver coin, and they, of course, regard the maintenance of this equivalence as of the first importance. The notes are to be issued against an amount of bullion equal in value, to be held in the Treasury as a guaranty of their security.

Some of the overzealous friends of silver have characterized the provision that bullion is to be held by the Treasury instead of coin as a "demonetization of silver, and the treatment of that metal as a commodity." It is difficult to understand the force of this objection. As the bill requires the issue of notes in all cases for the purchase of bullion, and that the amount of notes outstanding shall never be less than the cost of the bullion in the Treasury, it is evident that the silver purchased must be at all times in active monetary use through its paper representatives.

The bill also requires the coinage of such number of standard dollars as may be necessary for redemption purposes; and why should any one care for further coinage? The mintage of silver destined to lie in Government vaults is an expensive process. It would cost the people of the United States fully a half a million dollars every year to coin the bullion proposed to be purchased by this bill.

We have to-day in the Treasury about \$20,000,000 of silver, not including subsidiary coins, uncovered by notes. What justification can there be found for incurring the expense of coinage for other than the redemption purposes provided for in this bill? Instead of demonetizing silver the system we propose will in fact more effectually "monetize" it than that now in force. In 1886 there were, as I shall show, ninety-six millions of silver dollars in the Treasury uncovered by certificates. This could not happen under the provisions of the bill of the committee, as every dollar's worth of bullion bought is vitalized into money from the day of its purchase. In fact, the proposal of the Finance Committee seeks to introduce for the first time in our monetary legislation the principle of the mandatory monetization of silver.

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VI.

The effect of the Conferences of 1878 and 1881 and of the work done in connection with them was to bring to the attention of the European nations that had partially demonetized silver the fact that it was for their interest to join us in an attempt to re-establish the legal equality of the metals. In looking at the result it must be recognized that it requires a prolonged effort to induce nations to undertake a new monetary policy, and that it requires special effort to secure their consent to act in concert upon a question of this kind. If the proposal for a general demonetization of silver should be started as an original proposition to-day, no one will venture to say that it would command favorable consideration in any quarter. But we are called upon to deal with accomplished facts and to devise a remedy for harm already done. While the European world are not likely to continue their attack upon silver, they are slow to move in the direction of reparation. The United States have tried, with uneven zeal it is true, to arouse them to action.

If the people in each nation of Europe had been fully alive to their own interests the whole matter would have been settled within a short time after 1878. Unfortunately neither of two leading nations, England and Germany, was then ready to do her share. But the Conference of 1878 operated to call a halt in Germany's demonetization. The sales of thalers were suspended in 1879. Germany, who had refused our invitation in 1878, sent delegates to Paris in 1881, and she, as well as England, was then sufficiently alive to the situation to offer substantial aid in the work of joint interest. The declarations of these countries at that Conference formed a basis for further action. By making them, they conceded the main point at issue and admitted the force of the fundamental reasoning upon which the project of an alliance for parity is based. No doubt they thought that France and the United States, with the allies which those countries could have secured, were sufficient to establish the parity of the metals, and they evidently hoped that with the co-operation they offered the work would be undertaken. But it was not done. France was waiting, presumably for the United States, and in the United States there was an indisposition to act. Nothing was done by legislatures or executives, but it can not be said that the time has been entirely lost. The work of education and agitation

has proceeded bravely in England and Germany. The silver leagues formed at Berlin and London in 1881 and 1882 have been constantly at work leavening public opinion in those countries.

England is a country of which Englishmen say the public opinion of one year is the law of the next, and public opinion is clearly moving in our direction. The bitter experience which the fall in silver has brought to many great industrial and property interests in that country has strongly re-enforced the friends of silver. I shall not attempt to give in detail the various notable steps in the progress of the work which have been taken in Europe. These have been well set forth by Mr. Horton in his recent work on "Silver in Europe." I will simply refer to one or two salient facts.

The report made in November, 1888, by the British Royal Commission on Gold and Silver was a notable event in monetary history. This body of twelve eminent men had given two years of close investigation to this great and perplexing subject. Their report is a model of comprehensive and exhaustive treatment. The Commission was ably presided over by Lord Herschell and numbered among its members such men as Mr. Barbour, then financial secretary of India, well known for his intelligent zeal in advocacy of the cause of silver, and Mr. Balfour, whose great abilities are universally recognized.

Their report has been represented as a case of divided counsels and inconclusive results. This statement conveys an incorrect idea of what was actually accomplished. Six of the members adopted without reserve the platform of the friends of silver. The other six looked with approval upon the possibility of future arrangements between nations to reduce fluctuations in the standards of value, but they were not ready to commit England to what they regarded as a radical change in her monetary policy. They suggested, however, an increase of silver uses through the purchases of bullion upon which to base the issue of small notes.

The silver men have now a hundred votes in the House of Commons and have many influential friends in the House of Lords. Two members of the cabinet, Mr. Balfour, and Mr. Chaplin, the new minister of agriculture, are arrayed upon their side, and the rising leaders of economic thought in England, including such men as Professors Nicholson, of Edinburgh, and Foxwell, of London, ably sustain their cause.

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In other European states the interest in silver is maintained, though all look inquiringly to England.

VII.

For us, then, the true question is in what way our leadership in this movement can be maintained and made most effective.

There are, it seems to me, three alternatives open to us within the limits of safety: First, we can place before European countries an ultimatum making the further purchases of bullion by us dependent upon their favorable action in aid of silver; second, we can maintain the *status quo*, or, third, we can adopt a safe measure which will largely increase our purchases and the use of silver.

Many reasons have existed in the past in favor of the first proposition. It has been strenuously objected to as dangerous by the extreme friends of silver, but I believe that if the United States had adopted it years ago the whole question would have been settled before this. The agitation which would have resulted from the mere prospect of a more radical fall in the price of silver would have stirred European public opinion into action long ago. The best friends of silver believe that Englishmen would soon come to see their interests if agencies were adopted to enforce their serious attention to the subject. These agencies could certainly have been found in a threat of the suspension of coinage by the United States. Our coinage law has operated to quiet English solicitude as to the state of the money metals. But this can not now be considered a practical measure.

The second alternative, judging from our experience, does not give promise of satisfactory results, and we are left to consider the probable effect of the third.

The recent rise in the price of silver caused by the mere anticipation of action by Congress in this direction has stirred the whole world to see its interest in silver in a new light, and it has largely stimulated that agitation which alone can secure governmental action. As Mr. Chaplin said in a recent speech in England, people are getting a chance to realize what a rise in silver means, and that they can not afford to have it fall again.

The chief obstacle in our path in 1878 and in subsequent years was

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the prejudice of inherited traditions which misled European legislators and officials as to the true policy and interest of their respective nations. This prejudice formed a great array of dogma behind which the inertia of nations was entrenched. We understand from our own sometimes tedious experience what the inertia of nations means. Taking Washington as an example we can realize what the cause of silver has had to encounter at other capitals. But as I have said, the work of conversion has been carried on all these years, aided by the constant pressure which the outstanding proposition for an alliance from the United States has exerted, and a breach has been made in this barrier of European prejudice. The opposition of 1890 is not the same that our Commissioners met in Paris in 1878, nor even that which the silver wing of the Royal Commission encountered in 1888.

It is in the light of this changed state of affairs that the bill under consideration is to be discussed. The question is, will it have the effect to stimulate the action of the friends of silver on the other side of the Atlantic? It will certainly prevent a continued fall in the price of silver, which otherwise might occur with the increase in its production. It will undoubtedly bring about a rise in price beyond the rate of to-day. It will in a practical form bring to the attention of every thinking man in the countries of Europe and Asia the peculiar interest which these countries severally have in the ratio of the precious metals to each other. I trust it will more clearly demonstrate to all, whether specially attached to silver or to gold, or to paper money based upon one or both, that the true interests of all is in a settlement. Such a settlement is practicable. As I have said, the proposition of the United States in this regard is yet outstanding. It is in view of the known purpose of the United States to promote the cause of silver that the perturbations, whether beneficial or injurious, which this act shall cause will be regarded in Europe and Asia.

I, for one, am willing that the experiment shall be tried. I say experiment advisedly, for it is an experiment whether the Senators who may give it their support think so or not. This Congress can not pass an act which will be a finality upon this great question. It must be tentative and experimental; a measure liable to repeal or modification in a wider sense than is usual with such acts. The final object of our policy is to establish a legal equality between gold and silver. Gold

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is universal, international money to-day, silver is not; it will not be international money should this bill be passed. It remains for the Legislatures which have given gold the privilege by virtue of which it holds its rank as universal money to give a similar privilege to silver. Until this is done there can be no equality as money between the two metals. This is the fact of all facts, and it is useless for Senators to endeavor to persuade themselves or to attempt to persuade others to the contrary. This fact defines in advance the limitations upon the policy of Congress. It is well we should all fully understand that the expectant attitude of the past must be maintained. The bill reported from the Finance Committee was prepared with a view of keeping within these limitations.

VIII.

To this distinctively pro-silver measure, which I believe to be wise and conservative, are opposed propositions for free coinage and for the unlimited purchase of silver bullion.

There is a radical difference between the position taken by the friends of the movement for the international restoration of silver and that of Senators who support these extreme measures. The latter base their proposals on the illogical theory that the cause of silver is a local issue. They treat it as if it were confined to the limits of the United States. They attribute all the ills from which our people, or any portion of them, have suffered in the past twenty years to the adoption of the mint act of February, 1873. They assume that this act alone, which is flip-pantly characterized as a crime against civilization, has produced disastrous results upon the business and prosperity of the country beyond computation. Because we had a much higher range of prices prior to 1873 it is assumed that the people of the country were vastly more prosperous in that period, and as this condition of higher prices and greater prosperity was coincident with a law permitting the unlimited coinage of standard silver dollars, therefore that both higher prices and prosperity must necessarily return with the re-enactment of legislation permitting the free coinage of silver.

This argument is hardly worthy of serious consideration. A mere statement of the facts discredits it. The permission to coin silver existed, but no one cared to take advantage of it. What influence could

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this mere shadow of a fact exert? There had been but a trivial amount of legal-tender silver money in circulation in the United States from 1834 to 1853 and none between 1853 and 1873. As there was no legal-tender silver money in existence, it could not have exerted any practical influence upon the prices of commodities or upon the prosperity of the country.

Indeed, if the period referred to was one of high prices and unexampled prosperity the friends of the gold standard might with much more force claim that this thriving condition of affairs was owing to the fact that gold alone was used as the metallic money of the United States. The argument for gold would rest on something that actually happened, while that in favor of silver would depend on something which did not take place. If the intentional exclusion of silver from use in this country as legal-tender money is held to be criminal or evil in its results, we must find as the guilty parties President Jackson, Mr. Benton, and the other leaders of the hard-money Democracy of 1834. The authors and promoters of the coinage acts of 1834 and 1837, by the adoption and retention of the ratio of 16 to 1, deliberately excluded from the Mint of the United States its own silver product and that of Mexico and the other American states. The law nominally provided for a double standard, but in effect it established gold as the sole standard.

If it should be said, on the other hand, that it was legislation, and not the actual use of silver money, that induced prosperity, our course now would be simplified. It would be much more economical for us to follow the precedent of 1834 and pass a bill which would nominally permit the free coinage of silver, but actually prevent its use.

It is further maintained in the same interest that the act of 1873 was a wicked and deliberate disturbance of the equitable relations then existing between the debtor and creditor classes of the country, which should be corrected; that by its operations an appreciation in the value or purchasing power of money took place to the extent of 40 per cent.; and it is proposed now, after the lapse of nearly a score of years, for the purpose of enabling the debtors of to-day to discharge the enormous amount of their indebtedness by some easy method, to depreciate the value of money to the same extent, thus to establish what they call an equilibrium. It is difficult to conceive of a more illogical argument

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than this, and yet, by consent of all its eloquent advocates, this is the chief of all arguments in favor of the unlimited coinage or purchases of silver.

It is evident that but a very small proportion of the present indebtedness of the country of any kind was contracted prior to 1873, and it is further evident that of that portion which has continued for seventeen years without modification of contract almost the entire sum must be owing by large railroad and other corporations, who are not the most worthy objects of our solicitude. The great mass of indebtedness has been contracted within a few years and is therefore payable in money equal in value to that now in circulation. If certain persons suffered from the legislation of 1873, we can not redress their grievances by authorizing an entirely different class in 1890 to repudiate one-third of their indebtedness.

When we look closely into the matter, we shall find that the great creditor class, great in number and in the total of credits due them, are the intelligent and thrifty workingmen and working-women of the country. The legalized robbery now proposed is directed mainly against them. They are the depositors and stockholders in our savings-banks and other moneyed institutions. Their deposits and investments of this and other kinds and the vast sum due to them constantly for wages constitute an enormous credit fund, upon which rests the business of the country. It is proposed to abstract a large portion of the savings or the earnings of these for the benefit of speculators and railroads or other large corporations, and large employers of labor, who would be the principal beneficiaries of the legislation proposed.

In strange contrast with these frantic appeals for a restoration of the status which existed before 1873 is the fact that the advocates of unlimited silver actually desire to establish something quite different from the monetary condition which then existed. By the terms of the mint act of 1853 depositors of silver bullion were entitled to receive standard silver dollars for each 412½ grains of silver nine-tenths fine deposited, subject, however, to a coinage charge of one-half of 1 per cent. to cover the cost of mintage. The revival of this privilege would be far from satisfactory to silver inflationists, for obvious reasons. What could the depositors do with the coin they would receive? It could not be kept in circulation as money to any considerable extent. With the most

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strenuous exertions of the Department to promote the circulation of silver dollars by paying the expense of their transportation from the Treasury to any part of the country the amount in circulation has never reached \$1 per capita. Experience has thus conclusively shown what the habits of our people are. Can any Senator point out any means by which their habits can be changed in this regard? By the extraordinary efforts of Secretary Manning to enforce their monetary use by withdrawal of ones and twos of United States notes and national-bank notes a maximum circulation of \$61,000,000 was reached in 1886, but this amount was reduced to \$56,000,000 in 1890 by natural causes. Public protests against the action of the Treasury Department were so vigorous and universal that it is safe to say that the experiment of Mr. Manning will not be repeated, and it seems unlikely that silver dollars will ever secure a much wider place in the circulating medium of the country than they now have.

The friends of unlimited silver are conscious of these facts. They use the appeals in behalf of the *status quo* before 1873 simply as a rallying cry. When obliged to reduce their ideas to the form of a bill we find that it is not the silver dollar of the fathers that reappears, but a new paper certificate or note of some kind, and in all cases silver is remanded to the position of monetary merchandise consigned to Treasury vaults, with no expectation that it will ever circulate from hand to hand.

IX.

It is further to be observed that all the extreme propositions pending agree in extending either to silver coin without limit or to silver bullion without limit the ratio of legal equivalence to gold of 16 to 1, or rather 15.984 to 1, established in 1834. Even if these schemes were tolerable on other grounds, they would require radical amendment in this. The thousand millions of European silver is coined at the ratio of 15½ to 1, and if an agreement is reached with other nations it will probably be upon that basis.

With our mints open, if France or any other European country should attempt to extend the use of silver by opening its mints, silver would flow to them from the United States as it did in the years prior to 1873. So the ratio of 16 to 1 here would interdict the coinage of legal-tender

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silver outside of Asia, Mexico, and the United States. With any probable enlargement of the silver output the concurrent action of nations on the lines heretofore proposed by Congress would readily maintain a fixed ratio. But the selection of a ratio is a matter to be agreed upon by concert of action between independent nations. To attempt in the face of the facts I have set forth to impose a ratio of 16 to 1 upon Europe is simply to put an obstacle in the way of international agreement.

The Senator from Colorado recognizes the fact that the American people will not consent to the direct use of silver dollars as money, and for this reason proposes, instead of free coinage, the unlimited purchase of bullion at the ratio of 16, that is to say, at a fixed price of \$1.298 per ounce. For each 412½ grains of silver bullion nine-tenths fine deposited in its mints and assay offices he proposes that the United States shall issue its obligation to the amount of \$1 in the form of a Treasury note which is made a legal tender for all debts, public and private.

This, in a word, is the enforced compulsory purchase, without limit as to quantity, of the silver bullion of the world, at a price 30 per cent. in excess of its present market value. In the absence of any action guarantying the general status of silver as a money metal, and establishing its value relatively to gold, this proposal is unique; it is safe to say it has no parallel in the monetary history of the world.

If, pending the effort to secure this complete restoration, it is desirable—and I agree that it is—to increase our purchases of silver bullion as a basis of circulating notes, then these purchases should be made in fixed sums at stated periods; and if they are to be made for the public benefit, they should certainly be made at the market price.

If the silver now in the Treasury had been purchased at the price fixed in the amendment of the Senator from Colorado—that is, \$1.298 per fine ounce—the cost to the people of the United States would have been \$112,000,000 greater than if purchased at the price current for the year 1889.

The evils which would arise from the adoption of this proposal for unlimited silver purchases may be summarized as follows:

First. It would inevitably create distrust and alarm in conservative business circles. While the inflation sure to follow would raise prices and induce an era of wild speculation, legitimate industrial and busi-

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ness activities would all the time suffer from the doubt and uncertainty necessarily arising as to what would be the ultimate consequence of a change in monetary standards.

Second. We should be overwhelmed with an influx of silver from every part of the world, which would by its effects drive out gold, and place the country upon a silver basis.

Silver would flow to the United States by virtue of a law as irresistible as the law of gravitation. It would come here because the United States would effectively pay a higher price for it than could be obtained elsewhere, and the inflow would continue as long as the price was higher here than in any other part of the world. It would come here by operation of the same law that for years sent silver from Nevada and from the ancient mines of Mexico past the open doors of the mints of the United States to Paris, because the mint value of silver bullion in that city was $3\frac{1}{2}$ per cent. higher than in Philadelphia or New Orleans. Now, if it be the desire of the Congress of the United States to attract the silver stock of the world to our shores it would not be necessary to bid 30 per cent. above current market values. Any appreciable percentage of excess over the cost of transportation would be sufficient, as has been shown by the experience I have referred to.

It is important that the people of the United States should understand the exact character and practical effect of the legislation proposed by advocates of unlimited purchases of silver. Having taken steps to force out of existence the national-bank notes, a perfectly safe and satisfactory form of credit currency, whose issue imposes no responsibility or expense upon the United States, but is an actual source of annual revenue, the silver extremists make this enforced retirement the excuse for enforcing an unlimited increase in the obligations of the United States, in the form of Treasury notes issued for purchases of silver bullion. The issue of these notes would impose upon the people of the United States, first, an obligation to provide for their redemption and to maintain their parity with other forms of money; second, the expense which would be involved in the purchase of the bullion at a price greatly above its present market value; third, the cost of coining the silver and of engraving, distributing, and redeeming the notes. As a net result, we should have, therefore, an extra cost to the public for each hundred million of dollars issued of possibly twenty-five to thirty millions of

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dollars for the bonus paid to the holders of silver bullion, and \$1,000,000 for unnecessary mintage. This would be enhanced annually by a million dollars for extra expense of maintaining these notes as compared with national-bank notes.

There are, however, considerations of more importance to this powerful and progressive people than the additional expense, great as it is, involved in the currency changes proposed. In the midst of an era of unexampled progress and prosperity, with a sound currency, every portion of which has an established parity with the chief money of the civilized world, with the Treasury holding a sufficient stock of gold to guaranty a continuance of this parity, we are startled by a proposition which will disturb confidence, destroy commercial activity, throw suspicion upon public and private contracts, and establish confusion in place of order.

X.

The effects of this proposed monetary revolution would be equally disastrous to the cause of silver. There exists, as I have observed, a universal willingness and anxiety to restore silver to its ancient place as money, and this is taken advantage of and made the excuse for measures which promise irreparable injury to that cause, and which would place in peril every material interest of 65,000,000 people. So ill-advised are the silver extremists in Congress that in the legislation they propose every safeguard suggested by the conservative judgment of men who have given monetary subjects intelligent study and every limitation which the experience of nations have shown to be indispensable against disaster are wantonly disregarded.

It is true these advocates of unlimited purchases propose an answer to the objection that we should be flooded with silver if their proposal were adopted. They assert—

1. That there is no surplus stock of silver in the world beyond that in use for coinage purposes.
2. That to send the silver in use as coin to the United States for sale would entail a great loss on exporting countries.

It is apparent from careful examination that neither of these points is well taken. Dr. Soetbeer estimates the silver production of the world from the discovery of America in 1492 to the present time, roughly, at

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\$9,500,000,000, and that of this amount from three thousand five hundred to four thousand millions are represented in the silver coinage of the world. If we estimate that one-fourth of the total amount has been destroyed we should then have, say, \$3,750,000,000 worth of silver now in existence in other forms. In view of these estimates it is quite as incorrect to say that there is no surplus stock in the world, as it would be impossible to determine just what the portion of the silver hoard existing in the form of ornaments or otherwise would be offered for sale if the price of bullion should be augmented.

It is quite possible, however, that the United States might be deluged with silver from sources quite independent of this general stock of the world, if the policy of unlimited purchases should be adopted by this country alone. Current production would be greatly stimulated by the bid of the United States to purchase at an exaggerated price, and the total amount of such increment would be poured into our vaults. The advocates of free coinage in 1876-'77 confidently predicted that the silver production of the world had reached its maximum, and that a gradual return to the normal average of the century prior to 1860, or about 20,000,000 of fine ounces per annum, was inevitable. In place of this, however, we have had a constant increase in production, until in 1889 the product of the world as estimated by the Director of the Mint, reaches the aggregate of 125,830,000 fine ounces, or more than six times the annual average for the century referred to.

The table which I will append to my remarks, marked Exhibit A*, shows the silver production of the United States for the years from 1873 to 1889 inclusive, according to the estimate of the Director of the Mint and of Mr. Valentine, to which is annexed a table (see Exhibit B) containing Mr. Valentine's estimate of the silver product of Mexico for the past twelve years. The first table discloses that an increase in the annual production of the United States has taken place, by Mr. Valentine's estimate, from 21,000,000 fine ounces in 1873 to 69,000,000 fine ounces in 1889, and by the estimate of the Director of the Mint an increase from 27,000,000 fine ounces in 1873 to 50,000,000 fine ounces in 1889. And this took place in the face of a decline in the average value from \$1.298 per fine ounce in 1873 to \$0.935 per fine ounce in 1889. The increase in Mexico is equally significant. The silver pro-

* The table referred to may be seen in the printed proceedings of Congress for the date mentioned.

duction of that country rose from \$25,000,000 in value in 1877 to \$41,000,000 in 1889.

If this remarkable increase has taken place simultaneously with a constantly decreasing price for silver, we may anticipate—with an enhanced value and with improved methods, with the opening of new fields and the discovery of new mines—a more rapid increase in the near future. It is understood that a considerable number of mines in Montana and in other sections of the country which are not profitable to work at the present low price of silver would be at once put in operation if a considerable advance should take place. In 1875 the value of the silver product of Montana was \$650,000, while in 1889 it was over \$20,000,000. In 1887 200,000 fine ounces of silver were produced in Australia, and in 1889 8,600,000 fine ounces. The gold product of Australia has for a number of years been equal to that of the United States, and it is quite possible that this country may be an equally formidable rival in the production of the white metal, as some of the mines recently opened in the Broken Hills district are said to be the richest in the world.

But, in any case, if either of the extreme measures proposed should become a law we should have established a market for the surplus silver coins of European states. It is with strange confidence assumed by the silver extremists that the European countries which hold large amounts of silver coin at a nominal rate greatly in excess of its bullion value could not sell their silver for shipment to the United States without a loss equal to the difference between such nominal value and the sum received for the bullion. It will appear, however, upon investigation, that this claim has no foundation whatever. The value of its silver or other coins to a Government is simply the market value of the bullion contained therein plus the cost of coinage. It must also be remembered that the European countries who hold this \$1,000,000,000 in silver coin have no pecuniary interest in the production of silver. We may safely assume that they will be ready to exchange a considerable portion of their silver holdings for gold if an opportunity should be given them to do so without an actual loss. We can easily illustrate the situation of European Governments in this matter by reference to the position of our own Government in a case directly under our eyes.

There is now in the Treasury of the United States, borne on the books

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as an unavailable asset, subsidiary silver coin to the nominal value of \$25,000,000. Its bullion value at the present market rate is, say, \$17,000,000. If this coin should be destroyed the loss to the United States would be \$17,000,000 and not \$25,000,000. If it should be sold at its bullion value (\$17,000,000), and we should afterwards desire to coin \$25,000,000 in nominal value of subsidiary coins, the requisite bullion—the market remaining unchanged—could still be bought for \$17,000,000, and the only loss we should suffer would be the cost of mintage.

We might take a more pertinent illustration in the case of the Belgian five-franc pieces now held by the Bank of France, which are liable to be returned to Belgium at the close of the present year under the stipulation of the convention by which the Latin Monetary Union has been continued from year to year. The nominal value of these coins is, say, 200,000,000 francs, which would have a bullion value at the present prices of, say, 150,000,000 francs. If Belgium has, as I believe, no use for these coins for monetary purposes and the price of silver bullion should remain constant, she could sell them without loss for 150,000,000 francs. As a matter of fact, however, under existing conditions, no unlimited-purchase act having been passed in the United States, they could not be sold at the present market price, for to throw this large amount of bullion upon the market would cause a serious break in prices. If, however, the United States should make an offer, through Congress, to buy this coin for 194,000,000 francs in gold, equivalent to 59 pence per ounce, does any one suppose that Belgium, as a prudent Government, would neglect to make the sale? If the price of silver bullion should remain at the price of 59 pence per ounce, the equivalent of the United States Mint price, and Belgium should decide to replace her coinage, the only expense she would be subjected to by the entire transaction would be the cost of transforming the bullion into coin. If, on the other hand, the United States should not be able to maintain the price of bullion at 59 pence per ounce and it should fall back to the present price, and then Belgium should see fit to replace her coinage, she would make an actual profit of 44,000,000 francs by the transaction. In any event the only possible loss to the Belgian Government would take place in the case of a subsequent advance of silver above the American mint price, which would be altogether improbable.

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If Belgium should require bullion or coin for monetary use, for instance, as a basis for bank-note circulation, the gold obtained by the sale of silver would have equal if not greater value for this purpose.

The same reasoning applies to all the silver stocks of Europe. In fact, no man can safely limit his predictions as to the amount of silver which would be discarded by European governments and would find its way into the American Mint if the policy advocated by the Senator from Colorado should be adopted. It is quite certain that we should enable Germany to sell her 150,000,000 silver thalers if she were so disposed.

This view is enforced by an article in the Hamburg Exchange newspaper (*Börsenhalle*), of the 20th of March, 1890, written by Professor Adolph Soetbeer, in which he uses the following language:

There can be no doubt that the present position of Germany is in all respects a favorable one as compared with other countries, and inspires confidence in the future. Germany can therefore continue calmly to wait and observe the influence which the silver crisis apparently impending in the United States will exert on the price of silver. But if the expectations should be realized of those who expect that the policy thus adopted shall, through enlarged purchases of silver for the treasury and speculations connected with them, raise the price of silver to a great height for a time—merely to bring it down and keep it down afterwards—then certainly the imperial Government should promptly take advantage of the opportunity (*würde die Reichsregierung diese Konjunktur rasch zu benutzen haben*) and bring about the desired completion of our coinage reform by selling off large sums of silver out of our thalers to be melted.

No Senator, I suppose, will question the authority of Dr. Soetbeer.

Mr. TELLER. I should like to ask the Senator if he means to say that Dr. Soetbeer speaks officially?

Mr. ALDRICH. Mr. President, he does not, of course.

Mr. TELLER. He is not an officer of the Government?

Mr. ALDRICH. I suppose the Senator from Colorado undertands that as well as I do.

Mr. TELLER. I should like to say that he does not state in that article (for I have the article on my table at home) that the Government will do this. He says very likely the Government will do this. His letter appeared in the *French Economist*, perhaps ten days or two weeks ago. He only makes the suggestion.

Mr. ALDRICH. I quote from his exact words, translated with as literal accuracy as it is possible to translate them. That is all I can say about it.

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Mr. TELLER. I have a copy of it, and I am capable of translating it, and I know he does not make the assertion. It is hypothetical; he says possibly, very likely, or something to that effect, the Government may take advantage of that.

Mr. ALDRICH. It does not make the slightest difference to my argument in which form the statement was put. I am only suggesting to the Senate the fact that if we should agree to purchase an unlimited amount of silver bullion we should furnish a market for Germany if she should be disposed to sell her stock.

Since the commencement of the debate upon this bill the long-expected demonetization of the silver stock of Roumania, formerly a member of the Latin Union, has been made possible by the prospect of silver legislation here. It is said that a syndicate has already bought a part and taken an option on the rest of her silver. This is but a sample of what might occur all over Europe.

The proposition made by the professed friends of silver interests therefore amounts to this:

That the United States shall enable Europeans to exchange for gold such portions of their thousand of millions of dollars in silver as we could pay for before the final collapse in the gold price of silver should come. And the collapse might come very soon, for the transfer of half their silver to the United States, independently of what we should receive from other sources, would send our gold abroad and leave us with a paper circulation and on a silver basis.

It is perhaps possible that silver inflation would take effect gradually. At first the notes issued for the purchase of bullion would have an equal purchasing power with gold, but as the issue became inflated through the rapid inflow of silver, prices of commodities would be artificially advanced and the value of the notes diminished until a note representing 412½ grains of silver coined into a dollar would have no greater purchasing power than 412½ grains of silver bullion. Gold would sell at a premium or be driven from circulation, and from the country. The silver dollar would become the standard of value, and the people of the United States be once more forced to suffer from the manifold evils of a depreciating and fluctuating currency.

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XI.

For the purpose of proving that silver would not flow to the United States in the manner I have indicated, if the policy of unlimited purchases should be adopted, Senators have cited the experience of India and Mexico. It is true that the mints of both these countries are open to the unlimited coinage of gold and silver at the nominal ratio, in the case of the former of 15 to 1, and in the latter of $16\frac{1}{2}$ to 1. And these countries do undoubtedly furnish a striking example of what would be likely to occur in the United States with unlimited coinage here; but the precedent is a very unfortunate one for the cause of our free-silver friends. Both India and Mexico are on a silver basis, and in both countries gold is a commodity sold at its commercial price, and in their business centers the currency, in so far as it is responsive to the influence of foreign trade and investment, fluctuates in value from day to day and from hour to hour with the London price of silver bullion. While in British India both gold and silver can be taken to the mint and coined without limit upon payment of a seigniorage of 1 per cent. in case of gold and 2 per cent. in case of silver, yet the silver rupee is the sole standard of value and the only legal-tender money. In other words, while the legal ratio of India is 15 to 1, this "ratio" is merely a nominal one. It does not mean that 15 ounces of coined silver can be exchanged in the markets of India for 1 ounce of coined gold. If such a thing were possible the silver of the world would undoubtedly flow to India at a very rapid rate until her gold holdings were exhausted, and that, of course, would soon take place. It actually takes as many ounces of coined silver to exchange for an ounce of coined gold in Calcutta or Bombay as it does in London. A hundred and eighty grains of standard silver coined into the rupee has no greater purchasing power in India, as against commodities or gold—saving the cost of mintage—than the same number of grains in the form of silver bullion would have. It can therefore readily be seen that there would be no margin of profit in shipments of silver bullion to India beyond the current demands of business with that country.

It is significant that Senators who are demanding the unlimited coinage of silver should find in India and Mexico the only exemplification

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of the policy which they seek to impose upon the people of the United States. As we are asked to adopt this policy ostensibly for the benefit of the farmers of the country and to relieve them from the burdens of indebtedness, it may be instructive for us to consider the conditions of that class in a country which has for centuries enjoyed the blessings (?) of the free coinage of silver. In a paper read before the British Institute of Bankers last month by an Indian banker, the following statement is found:

Almost every ryot (or farmer) has an account with a money-lender and a balance against himself. This account often runs through two or three generations and is rarely paid off entirely. It usually originates in a small advance by the money-lender, who probably gives him 70 or 80 rupees, taking a bond for a hundred bearing interest at the rate of 2½ per cent. per month. The ryot in return makes payment in grain or other products of the soil, which are always valued against him. After going on in this way for a number of years, the ryot finds out that although he is continually paying he is only getting deeper into debt. These remarks are applicable to all India.

Mr. REAGAN. Mr. President—

The PRESIDING OFFICER (Mr. COCKRELL in the chair). Will the Senator from Rhode Island yield to the Senator from Texas?

Mr. ALDRICH. Certainly.

Mr. REAGAN. I inquire if the Senator is aware that there has been a steady accumulation of gold in India for certain years past?

Mr. ALDRICH. I will reach that subject in a very few moments.

Mr. REAGAN. I merely wanted—

Mr. ALDRICH. If the Senator will be patient with me I shall explain that.

Mr. REAGAN. I wished to know if the Senator was aware of that fact.

Mr. ALDRICH. Yes, sir.

The most doleful imaginings of the Senator from Missouri [Mr. VEST] in regard to the condition of the farmers of the Northwest can not equal this picture taken from actual life in India. When we consider the condition of the people of India I do not think the people of the United States, proud of their achievements and progress in civilization, are likely to adopt that country or Mexico as a model.

Now I come to the point referred to by the Senator from Texas [Mr. REAGAN]. The fact that the gold imports of India have been very large during the free-coinage period, with a so-called ratio more favorable to silver than ours, is construed as evidence that that metal would continue to flow to the United States in case free coinage was adopted

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here. It is difficult to treat such arguments seriously. What are the facts?

The total net importations of gold into India for the fifty years succeeding 1835 amounted in value to 1,276,000,000 rupees. Of this sum, however, but 2,000,000 rupees in value were coined during the entire period. The balance was, therefore, hoarded, made into ornaments, or used in the arts. On the other hand, the total net imports of silver into India for the same period amounted to 2,638,000,000 rupees, and the total silver coinage to 2,992,000,000 rupees. As the circulating silver coinage of India is now estimated at 2,000,000,000 rupees, it would appear that the people of that country have absorbed, for use in ornament or as a hoard in fifty years 1,275,000,000 rupees' worth of gold bullion, and nearly 1,000,000,000 coined rupees of silver. It does not appear that any portion of the large shipments of gold to this country has at any time been in use as a circulating medium.

It is hardly necessary to add that the monetary experience of Asiatic countries is not likely to furnish precedents which should control our action.

XII.

The only serious attempt to answer the argument that the United States would not be able to maintain, unaided, the fixed ratio between gold and silver is by reference to the fact that her law of 1803 enabled France alone to maintain for seventy years the ratio of 15½ to 1. This statement, however, is fallacious. France was not alone in the proper sense of the word. It is true between 1803 and 1865 there was no formal combination of nations agreeing to a common ratio between gold and silver. Yet it was a condition of substantial equilibrium in the demand for gold and silver for monetary uses in other countries which enabled France to effectively maintain the ratio established by her mint law from 1803 to 1865.

In most other countries silver was the principal money and the legal unit of coinage. The rouble, gulden, florin, thaler, piaster, and real, which make the circle around France from the Baltic and the Adriatic to the Bay of Biscay, were all silver. There was little gold in use. It was substantially a trade coin, sometimes taken at schedule rates at the Government offices, and sometimes in accordance with what may be called the parallel standard. The English laws of 1816-'19 excluding silver from full legal tender made no substantial change in the loca-

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tion of existing silver. When resumption was reached in England and she redeemed her bank notes in gold this action tended to raise the price of that metal. Gold became the principal money in London, the great center of exchanges, while silver was used as money everywhere else. In her central position, with her great metallic stock, France was thus enabled to control tendencies to fluctuation in the value of either metal.

This state of affairs continued until the gold discoveries changed the relative quantities of the metals in Europe, and, coincident with the great abundance of gold, largely increased importations of merchandise from Asia took place, and these were met by large shipments of silver to the East. Changing conditions of supply were thus met by equalizing changes in demand, and France was still enabled to balance the two metals at the ratio she had established. But France in 1873, notwithstanding the assistance which she had from her associates in the Latin Union, was obliged to confess her inability to longer maintain the ratio of a century, and, coincidentally with the sales of German silver, closed her mints to private coinage. The example of France, therefore, furnishes no precedent which should lead the United States to seek alone to establish a fixed ratio between the two money metals.

New conditions have arisen, and a much stronger alliance would now be necessary to restore and maintain an equilibrium in the relative value between silver and gold. Silver is now an outlaw, or at best simply tolerated in the entire cordon of states which early in the century so successfully maintained her cause. The merchants of all the great financial capitals of the world have now joined London in acknowledging the supremacy of gold. The conditions of production, supply, and demand have been reversed, and no thoughtful friend of silver believes that the United States could successfully maintain the position which the states of the Latin Union felt obliged to abandon many years ago.

XIII.

I have already alluded to the retirement of national-bank notes. It appears upon examination that during the four years ending March 31, 1890, an aggregate contraction had taken place in the volume of national-bank note circulation of \$125,443,131, or an average annual reduction of \$31,360,783. In addition to this large reduction, \$62,334,584 of lawful money had, at the date named, been deposited in the Treasury of the

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United States for the purpose of retiring an equal amount of outstanding notes. This indicates, unless amendatory legislation is adopted, that within the next three years a further reduction of the bank-note issues will take place amounting to at least \$100,000,000, and the amount of this portion of our money will be reduced to the legal minimum. This important diminution in the volume of our currency, taking place concurrently with a large increase in our population and the rapid expansion of the business of the country, has caused the present demand for a revision of our monetary legislation. The action on the part of the national banks in contracting their issues is the necessary result of the appreciation of United States bonds to such an extent as to render the retention of their circulation unprofitable. When the act was passed extending the bank charters, it was believed that these associations would continue to furnish an element in our circulating medium which would expand or contract with the changing demands of trade. It soon became evident, however, that unless important changes were made in the laws regulating the issue of this form of currency it was doomed to extinction. The adverse fate of the respective measures which have been introduced in one House of Congress or the other within the past three or four years has disclosed the purpose on the part of a controlling majority to facilitate and render certain this destruction.

By an examination of the tables which I append to these remarks (marked Exhibit C and Exhibit D*), and which have been carefully prepared by the Treasurer of the United States, at my request, showing the amount and denominations of paper money of all kinds in circulation in the United States at stated periods from the 30th of June, 1878, to the present time, it will appear that while the shrinkage to which I have alluded has taken place in the volume of national-bank notes that an increase had taken place during the four years ending March 31, 1890, in other forms of paper money, amounting to \$268,015,404, or a net increase, after deducting the loss of national-bank notes, of \$142,579,273.

Of this increase much the larger portion was owing to the fact that during the period named the amount of silver certificates in circulation was augmented \$200,000,000, or an average annual expansion of \$50,000,000. This unusual enlargement in the volume of the outstand-

* The tables referred to may be seen in the printed proceedings of Congress for the date mentioned.

ing silver certificates was \$72,000,000 in excess of the current coinage of standard silver dollars. This sum represents the amount of certificates which were issued on account of silver dollars coined prior to 1886 and at that time held in the Treasury uncovered by notes to the amount of \$96,000,000. This expansion of the issue of silver certificates for the years following 1886 was made possible by the act of August 4, 1886, which provided for the issue of silver certificates in denominations of one, two, and five dollars. Since that time silver certificates of these denominations, as will appear from an examination of the table I have referred to, have taken the place of national-bank notes and legal-tender notes of like denominations. It is evident from the comparatively small amount of uncovered silver dollars now held in the Treasury that in the future the issue of certificates for notes based on silver coin or bullion can not exceed the current purchases of silver.

As I have already stated, the advocates of an issue of paper notes based upon unlimited silver purchases base their arguments upon the theory that we are suffering from an insufficient and contracting volume of money. To prove the inadequacy of our currency, statements have been submitted showing the per capita amount of money in circulation at various periods in the United States in comparison with that in France and other nations. I am not willing to admit that the relative prosperity of nations can be ascertained by such an elementary process as by a comparison of their per capita circulation. Differences in methods of doing business, in habits of hoarding, in the use of various forms of credit and of banking facilities, and many other disparities in condition, affect the question of the quantity of money required by different nations or by the same people at different periods. Statistics of the amount of money in circulation in any country must necessarily be defective. An estimate submitted to the Monetary Congress held in Paris last year gives the per capita circulation in the year 1889 of the leading nations as follows:

France, \$41.12; Belgium, \$28.23; Holland, \$26.48; Great Britain, \$18.87; Germany, \$17.44; Austria, \$7.92.

This table, in my opinion, simply illustrates differences in the habits of the people of the countries referred to. If the average of the circulation of these states should be held to furnish a conclusive rule for

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our guidance, the circulation of the United States (\$25 per capita) must be excessive.

I understood the Senator from Nevada [Mr. JONES] in his speech opening the discussion upon the pending bill to state that the amount per capita of circulation in any country was not of itself of special consequence, that is, whether it was \$1 or \$50, but that it was of vital importance, the volume having once been properly established and other conditions remaining unchanged, that it should not be permitted to diminish, but rather that it should increase *pari passu* with the enlarged demands arising from the growth of population and business.

If we assume this theory to be correct, for the purpose of ascertaining the relative sufficiency of the money of the United States, at various periods, I submit a table (see Exhibit E*) prepared by the Treasurer, showing the various kinds of paper money and coin in circulation at stated times during the period from 1878 to the present time, and the amount of per capita circulation, taking the estimate of population by the Bureau of Statistics as a basis for computation. This table shows a total per capita paper money of all kinds in circulation on June 30 of each year, as follows:

In 1886, \$13.57; 1887, \$13.71; 1888, \$13.92; 1889, \$13.94; March 31, 1890, \$14.42.

If we exclude from this calculation gold certificates, which are not in general circulation, we have the following result:

In 1886, \$12.26; 1887, \$12.21; 1888, \$12.02; 1889, \$12.10; March 31, 1890, \$12.37.

In the preparation of this table and the one heretofore submitted, I have taken the period commencing in 1878 for the comparison partly because the data available since that time are much more reliable, and partly owing to the fact that the money in circulation prior to that time was largely composed of depreciated paper. A careful examination of these two statements discloses a remarkably constant relation between population and volume of money in circulation in the United States for the whole period. If it should be admitted that this volume was sufficient at any time to answer the demands of our people, it is difficult to resist the conclusion that the amount must have been at all other times very nearly sufficient for that purpose. The only

*The table referred to may be seen in the printed proceedings of Congress for the date mentioned.

diminishing element, as I have already stated, has been the national-bank notes.

Had there been no forced contraction in the volume of these notes we should have had on the 31st of March last a per capita paper money, including gold certificates and excluding the amount held by the Treasury, of \$16.33; excluding gold certificates \$14.28; and an aggregate of paper and coin, including standard silver dollars, of nearly \$25 per capita, which latter sum is a much larger per capita amount than has been in circulation in this country at any time within its history, not excepting the periods of greatest inflation during the war.

It has been repeatedly stated by Senators during this discussion that the reports of the Treasury Department in regard to the amount of money actually in circulation are incorrect and misleading, and that a large proportion of the sums reported as in monetary use were withheld from circulation, and largely by the national banks. In the tables which I have submitted the amounts of all coin and notes held in the Treasury are excluded from the calculation, and the stated amounts in circulation represent the amount of money in actual use outside of the Treasury. The portions of these respective sums held by national banks at the various periods from 1870 to 1889 are shown by the following table prepared by the Comptroller of the Currency:

Statement of the amounts of gold certificates, silver certificates, legal-tender notes, and national-bank notes held by the national banks, as shown by their reports of condition, at the dates named, for the years 1880 to 1889, inclusive.

Dates.	No. of banks.	Gold certificates.	Silver certificates.	Legal-tender notes.	National-bank notes.	Totals.
June 11, 1880.....	2, 076	\$8, 439, 560	\$495, 400	\$64, 470, 717	\$21, 908, 193	\$95, 313, 870
June 30, 1881.....	2, 115	5, 137, 500	945, 590	58, 724, 713	21, 631, 923	86, 443, 726
July 1, 1882.....	2, 239	4, 440, 400	854, 040	64, 019, 518	21, 405, 758	90, 719, 716
June 22, 1883.....	2, 417	32, 791, 590	3, 121, 130	73, 832, 458	20, 278, 856	130, 025, 034
June 20, 1884.....	2, 625	26, 637, 110	2, 861, 000	76, 917, 212	23, 386, 695	129, 802, 017
July 1, 1885.....	2, 689	74, 816, 920	3, 139, 070	79, 701, 352	23, 465, 388	181, 122, 730
June 3, 1886.....	2, 809	41, 446, 430	1, 812, 290	70, 656, 788	25, 129, 938	139, 045, 446
August 1, 1887.....	3, 014	54, 274, 940	3, 535, 479	74, 477, 342	22, 962, 737	155, 250, 498
June 30, 1888.....	3, 120	68, 761, 930	7, 694, 854	81, 995, 643	21, 343, 405	179, 195, 832
July 12, 1889.....	3, 239	69, 517, 790	12, 452, 057	97, 456, 832	24, 761, 487	204, 188, 166

It should be borne in mind that the sums held for this purpose are doing as effective service as money as if actually held in the pockets of the people.

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It will be noticed that while the aggregate money circulation of the United States increased from 1878 to 1890 to the extent of \$618,000,000, the currency holdings of national banks have increased but \$109,000,000. Treasury statements do not, of course, take into account the amount of money destroyed from time to time by fire or other casualties, but careful investigation has shown that the amount of currency lost in this way is not considerable in amount and would not affect the substantial accuracy of the statistical statements I have submitted.

If we assume, in view of the continued retirement of the national-bank notes, that the natural growth of the business of the country will require an addition to our circulating medium equal to the average issue of silver certificates during the past four years, say about \$50,000,000 per annum, the problem which we have in hand is to decide the character of the notes to be issued.

If, as I infer, the policy is to be maintained of restricting the money of the United States to purely national issues, it is important that these issues should be invested with all the attributes which universal experience has shown to be necessary for stability and security. It is our duty to supply the country with a currency which is not only adequate in volume but every portion of which can be maintained at an equivalence in value with every other portion. If it is to be of paper, and this is evidently to be the money of the future, it should always be exchangeable with and convertible into coin of full value, acknowledged by the commercial world as money, and there should be no room to doubt its ultimate security. With the tendency in modern times to make the money metals the basis of circulating notes rather than the actual medium of exchange in transactions and with the conditions which surround modern business, I believe that coin certificates or Treasury notes based upon deposits of bullion of equal value constitute an ideal money.

From the nature of things it is impossible to secure a currency of perfectly stable purchasing power, but for obvious reasons every legitimate means should be taken to lessen the extent and rapidity of fluctuations. The dislocation of parity between the metals has interrupted the automatic flow of silver from country to country to answer changing conditions. While silver remains in its present abnormal condition the healthy enlargement of our currency, upon which so much depends, should not

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be left to the accidental or speculative condition of the silver-bullion market or to the varying output of silver mines, but should at all times be kept under control by providing for additions to the volume of our money in definite amounts at stated periods.

I believe that all these requirements of a sound currency are fully met in the issue provided for in the bill reported from the Committee on Finance.

A.L.D.

