Free coinage of silver and gold, and the reduction of tariff taxation to the lowest revenue standard, are the constitutional and legitimate methods by which Congress can relieve the people from present embarrassment.

SPEECH

OF

HON. ISHAM G. HARRIS,

OF TENNESSEE,

IN THE

SENATE OF THE UNITED STATES,

JUNE 2, 1890.

WASHINGTON.
1890.

SPEECH

OF

HON. ISHAM G. HARRIS.

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. HARRIS said:

Mr. PRESIDENT: There are no questions that affect the interests of the whole people so directly or so deeply as those of finance and taxation.

Upon the financial question there are certain axiomatic facts which should control the action of the legislator:

First. That money is the medium of exchange of commodities in all civilized countries and between all countries;

Secondly. The amount of money circulating in the country fixes the price of all property and labor which are exchanged for money; and

Thirdly. That the law of demand and supply applies as well to money as to all other things of value, so that when the demand for money exceeds the supply, like everything else its market price is increased in the ratio of the excess of demand over the supply.

Or, to state the proposition in a different form of words, diminish the amount or volume of money in the country, and the reduced volume will have the same purchasing power, and will buy as much land, labor, and the products of labor as the larger volume would have bought before the amount was reduced.

To illustrate:

If the amount of money in this country to-day should be reduced to one-half of that amount to-morrow, as soon as the business of the country could adjust itself to the new condition each dollar of this reduced volume would buy twice as much labor, twice as much property as it could have bought before the volume was so reduced, not because the utility or real value of either land, labor, or the products of labor had depreciated, but because money had increased in price by reason of the fact that the demand for money was so far in excess of the supply.

Upon this question there is a sharp and well defined conflict between the interests of capital and labor, creditor and debtor classes.

The capitalist, whose wealth consists of money, bonds, and mortgages, is directly interested in reducing the amount of money in the country, because it increases the purchasing power, in the ratio of such reduction, of his capital, which is fixed in amount by the securities he holds; and whether there is much or little money in the country, he demands and receives his stipulated number of dollars.

The debtor has contracted to pay dollars, and he must pay dollars without regard to the amount of labor or property it takes to obtain them; the debt-paying power of money not being increased, however much the volume may have been reduced.

But the interest of the laborer, the producer, and the debtor demand an increased and constantly increasing volume of money, because in the ratio of such increase the wages of labor and the price of property will advance.

If there were no debts, no outstanding obligations, it would not matter whether the volume of money in the country was large or small, as the business of the country would adjust itself to that volume whatever it might be.

Then, if the legislator would avoid fluctuations hurtful to one or the other of these conflicting interests of creditors and debtors, and maintain existing relations between money and property, capital and labor, the volume of money in circulation should increase in the ratio of increase of population and business of the country.

Unfortunately the people of this country have always been and are still divided into two classes, creditors and debtors. The former class numerically small, the latter very large.

Any considerable and sudden increase in the volume of money in excess of the increase of population and business would be unjust to the creditor class, while any reduction, or even the failure to increase the amount in the ratio of the increase of population and business, would not only be unjust, but bring bankruptcy and ruin to the debtor class.

HAR

In 1873, when silver was demonetized, the United States owed a bonded debt of about $2,000,000,000, and the debts of States, municipalities, private corporations, and individuals amounted to many billions of dollars more. There is no data upon which the amount can be even approximately ascertained.

But the uncontrovertable fact stands out that we were a debtor nation and a debtor people.

In view of which fact every consideration of sound public policy demanded that the Government should, by every legitimate and proper means, encourage American production and utilize to the fullest extent and best advantage of the producer and the Government all products of the country.

But in this condition of affairs silver, which has been recognized as a money metal throughout all recorded time, and which was money when these immense debts were contracted, a product furnished more largely by the American mines than those of any other country in the world—indeed, our mines produce almost as much as the balance of the world combined—yet, instead of encouraging its production and utilizing it in the payment of these immense debts, Congress demonetized it, stripped it of its most valuable money function, and degraded it to the standard of a mere commodity; and by so doing deprived the Government, the States, and the people of about one-half of the means of payment and the ability to pay.

If the demonetization of silver was an oversight or an accident it was disgraceful, if intentionally done it was a crime against the American people, and doubtless perpetrated to enable the greed of capital to double its wealth at the expense of the Government and people.

So far as I am informed, no one claims the honor, no one admits his responsibility for having engineered it through. But I am satisfied that, whether accomplished by methods clandestine or open, there was a skilled and designing hand that controlled it.

But let us take the most charitable view of it, and assume that silver was demonetized by mistake, so far as the great majority of both Houses were concerned. It being a mistake that depreciated the value of a great and important American product, a mistake that deprived the Government, States, and people of about one-half of their means of paying their immense indebtedness, it would seem reasonable that every legislator should be not only ready but anxious to correct it.

But not so. When we proposed to remonetize silver in 1878, restore it to its money function, admit it to the mints for coinage, and to that extent increase the volume of money and relieve the oppressed and overburdened debtor class, distinguished Senators rushed to the rescue to protest against correcting this accidental and unintended act of injustice, cruelty, and wrong to the great majority of the people of the country. They told us that 371¼ grains of pure silver or 412½ grains of silver nine-tenths fine (which is the same thing and is the amount of bullion required to make a standard dollar) is not worth as much in the markets of the world as the amount of gold bullion required in a gold dollar. True; but why is it true? and how was the fact on the day you demonetized silver and stripped it of its most valuable money function?

At that time the 371¼ grains of pure silver was worth in the markets of the world a fraction over 3 cents more than the gold bullion then and now required to make a gold dollar.

Indebted as we were at that time, it was an unwise and suicidal financial policy to have demonetized either of our money metals, and more unwise and suicidal to have demonetized the most valuable of the two.

Suppose that gold instead of silver had been demonetized, stripped of its money function and left to depend for its market value on such demand as its use in the arts may have made? It would, in my opinion, have depreciated even more than silver has done. The most fatal stab that silver ever received was its demonetization by the United States, the greatest silver producer in the world. And if it is to be restored to its ancient and legitimate rights as a money metal the Government of the United States, in the plenitude of its great power financially and in all other respects, must take the lead and by its full recognition and free coinage increase its market value, and thereby encourage other nationalities to admit it to free coinage, and all commercial nations to an agreement as to a ratio between the two money metals which shall be common to all.

But whatever may be the action of other nationalities on the question, we can, and we ought to, admit to free coinage all the silver produced in the country.

HAR

We were told in 1878 that if we remonetized silver, and authorized its coinage, though limited to not less than two nor more than four millions of dollars a month, we would drive gold from the country and find ourselves upon a purely silver basis.

Congress passed the act, President Hayes vetoed it, and it was passed over his veto by the constitutional majority in both houses within two hours after his veto message was received.

As to the effect of remonetization, what are the facts, as drawn from the experience of eleven years, under its operations?

In the last eleven years, up to January 1, 1890, the Director of the Mint reports that there have been coined of standard silver dollars $349,938,001, to say nothing of about $6,000,000 of subsidiary silver coined in the same period.

Has it driven, or even tended to drive, gold from the country?

Let the record answer.

On September 18, 1880, the honorable Senator from Ohio [Mr. SHERMAN], being then Secretary of the Treasury, issued an order authorizing assistant treasurers to pay out standard silver dollars or silver certificates for gold coin or bullion, dollar for dollar.

The gold came so rapidly that twice the order was suspended because the Treasury did not have the silver dollars on which to issue the certificates, but under this order the Treasury received $79,754,000 in even exchange for silver certificates.

In addition to this significent fact, the report of the Bureau of Statistics of December, 1889, shows that the amount of gold in the United States in 1878, when silver was demonetized, was $213,199,977.

The Director of the Mint sent me an official statement on the 15th of May which shows that the gold coin in this country on the 1st day of January, 1890, amounted to $622,009,063, and gold bullion in the Treasury, $67,265,944, making $689,275,007 of gold on that day, which shows that the stock of gold had gradually and steadily increased from 1878 to January, 1890, the increase amounting to $476,075,030.

The experiment of eleven years, silver coinage has effectually exploded the argument based upon the idea that remonetization and coinage of silver would drive gold out of the country.

The Director of the Mint furnished me the following table, showing the amount of gold and silver annually produced in the United States from 1878 to 1889, both inclusive.

Production of gold and silver from mines in the United States since 1878.

Year.	Gold.		Silver.		
	Fine ounces.	Value.	Fine ounces.	Commercial value.	Coining value.
1878	2,476,800	$51,200,000	34,960,000	$40,270,000	$45,200,000
1879	1,881,787	38,900,000	31,550,000	35,430,000	40,800,000
1880	1,741,500	36,000,000	30,320,000	34,720,000	39,200,000
1881	1,678,612	34,700,000	33,260,000	37,850,000	43,000,000
1882	1,572,187	32,500,000	36,200,000	41,120,000	46,800,000
1883	1,451,250	30,000,000	35,730,000	39,660,000	46,200,000
1884	1,489,950	30,800,000	37,800,000	42,070,000	48,800,000
1885	1,538,325	31,800,000	39,910,000	42,500,000	51,600,000
1886	1,693,125	35,000,000	39,440,000	39,230,000	51,000,000
1887	1,596,375	33,000,000	41,260,000	40,410,000	53,350,000
1888	1,604,841	33,175,000	45,780,000	43,020,000	59,195,000
1889	1,587,000	32,800,000	50,000,000	46,750,000	64,656,000
Total		419,875,000			589,801,000

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

MAY 15, 1890.

This table shows that the coinage value of the silver produced was $589,801,000 and of gold for same period $419,875,000. Of this silver product we have coined $349,938,001, leaving $239,863,000 of our silver product to be hawked and peddled as a commodity upon the markets of the world, when the wail of financial distress was being borne to us upon every breeze, from every farm-house and workshop in the land.

If the laborer is to receive a fair, reasonable, and adequate compensation for his toil, if the agriculturist is to receive a fair and remunerative price for his products, we must have a larger volume of money in circulation, and should utilize both of our money metals to the fullest extent of production.

I shall therefore vote for the free coinage of silver, and if we fail in securing that, I shall support the nearest approximation to free coinage that we can secure; but when forced to decide between the bill reported from the Finance Committee and the act of 1878, I will vote for the substitute reported by the committee, believing as I do that many of the criticisms made upon it are neither just or true. By the act of 1878 the Secretary of the Treasury is required to purchase and coin into standard silver dollars not less than two nor more than four million dollars' worth of silver each month. Every Secretary of the Treasury since the passage of that act has been hostile to silver coinage. Hence the average monthly silver coinage has been but little over the minimum of $2,000,000, and under the administration of the present Secretary we need not hope for anything better.

The volume of currency, already too small, is being rapidly diminished by retiring the circulating notes of the national banks. We must provide something to take the place of these retired and retiring notes or submit to ruinous contraction.

The bill under consideration requires the Secretary of the Treasury to purchase in each month $4,500,000 worth of silver at the market price, not to exceed $1 for 371¼ grains of pure silver, and also to purchase such gold bullion as may be offered, at a price not to exceed $1 for 23.22 grains of pure gold, and to issue in payment of such purchases Treasury notes.

The second section provides that these Treasury notes shall be redeemable on demand in lawful money of the United States, and that they shall be receivable for customs, taxes, and all public dues.

And the third section provides that the Secretary of the Treasury shall coin such portion of the bullion so purchased as may be necessary to provide for the redemption of the Treasury notes authorized by the act.

Now, while I would greatly prefer free coinage, which would utilize all the silver we can produce, I will not consent to sacrifice important practical results to sentiment or to a mere theory. The practical fact is, we want, need, and must have a larger volume of currency. Under this bill we get $4,500,000 of Treasury notes each month instead of about $2,000,000 of coined silver—$54,000,000 a year instead of $24,-000,000 or $30,000,000.

These Treasury notes are receivable for all public dues and redeemable at the will of the holder.

The holder can, at any moment he desires, convert them into coin. What function can money perform within the limits of the United States that these Treasury notes will not practically perform? None, absolutely none. But it is objected that they are not made a full legal tender as between citizen and citizen. True; but neither is the gold or silver certificate, or the national-bank note made a full legal tender; but each has been, and is, and will continue to be convertible into coin at the will of the holder, and I have never heard of an instance in which the holder of either has been subjected to the slightest inconvenience by reason of the fact that they were not full legal tenders.

Again, it is objected that it is issuing a paper circulation based not on coin but on a commodity.

That is literally true, but practically misleading. It is the issue of a paper circulation in the purchase of a money-metal. The mints can be started in an hour, and the bill requires the Secretary to convert that metal into coin when necessary, and in amounts sufficient for the redemption of the notes.

It is also urged that it is within the discretion of the Secretary of the Treasury to coin or not. The bill says "he shall coin" when necessary to provide for redemption of the Treasury notes.

It is objected by another Senator that if silver bullion should advance in price so as to go above the maximum fixed in the bill, of $1 for 371¼ grains of pure silver, the Secretary could buy no more silver.

Of course he could not, and ought not, as that is the precise amount of pure silver that the law requires to make a standard dollar. If you had free coinage, and silver bullion should rise above that price, nobody would coin it, for the reason that the bullion necessary to make a dollar would be worth more than the dollar when made.

I hope we may secure free coinage, but failing in that, if we shall fail, then I prefer to take the $4,500,000 in Treasury notes per month to taking the $2,000,000 of coined silver, because we increase the volume of circulation $2,500,000 per month more by the former than by the latter policy; the only practical difference between the two propositions being that under the one you coin 2,000,000 silver dollars and issue silver certificates upon them, and under the other you issue $4,500,000 of Treasury notes with which to pay for that amount of silver bullion which the Secretary is required to coin when necessary to provide for the redemption of the Treasury notes. It narrows itself down to the simple question of whether you shall issue the paper before or after the coinage of the metal.

A statement issued by the Treasury Department on 31st of March, 1890, shows that the money in circulation in the United States on that day amounted to $1,437,316,124, but of this amount I find from the annual report of the Treasurer of the United States for 1889 that $121,-105,500 are in notes and gold and silver certificates of denominations of $500, $1,000, $5,000, and $10,000, which may be, and doubtless are, useful in the settlement of balances between banks in the great money centers, but can not be regarded as adding to the volume of circulating medium amongst the people. They unfortunately rarely ever see, much less own or handle notes of these denominations. Practically they may be deducted from the volume of circulation, but counting these notes as a part of the circulation it shows the somewhat remarkable fact that the United States, with a population of nearly 65,000,000, has a volume of $1,430,634,459, while France, with a population of 38,250,000, has $2,194,000,000, as shown by the report of the Director of the Mint, made to me on May 15.

We have for a number of years kept locked up in the vaults of the Treasury some millions of dollars which ought to have been applied to the extinguishment of the interest-bearing national debt and in that way restored to circulation.

Why should we have kept for years and continue to keep in the vaults of the Treasury $100,000,000 of gold coin for the redemption of outstanding legal-tender Treasury notes, of which there is only $346,-000,000, that no holder wished to have redeemed?

When the Secretary of the Treasury is receiving more than a million dollars per day of revenues, and under the resumption act of 1875 is authorized to sell bonds of the United States for coin when needed for the redemption of these notes, a reserve of $20,000,000, in my opinion, would be more than sufficient.

For if demands for redemption should come the Secretary has his revenues of more than a million dollars a day, and can at any time convert United States bonds into coin at a very low rate of interest, and by these means will always be able to meet any unexpected demand for redemption of these notes.

The people of this country, as the people of all other countries, have absolute faith in the ability and determination of the United States to pay all just demands against her. No financial panic can impair her credit. Therefore we need not keep, lying idly in the Treasury, millions of dollars, for which there is no probability of any early demand, when the people and business of the country need it, and demand that it should go into circulation.

Mr. President, there is widespread and universal discontent amongst the agriculturists and the wage-workers of the country, and day by day they are appealing for relief from oppressive existing conditions. They have at least two just causes of complaint that Congress can and ought to remedy.

First. As Congress alone possesses "the power to coin money and regulate the value thereof," it is the duty of Congress to coin a sufficient amount of money to meet the business necessities of the country, and to prevent contraction, which always brings disaster, if not bankruptcy and ruin, to the debtor class and depression to every field of labor and production.

And second, relieve them from unjust, unnecessary, and excessive taxation, two or three times as great as is demanded by any revenue necessity, a system of taxation which not only cripples and oppresses them at home, but handicaps them in the markets of the world where the agriculturist hopes to find a market for his surplus products.

Mr. President, day by day the financial distress in the country intensifies, the murmurs of discontent grow louder, and the demands for relief become more and more pronounced and emphatic.

For a quarter of a century the legislation of Congress has been in the interest of capital largely, and unjustly increasing its profits at the expense of every other interest, enriching the creditor and impoverishing the debtor. The demonetization of silver practically doubled the value of gold and all bonds, mortgages, and outstanding indebtedness in the hands of the holders.

The imposition of high import duties, not for revenue but to increase the profits of the capital invested in manufacturing enterprises, has oppressed every class of consumers and tax-payers by compelling them to pay an average of about 50 per cent. more for every article they buy than they would otherwise have to pay.

With these disadvantages growing out of Congressional legislation and the manipulations of trusts, combinations, and conspiracies to control the price of agricultural products and enrich themselves by so controlling, the point is reached where it matters little to the farmer whether he makes a large or a small crop, as the price he gets for his products pays little, if anything, over the actual cost of production.

So desperate have the fortunes of the agriculturists of the country become that they are being driven into the advocacy of the most impracticable and illogical expedients with the vain hope of finding at least temporary relief.

I am, as I doubt not other Senators are, being appealed to to advocate the policy of building Government storehouses in all counties which annually produce over $500,000 worth of agricultural products, in which the farmer may store his cotton, tobacco, wheat, corn, oats, seed, and other farm products, and take a warehouse receipt therefor showing quantity, grade, and quality, and their value at the then current rates, and the amount of warehouse charges there will be upon the same. And upon the delivery of this warehouse receipt to the Secretary of the Treasury it is, by the bill, made the duty of the Secretary to advance, in United States Treasury notes, to the holder of the receipt 80 per cent. of the value of such products, as fixed in the receipt, and the Secretary of the Treasury is required to keep an account with every farmer who makes such deposits, and to issue such unlimited amount of Treasury notes as may be necessary to meet the demands, which notes are made a full legal tender, but no provision is made looking to their redemption; and on final settlement the money so advanced by the Treasury is to be returned to it, with interest at the rate of 1 per cent. per annum. And we are appealed to by others to pass the bill which requires the issue of an unlimited amount of full legal-tender United States Treasury notes to be loaned to farmers at an interest of 2 per cent. per annum, to the extent of one-half the ascertained value of their farms, and secured by a mortgage upon the farm, the loan to run for a period not exceeding twenty years.

This bill, like the last one referred to, contains no provision looking to the redemption of the Treasury notes, and if they are to be issued and a fund provided for redemption it can be raised only by taxation.

But those who appeal to us to pass these bills forget that the Government of the United States has no constitutional power to advance money upon or become a dealer in agricultural products, or any other products. No constitutional power to loan money; but if it had the constitutional power and should consent to issue these unlimited amounts of Treasury notes, it must provide a means of redeeming them on demand, or consent to the humiliating confession that it can not meet its obligations.

This it will never and ought never to do. If forced to issue these notes provision must and will be made to raise a sufficient reserve fund to put it in the power of the Treasury to redeem in coin such of them as may from time to time be presented for redemption.

Such fund can only be raised by Federal taxation and under Federal revenue laws, which do not tax citizens upon the amount of money or property they possess but upon the quantity of the taxed commodities they consume ; so that the man who has his hundred millions in money, bonds, and mortgages is not compelled to pay more of Federal taxation than the poorest day laborer.

Therefore, in view of the fact that neither of the bills referred to is constitutional, the passage of either is or should be impossible.

But if such measure as the warehouse bill was constitutional, the farmer should remember that he has always denounced and had just cause to denounce class legislation, of which he has been the chief victim, and from which the chief sufferer.

Indeed, class legislation is the malady under which he suffers to-day. Yet this bill provides only for a class of a class. It proposes to make advances from the Treasury to farmers, but not to all farmers; only such as are fortunate enough to reside in a county that produces annually $500,000 worth of products.

If we are to legislate for the class known as farmers, why should any be excluded from the supposed benefits?

Is not the farmer who toils in a county that produces less than $500,000 worth of products as meritorious as his neighbor in the adjoining county?

I have not taken the time to hunt up the statistics, but it is not unreasonable to say that under the provisions of this bill more than half the counties in the United States would be excluded from its supposed benefits.

But I deny that the adoption of such a measure would benefit the farmer. So far from it, it would prove a serious injury and loss to him. It involves the necessity of two additional handlings of his produce: first, from the farm to the warehouse, and then from the warehouse to the place of shipment to market; and in addition to this the expenses incident to warehouse weighing, measuring, grading, classifying, valuation, storage charges, and waste, all of which are charges upon the product.

The farmer who stores gets a warehouse receipt for such quantity, quality, and value of his crops as the manager of the warehouse may fix, and upon that valuation he gets from the Treasury 80 per cent. The only interest he has remaining in the produce is 20 per cent., less these numerous charges, and before he can repossess himself of the produce to put it on the market he must extinguish the Treasury lien by paying the amount advanced and the warehouse charges.

In nine cases out of ten the farmer would abandon the produce rather than attempt to raise the money to redeem it, or sell his receipt for whatever price he could obtain for it.

He will then see that he would have promoted his interest by selling his crop at the full market price and saving to himself all of these unnecessary warehouse charges.

But if these objections did not exist the universal discontent of farmers at the warehouse grading and valuation of their products and shortage in quantity would break down the whole system in less than three years, and the Government would find itself with a large number of warehouses to sell or rent.

From the most careful consideration I have been able to give these bills I do not hesitate to say that if the farmers want such advances on crops or loans on farms they would promote their own interests by obtaining them from the most exacting and heartless usurer rather than have the United States levy and collect the taxes, and in that way raise the fund to build these warehouses and to protect the Treasury notes provided for by these bills.

And in addition to these objections to these two bills the enactment of both or either involves the appointment of many thousands of Federal officials, for the salaries of whom the farmer as all others would have to respond in taxes.

HAR

Mr. President, there is no class of our people who deserve more, if, indeed, there is any class that deserves so much, of the favorable consideration of the Government as the agricultural class. The products of their toil form the basis of all of our prosperities. They have been patient, long suffering, and much oppressed. They know no eight or ten hour rule of labor. Their daily toil begins at dawn and ends at twilight; begins on the 1st day of January and ends on the 31st day of December. They have neither time nor money to come to Washington to appear before committees to assert their rights, advocate their interests, or emphasize their wrongs.

But we have the representatives of capital, with the best talent that capital can buy, always with us, and always ready to assign the most plausible reasons that human ingenuity can invent to aggrandize capital at the expense of labor and to enrich the creditor at the expense of the debtor, and for the last twenty-five or thirty years this line of reasoning has controlled Federal legislation. In the interest of capital the volume of currency has been and is being contracted. In the interest of capital exorbitant impost duties have been and are being imposed.

Mr. President, these questions rise in the scale of importance far above any mere party considerations.

Yet it is well for our Republican friends to remember that when silver was demonetized in 1873 there was a Republican President, a Republican Senate, and a Republican House of Representatives, and that the responsibility of its demonetization is with them. And if not fully remonetized and admitted to free coinage, and with contraction disaster shall come, the responsibility is with them.

There has been no time within the last thirty years when the Democrats have had the President, Senate, and House at the same time, so that they could assert and carry out a policy of their own.

But without regard to party responsibilities we should recognize the fact that the evil of probable if not certain contraction and the evil of excessive and unnecessary taxation are upon us, for which the people demand a remedy. We can and it is our duty to apply it.

HAR

O