Treasury Notes and Silver Bullion.

SPEECH

OF

HON. PRESTON B. PLUMB,

OF KANSAS,

IN THE SENATE OF THE UNITED STATES,

Friday, June 6, 1890.

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. PLUMB said:

Mr. PRESIDENT: If my speaking would retard the vote of the Senate upon the silver question, or any phase of it, I would not delay action for a single moment on any consideration. But there is an evident feeling that either the opinion of the Senate is not fully crystallized so that a vote can now be taken or there is perhaps some disposition to put the question over for a time, and I feel that in view of these facts I shall not by taking up a small portion of the time of the Senate be in any way impeding final action. I may also say that my hope that a bill would finally be passed at this session of Congress which would fairly come up to public expectation has not grown during the last two or three weeks.

There are two questions which it seems to me may be regarded in this matter of silver legislation as fundamental. One is as to the volume of the currency and the other is as to what the currency shall consist of. There is, or seems to be at any rate, a general consensus of opinion that the volume of currency ought to be increased. How much of this is sincere I may have occasion to remark upon before I conclude. The Secretary of the Treasury in his report recommends a measure which he says should be passed because of the necessity that there should be an increase of currency, which would, if enacted, effect an increase probably at the rate of $25,000,000 per annum. The Finance Committee have reported a measure which would accomplish about the same result.

The Senator from Ohio [Mr. SHERMAN] who spoke yesterday, recognized as the very highest authority among a certain school of financiers, also said that the increasing business and population of the country required an increase in the volume of the circulating medium. Occasionally some one is heard to say that no increase is necessary, but I believe that it is to-day the all but unanimous opinion of the people

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of the United States, certainly of those living west of the Allegheny Mountains, that a very considerable addition to the volume of the currency is necessary.

In this connection it is worth while recalling the action taken by Congress in 1878. In that year, the year preceding resumption, Congress, after long debate, determined upon a partial remonetization of silver. It restored to full money functions the silver dollar of 412½ grains, but limited its coinage by providing that thereafter there should not be less than $2,000,000 per month of silver coined, giving to the Secretary of the Treasury the discretion to increase that coinage up to $4,000,000 per month, a discretion designed to meet such contingency as might arise calling for an increase in the circulating medium which could not otherwise be promptly met.

At that time there were in circulation $346,000,000 of legal-tender notes—I speak now in round numbers—and $337,000,000 of national-bank notes. There were also outstanding at that time over $1,700,000,000 interest-bearing obligations of the Government, on which national-bank circulation might be based. It was not then anticipated that the circulating notes of the national banks would diminish; on the contrary, it was believed they would increase in volume. Any one who had suggested that during the succeeding twelve years the national-bank circulation would have nearly disappeared would have been regarded as visionary. At that time Congress, after long debate, and by a measure which passed over the veto of the President, said that the currency of the country should thereafter consist of the $346,000,000 legal-tender notes outstanding, and not less than $337,000,000 of national-bank notes, to which should be added at least two millions of silver per month, to be coined thereafter indefinitely; and, of course, all that would result from the free coinage of gold.

At that time the volume of the business of this country as measured by bank deposits and bank debts, by railroad debts, by private and municipal debts, by the sum of commercial transactions, and by all the other things which can be made use of in determining volume, was not over one-half of what it is to-day. In other words, the business of this country has at least doubled during the last twelve years. This increase in business necessitates a great increase in the volume of currency supply. Let us see how that need has been met.

The legal-tender currency has not increased, but remains as twelve years ago, except as it may have been diminished by loss or destruction, and the national-bank circulation, which shortly after the silver act of 1878 increased to $356,000,000, at which sum it remained only a short period of time, has receded until, on the first day of the present month, it was only $128,000,000. To cover increasing needs, and fill the gap made by the disappearing national-bank notes, there has been only the coinage of $2,000,000 worth per month of silver, and what has resulted from the free coinage of gold. There has, therefore, been a contraction of the currency, beyond the possibility of what was contemplated by those who legislated upon this subject in 1878, of nearly $240,000,000 since that date, and their expectations and those of the country have been defeated to that extent.

This is stating the case mildly, for it was confidently believed that by reason of the organization of new banks and the enlargement of the circulation of the old ones, from time to time, that the national-bank currency would increase, and in addition the discretion vested in the Secretary of the Treasury to coin $2,000,000 worth of silver additional per month might be expected to result in something.

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As I said, these anticipations have been defeated, and the circulation of the country is $240,000,000 less than the least which the framers of the act of 1878 and those who participated in creating that financial policy which put the country on a bimetallic basis supposed it would be; and no Secretary of the Treasury has purchased and had coined a dollar of silver beyond the minimum, notwithstanding the steady decrease of national-bank notes and the enormous increase in the business of the country. The Treasury Department has always contributed to the policy of contraction.

In 1878 the debts due banks were about $2,000,000,000, divided nearly equally between the national banks on the one hand, State and private banks and trust companies on the other. The deposits were about the same amount and similarly divided. To-day the debts due the banks of the country are four thousand millions, and the bank deposits substantially the same in amount. The railroad mileage of the country has doubled, and the railroad indebtedness has increased more than the mileage.

There is to-day more than $6,000,000,000 of railroad bonds outstanding, and the volume of private indebtedness not represented by these demand obligations due to banks is not less than an equal amount. To this is to be added State and municipal indebtedness, which can not be greatly less, or a total indebtedness of over $20,000,000,000.

It is one of the chief features of the national banking system that the banks organized under it are required to keep on hand for the protection of their customers a certain proportion of their deposits. In redemption cities it is 25 per cent.; in all other places 15 per cent. It may be more, but can not be less without bringing upon the bank the risk of the loss of its charter. The banks undoubtedly comply with the law, except in rare cases. In the redemption cities more than the required reserve is usually kept. The excess kept by the national banks of the city of New York will be at least $6,000,000 on the average, and the average of all the national banks is undoubtedly over rather than under the requirement of the law. The example set by the national banks is of necessity followed by State and private banks as a rule. They must compete as to measures involving safe methods of business in order to hold their customers. The national banking system has become the pattern in essentials which all banks are compelled to substantially follow.

It is safe, therefore, to say that private and State banks and trust companies keep in reserve as large a proportion of their deposits as the national banks do. The average per cent. of reserve to deposits, taking the country through, is probably not less than 20 per cent.; but suppose we call it for entire safety 17½ per cent., leaving out of account also the surplus reserve which, as a matter of extra prudence is retained in the reserve cities. The total deposits being $4,000,000,000, it follows that not less than $700,000,000 are constantly kept on hand in the shape of reserve funds, not to be used except in the greatest emergency, if at all, and then only temporarily. A national bank which gets out of line in the way of reserve would receive a sharp admonition from the Comptroller, and this would be followed by an order to go out of business if the deficiency was not immediately made good. It thus happens that the national banking system, as one of the elements of safety which has commended it to the public, effects a very great contraction of the volume of the circulating medium.

And this brings me to the question of the total volume of money in existence in the United States. Upon this point there is great confusion. No one of the authorities in the Treasury Department agrees as

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to what this amount is. The Coinage Committee of the House states one sum, the Secretary of the Treasury states another, and the Treasurer of the United States another. The Senator from Ohio makes it entirely different from any of them, and the differences range from twenty-five to one hundred and twenty-five million dollars.

My own estimate, which I venture to say in view of this contrariety of opinion is as good as anybody's, is that there is outstanding—that is to say absolutely, and only qualified as to the amount of gold coin in the country, about which I shall speak in a moment—$1,560,000,000, and in this computation I allow $14,000,000 for lost and destroyed notes, which is about the Treasury estimate, but far too low in my judgment. This sum total is made up as follows: Gold coin, $680,000,000; silver, including subsidary coin, $420.000,000; Treasury notes, $346,000,000; national-bank notes, $128,000,000; total, $1,574,000,000. Deduct $14,000,000 for notes lost and destroyed and the total remaining is as stated, $1,560,000,000.

It will be observed that for the purpose of this total I accept the Treasury statement of $680,000,000 as amount of gold on hand. In point of fact there is not so much gold in the United States by at least one hundred millions, and the shortage is likely as much as $150,000,000.

I have in my hand the report of the Director of the Mint for 1888, which I use because of an article which was incorporated in it without comment. In that report it was stated that there was $227,854,000 of gold coin in the United States Treasury, $78,224,000 in the national banks, and $301,527,000 in other banks and in circulation among the people—that is, in "other banks and in general circulation," as the Director of the Mint phrases it. The amount has since increased. I only use the statement of 1888 for the purpose above indicated. Now, as is shown by the reports of the Comptroller of the Currency, the national banks do only about one-half of the banking business of the country; only one-half of the deposits are found in their vaults; they discount only one-half the commercial paper. It is not reasonable to suppose that they hold more than one-half the gold coin that is on deposit in banks in the United States.

The national banks are required by law to keep either legal-tender notes or gold or silver coin as reserve. The State banks and trust companies, being under no legal necessity to compose their reserve of these kinds of money, can, as they probably do, keep a considerable portion of it in the shape of national-bank notes. The probability is very strong, therefore, that the national banks have more gold than is kept by private and State banks and trust companies. But accepting that there is as much gold in the latter class of banks as in the former, that left on the 1st of December, 1888, $223,000,000 of gold coin to be accounted for as in circulation among the people.

Does anybody believe that? Does anybody believe that there is $223,000,000 of gold coin in circulation among the people of the United States as distinguished from that which is found in the banks of the country? That would be nearly $4 for every man, woman, and child in the country; nearly as much gold coin as of national-bank notes, of legal-tender notes, and of silver certificates afloat in the channels of trade and in use among the people. The statement is incredible. Gold coin is not used as currency to any extent. The suggestion that it is being hoarded in private safes and elsewhere is absurd. It is not in the country. There is a deficiency which causes, partly, the present monetary stringency. If any one doubts that there is a serious error, let him take account during the next month of all the gold coin he sees in cir-

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culation among his friends and the shopkeepers whom he trades with. The gold is not in circulation. The Treasury is, consciously or unconsciously, deceiving the people. It is most probable that when compilations came to be made they were based on a condition of things supposed to exist, but which had no foundation. It is significant that in the very report from which I quote the Director of the Mint publishes an article from the Commercial and Financial Chronicle, in which his own statement as to the amount of gold in circulation among the people is attacked, and in which it is stated that no such sum is or possibly can be in circulation as is estimated by the Director. That article is published at length in this report and not challenged. If "silence gives consent," then the Director of the Mint was at least consenting that his estimate was subject to very grave exceptions.

It is impossible to say definitely how much gold is actually in circulation among the people. But I should say that there could not be over $75,000,000 in any event. Adding as much more as the amount in banks other than national, and about $150,000,000 will have to be subtracted from the total amount of gold in the country as estimated by the Treasury Department.

Let us see, therefore, how much money is available for actual use among the people. From the total of $1,560,000,000 arrived at as above must be first deducted an average of $260,000,000 which the Treasury always keeps on hand, and about which something has heretofore been said in the debate on this bill, and that leaves, as the maximum which can by any possibility be used, $1,300,000,000.

There ought, in fairness, to be deducted from this $150,000,000, error in estimate of gold in the country, which would reduce the money outside the Treasury to $1,150,000,000. From this is to be subtracted the $700,000,000 kept as reserve, as before computed, leaving a balance of but $550,000,000 which is available for delivery or other use in the transaction of the business of all the people, or a trifle over $8 per capita. But the force of my argument is not materially weakened by conceding the gold coin to be as estimated by the Treasury Department, which would leave in actual circulation $700,000,000. In order to make up this amount all doubt must be resolved in favor of the Treasury and against the people, both the doubt as to the amount of lost and destroyed notes and that as to the gold supply. If I were deciding this case upon what I considered the best evidence, I would be bound to say that I believed the money in actual circulation did not much, if at all, exceed $500,000,000.

Upon this narrow foundation has been built the enormous structure of credit of which I have spoken. It is the greatest of the kind that was ever built, because it was built by the best people who ever built anything. Over twenty thousand million of debts, the enormous and widely extended business of sixty-five million of people, all rest upon and must be served by a volume of currency which must seem to the most veteran financier as absolutely and dangerously small.

As I have before said, the business of this country has doubled during the past twelve years. All the business which requires the use of money has doubled. In other words, while the population of the country has increased 2½ per cent. per annum, the business of the country has increased 8 per cent. per annum. I am not going to say whether 2½ per cent. or 8 per cent. or a mean between the two would be the proper measure of the increase of the circulating medium. It would make little difference as to future transactions what the increase if only that fact could be foreknown by all who are doing business. They

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could not complain if the volume were insufficient, because they had due notice and should have governed themselves accordingly. But under present conditions instead of certainty there is uncertainty. The value of the national-bank currency is constantly shrinking, but the amount of this can not be foretold, and the capricious but nearly always contracting action of the Treasury is a constant menace to all legitimate business. But the currency volume does not alone or chiefly relate to future transactions. It measures time contracts executed in the past, absorbing profits and capital, taking away from the struggling debtor and giving to the idle creditor.

If there were but $1 in the world and nobody wanted it, that would be enough. If a dollar could be set up as a measure of value, as a scale or a yard-stick is set up in the county clerk's office in order that every man could go there and compare it with his own scale or yard-stick, and that was the only use it was needed for, one would be enough, and what it was worth to-day it would be worth during all time. But for dollars there is a constant demand; and, as the Senator from Nevada [Mr. JONES] said far better than I can say, the value of the dollar is in proportion to the demand for it. It will not do to say that the volume of the currency is a matter of indifference, that the amount of dollars outstanding which can be had for daily use and in an emergency cuts no figure because we make such great use of credit. If that were so, one dollar would be as good as a million, and a million as good as ten millions, and ten millions as good as one hundred millions, and so on. Nothing is better settled than that an adequate, a large supply of money advances prices, gives ease and volume to business, and especially benefits those of small means and consequently limited credit. It also prevents the "unearned increment" which contraction brings from overwhelming the debtor for the benefit of the creditor. In this connection consider what the present state of affairs is tending to, what it has brought about. The four thousand million of debts due banks are practically demand obligations; so also are the debts due by the banks to their depositors of equal amount. Of course the men who owe the banks are in a considerable sense the depositors to whom the banks are in debt, but not wholly. The demand obligations growing out of banking operations can not be less than four thousand millions; they may be five thousand or six thousand million dollars.

Now, Mr. President, this structure of credit, built upon the narrow base of about $600,000,000 actual cash, must necessarily be insecure. Its continuance must depend upon the careful management of somebody, and to whosoever management it is intrusted there is given an equivalent in the shape of power. The only human ambition worth mentioning in any arena where men contend is that of power, and the secret, in my judgment, of the opposition which great bankers in this country make to the increase of the circulating medium, as a rule, is because they do not want to be shorn of this enormous power which they have over the business of the people of the country and which they desire to keep. I do not say that it is an unworthy ambition. I do not mean to say that they will discharge their duty in such an event unworthily, but it is an enormous power for them to have. But the best of management sometimes fails, and the most elaborate structures are the ones which show the greatest weakness under strain.

A defaulting cashier, a faithless trustee, even the failure of an obscure brokerage firm, is often sufficient to precipitate a panic, as a consequence of which the most solvent and prudent, wholly disconnected except in a general way with the causes which led to the untoward results,

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may lose all. These are the most liable to occur in New York, and when they do occur the shock is felt throughout the entire country. Business may be good elsewhere, the banks all sound, but so long as there is disturbance and fear in New York there is a comparative suspension of business throughout the country, so far as relates to exchange and the making of loans. It may take weeks to ascertain whether the trouble is local and temporary or general and permanent. The structure is so vast, the foundation so slight, that the slightest trouble brings suggestions of a collapse which all know can not long be postponed. Crops may be good, mines, forges, and furnaces may be yielding as never before, and yet so overtopped and delicate is the structure of credit that the misdoings or misfortune of the most insignificant dealer in New York may destroy it all, and those who suffer most are those who are wholly innocent and oftentimes farthest away.

The moment there is fear the banks stop loaning. The amount of currency is so small that when loaning stops business dependent upon money stops also. Then commences the collection of debts, which means distress, and the end is at hand; margins disappear, property which was before valuable loses its value by comparison with that of money, which has enormously increased in value, and the man who is in debt is wholly sacrificed, while the man who is not in debt loses his earnings and anticipated profits. The wreck of thousands is complete.

The Senator from New York [Mr. HISCOCK] made a great exhibit on yesterday of the wealth of this country. It was no doubt a correct one. But he did not tell us whether the Finance Committee were debating whether they could not make it a great deal better by piling up the duties on imported merchandise from 10 to 300 per cent. in the tariff bill which is before them. If it is so good, if there is no complaint, no cloud in the future, if there is financial health, soundness, prosperity, and if it is all evenly and fairly distributed, why not let well enough alone in matters relating to the tariff as well as the volume of the currency?

The Senator thinks we do not need legislation increasing the currency because of our great prosperity under the present system. If this is all true, why revise the tariff and especially impose new and increased duties? Or are we too prosperous, whereby the necessity arises for placing new burdens on the people?

I have a letter here from the president of one of the leading national banks in New York, whose name has not been mentioned in connection with this legislation, and who has not written for publication, which throws some light on the present situation. It is dated May 16, 1890, and says:

> The pressure for credit continues very great, and you had better get together and do something that is fair and equitable for all interests; if not, somebody will get hurt the way things are going now.

A letter from a member of one of the leading private banking houses of New York bearing date perhaps a month earlier states that a panic was only averted last fall by what might be called "kiting" the drawing of time bills upon London by the larger houses, bills not drawn against money on hand or against merchandise in transit, but bills representing only the credit of the drawer.

Mr. President, there ought to be an increase of circulating medium in order to relieve from this great strain, and also in order that the people who can not make satisfactory use of the device of credit may have a fair chance. In the great world of credit the laborer and the

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farmer have no place and little or no opportunity. It is money they want, money for manual delivery. The competition is now so keen for the few dollars there are in circulation that they do not get them; they go to the merchant and the banker and those who already have the better opportunity because they can make use of credit.

The money goes into the till of the merchant only to be deposited in the bank, whence it goes out in the shape of loans. But these do the farmer little good because he can not make quick returns in his business. He is therefore remitted to heavy loans upon mortgage, the money drawing interest when not in use as well as when it is, eating out the substance of the borrower, tempting to extravagance, and often the means of destruction.

So keen is competition for money for manual delivery, so constant and always is this demand, that no sooner does a dollar get out than every agency of the banks is set at work to bring it back, and so it happens that not only is this money not found in the outer periphery of things among the farmers and poorer people, but it concentrates itself in the great cities and hides in the vaults of the banks.

Mr. President, we ought to have more money. I am not certain now how much more. I know how inevitably some compromise on this subject will result; but if I were to express what I think ought to be done I should say that not only the vacancy in the national-bank circulation which has occurred during the last twelve years should be made up, and that, too, as speedily as can be, but there ought to be in addition at least as much as would result from the free coinage of silver. How shall we get it? For years there has been in this country a very powerful and growing sentiment in favor of paper money, paper money the value of which should be fixed by a limitation upon its amount, a legal tender for all debts, public and private, and redeemable only as it passes from hand to hand in the transaction of necessary business, divorced from both gold and silver, by reason of which the volume of it could be always steadily maintained, for it could never be made the subject of export, and which would, therefore, leave the people of the United States, with reference to their internal business based upon currency supply, free from the danger to which they are now subject by reason of the liability of the gold and silver currency to leave the country. This is called fiat money.

I know how some men grow pale and others furious at the suggestion of fiat money, how Senators and Representatives whose constituents are chiefly the owners of the fixed capital of this country call a proposition of this kind one of repudiation, and all that sort of thing, upon the assumption that Congress would keep increasing the volume of paper money until credit and property would be of little or no value and confusion and ruin would result. In thus prophesying they overlook the recent experience of this country, and in fact lose sight of the fact that the Constitution as recently defined by the Supreme Court gives Congress full authority to do all I have named and even what is feared. And yet it has not been seriously proposed to exercise this authority, which shows that Congress is not disposed to enter upon the exercise of powers of doubtful utility or those not called for by the permanent public opinion of the country. If this public opinion existed, formed after full discussion, I should hope that Congress would provide just such a currency as I have outlined, believing that it would be for the best interests of all the people and one which would forever separate the question of the volume of money in circulation from

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the control of banks and other monetary institutions and from the accidents of our foreign trade.

No Congress representing the American people would ever enact a law which would scale debts, or otherwise effect repudiation. There are no such debt payers in the world as the people of the United States. Their treatment of the war debt shows this, as does the restraint which they imposed upon Congress during the war in relation to the promise made at the time of the first issue of the Treasury notes as to the maximum amount to be issued, and which was never exceeded. They have paid all but a fraction of the debt, much of it before maturity, at a large premium, and the terms of a considerable portion of which was so changed by law as to be more burdensome than when created. The American people will repudiate no obligation, nor perform any act not consistent with the highest financial honor. But it is fair to make such provisions that the holders of the contracts shall not have more than their contracts call for. The law should hold an even balance.

The Senator from Vermont [Mr. MORRILL] affects to see in the proposition to enlarge the volume of the currency to meet increasing population and business an element of repudiation, and appealing against it, brings forward the New England widow, who did duty in opposition to the silver legislation of 1878 which has been attended with such valuable results for the whole country, as well as against all propositions for an increase of the circulating medium

There is a story afloat, and it may have got into print, about some man who went to Tophet and succeeded in getting back, probably the only instance on record; and when he was asked what he saw down there, replied that he saw a certain individual, or perhaps it was a party, holding the darkies between himself or itself and the fire; and so this New England widow, the holder of mortgages or bonds or of railroad stock, is brought in here and held before the fire, but behind her ample skirts are the holders of six thousand millions of dollars of railroad bonds, and a thousand millions of dollars of the funded debt of the United States, and other added millions of credits, who by reason of the demonetization of silver and a constantly-contracting volume of the currency, have had their securities made far more valuable than they would otherwise have been, and to the corresponding disadvantage of the debtor.

It remains to be seen whether this frugal widow with the cloud of rich witnesses behind her, whose sole interest is to have their holdings increased in value by a contraction of the currency and the maintenance of the single gold standard, will prevail, or whether Congress will take into account the men who have put all they have got into the sea of venture rather than those who represent capital which has been taken out of the current of ordinary risk and put into the safe and permanent shape of bond and mortgage.

The feeling in favor of paper money instead of gold and silver has had the greatest hold in the West. It has been a part of a widely prevalent feeling in favor of such an increase of currency as should meet the needs of all current business—a feeling widespread and enduring. Lately this feeling has taken the form of a demand for the free coinage of silver. This is partly the sentiment aroused by the demonetization enacted in 1873, and partly the result of a conviction that the required increase in the currency volume can be more readily accomplished by that means now than in any other way, and more in common with the feeling upon the subject prevalent in the

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East. It is designed to be and is a thoroughly conservative movement. It aims at no scaling of debts, no repudiation, but does mean in the most emphatic way that the policy which is now being pursued, whereby the fixed capital of the country has unconscionable advantage over labor and capital, which is taking the risks of ordinary venture, shall cease.

When, however, it is proposed to accomplish this very proper object it is opposed on the ground that if more silver is used as money it will drive gold out of the country.

I agree that the subtraction of $680,000,000, the alleged amount of gold in the United States, from the currency of this country would be a misfortune, especially as in the absence of special provision for replacing it with some other form of currency it would mean a great contraction of the currency. But, Mr. President, can it not be seen by even a man who is blind that if you make the $680,000,000 of gold in the country merchandise instead of currency, what is left of the currency will be enormously enhanced in value, so that it would at once close the gap by means of which the gold was driven out and gold would resume its old place? None of the currency of the country will be driven out unless there is too much for the proper service of the people. Being less than $600,000,000 in money actually in circulation among the people now, the subtraction of this entire amount, which would occur if all the gold should leave the country, there would be, as can well be imagined, a great demand for what remained! The strain would be greater than it ever has in any event been upon gold.

But, Mr. President, who can give a guaranty that we shall not lose of our gold? We apparently only keep it by the greatest effort. If the monometallists are to be believed, even the Treasury Department is in danger of losing the great stock of yellow metal there stored—that it will disappear in some occult way. The Cleveland administration was affected by a mania on this subject, and at one time arranged with some New York bankers, anxious no doubt to keep up the delusion, for the exchange of several millions of gold for an equivalent amount of fractional silver, in order that the Treasury supply of gold might be in no danger.

The humor of the transaction escaped the consciousness of the frightened Secretary. He could not see the point of the joke of which he was the victim—the exchange of precious gold, dollar for dollar, for despised and depreciated silver! The present Secretary is in a similar condition. He hoards gold and deprives the people of at least one hundred millions of the money created by law, for their use beyond any practical requirement of necessity, apparently fearing that the people of this country who are possessed of Treasury notes will drop the plow in the furrow and the yard-stick on the counter and rush down to Washington in order to present them for redemption in gold. It would be farcical if it did not involve a tragedy in which the people were the sufferers.

This fear ignores all facts and all common sense. The man who has paper money which is a legal tender for all debts and receivable for custom dues only wants that redemption which comes as he exchanges for that which to him for the moment is the more desirable, for the rent which is due, for the food which is to sustain life, for the property on which he hopes to make a profit. Gold redemption is not desired and has not been demanded.

The gold of the world is not in sufficient supply. There is a consum-

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ing demand for it. Nations which are upon the gold basis must keep up a continual and ample supply of the metal or suffer in consequence. It is like the struggle of two strong men in a cold night for a blanket too small to cover both. If we are to make sure at all times of a supply of gold which, added to our other currency supply, will be adequate to our needs, we must be prepared to struggle and perhaps even to fight for it. Circumstances may occur which will make our gold supply essential to foreign nations. They have the means of getting it, for they hold our stocks and bonds in large quantities which, if they return and dump on the New York market, we must buy. If war should threaten Germany or England the first step to be taken would be to increase their gold supply in order that the financial part of the preparation might not be inadequate. Suppose the balance of trade should, for a series of years, be against us, we should lose more or less gold, and neither of these contingencies would be affected by the presence or absence of silver. But if as is contended we should adopt the gold standard, every dollar of gold we lost would still further narrow the base on which must rest not only all our currency but all our business.

The loss of even $100,000,000 of gold under present conditions would have a serious effect. How necessary, then, that we shall increase our currency supply, and especially that we shall widen the base of it by the free coinage of silver?

The Senator from Ohio said, in a brief speech which he made the other day on a minor clause of this bill, in a spirit of candor that did not characterize his speech of yesterday, that gold and silver had been created by the Almighty as money, and had been such from the beginning of time. "What God hath joined let no man put asunder." If gold is money, then silver is money. If either is money by the designation of the Almighty, both are money; and if gold to-day is any more money than silver it is because the law has made it so, giving to gold the exclusive money function and degrading silver.

The American people are logical. Whenever it is settled that it is the law and not the designation of the Almighty, the fiat of legislation and not intrinsic value or a long course of business or a consensus of public opinion which constitutes money, they will not long halt on gold, or silver either for that matter, but go at once to paper as the only logical and proper representative of value—as the medium of exchange.

It will not take long to create a public opinion in this country in favor of discarding gold as well as silver if once we get away from the sentiment that these metals are precious and designed for money and better calculated than anything else for money, irrespective of legislation. The greenback is an encouraging example in this direction, which is dearer to the hearts of the people than any other form of currency. No party could live during a campaign that proposed to retire the greenback. It will stay where it is, undiminished in volume and a permanent part of the country's currency.

It is for these reasons that I say the proposition for the free coinage of silver is a conservative one, and one which ought to be acceded to at once and without cavil.

The Senator from Ohio on yesterday had a good deal to say about the act of 1873 demonetizing silver and how practically nothing came of it because there was no silver in the country to be demonetized; that we never had had silver money, and consequently its final elimination produced no result.

Mr. Chase, who presided over the Treasury Department during the war, and who is entitled to rank with the ablest men who ever occu-

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pied that great office, in his report of 1862 commending to Congress the adoption of the national banking system, said:

The Secretary recommends, therefore, no mere paper-money scheme, but, on the contrary, a series of measures, looking to a safe and gradual return to gold and silver as the only permanent basis, standard, and measure of values recognized by the Constitution.

Mr. Chase evidently thought the country was on a bimetallic basis when specie payments were suspended during the war, and looked forward to a return to that basis. It had not occurred to him that silver was not a proper material from which to make money, nor that it was not a fit instrument of modern commerce. Ten years later the Senator from Ohio, according to his own statement, helped to enact a measure which he says he knew demonetized silver, which thereby increased the value of credits, added to the burden of the debtor, and perpetrated a fraud upon him, the effect of which has not yet disappeared. I do not care whether that act was passed by fraud or by mistake, it can only be characterized as the economic crime of the century, and it does not cut any figure in the case to say that there was then no silver or little silver in circulation. It destroyed one medium for the transaction of business and the payment of debts, and put all the burden upon a single metal which has steadily and rapidly ever since increased in value by reason thereof.

I am thoroughly persuaded that the demonetization of silver was brought about with full design and intention to produce the precise result which was accomplished, that of oppressing theproducing and debtor classes for the benefit of creditors. It was a part of a scheme which had for its theater the world. Germany followed the lead of the United States, and the bondholders were put completely in the saddle.

In my judgment the people of the United States will never be satisfied until that act is undone. I know Mr. Lincoln said that the people would be satisfied when slavery was in process of extinction, and it may be that something short of the complete restoration of silver at this time might meet with a reasonable degree of acceptance, but the free coinage of silver, putting it on a complete equality with gold, is the goal which must shortly be reached if public opinion is to be satisfied and a fair equilibrium between the capitalist and the people be restored.

Economists differ somewhat as to the amount of gold produced each year throughout the world. They differ widely as to the amount which from this annual supply goes into the arts. But the outside estimate of the amount which is or can be spared for coinage is $30,000,000. Many maintain, and I think on the better basis of fact, that practically the entire yield is absorbed in the arts. But suppose that $30,000,000 of the annual supply becomes money, what a beggarly amount to be added to the world's supply of money! And yet if we are to go to the gold standard, as the Secretary of the Treasury and those who act with him have determined, to be followed, as would probably be the case, by the nations which now have either silver alone as money or silver and gold conjoined, 1,500,000,000 of people must prepare for such terms as the possession of the gold of the world may impose.

Civilization is expanding. Regions of country that have heretofore known nothing about dollars or measures or standards of value are coming under the beneficent influences of Christianity and civilization with the effect of creating a greater demand for money. Are new con-

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ditions to be harnessed to old ones? Is the world to be circumscribed in its development by the amount of gold which after the consuming demand of the arts is left for currency purposes? If not, with what is it to be supplemented? Those who advocate a gold standard must answer this. Those who propose the single standard must be prepared either to say only such growth can occur and such business be transacted as may with safety be based upon a comparatively decreasing medium of exchange, or else they must make perfect some plan for the enlargement of such medium of exchange.

I risk nothing in saying that things can not go on as they are. If the demand for a bimetallic standard is not granted, then either gold must be wholly discarded for paper whose value will be determined by volume and legal-tender quality, or the amount of gold which constitutes a dollar must be from time to time reduced. The world can not do business upon the basis of extended credit if the measure of value is to constantly grow more valuable in proportion to property.

But we are told that silver money does not comport with modern ideas and modern civilization. The Secretary of the Treasury says that the gold dollar is the dollar of commerce and that he will indulge in no idea or plan which disputes its supremacy. It is the dollar of the money-changers, and they, not those whose labor creates value, are to be taken into account. The man who exchanges the fruits of labor is to determine what the measure of that value shall be, and not the farmer who raises the grain which is the subject of exchange. The producer is not to inquire as to the volume or character of the currency which fixes the value of his product, but is to leave that alone to the banker who lends the money and the commission merchants who act as agents in the matter of sale and exchange. The middle-man is the vital factor in modern business, so highly civilized that silver will not answer for money for its use, and the producer is a mere incident!

If he can not keep up with that civilization which demands gold alone as money, and which has contraction and falling prices for everything except the investment of fixed capital as an inevitable result, that is his lookout. He is simply crushed with the logic of the situation and must not complain. If it is pointed out that a crash will come when the financial pyramid of more than twenty thousand millions of public and private credit, all payable in gold and built upon a basis of less than $600,000,000 of available currency, shall become a little more top-heavy, the answer is in substance that this will not hurt the owners of bonds and mortgages, or of cash money, or of the middle-man, but its effects will fall upon the broad and willing backs of the patient multitude of producers, East and West, who must accept what comes as the verdict of a civilization so advanced that they are withdrawn from its purview.

Mr. President, I shall be surprised if the producers of this country are much longer content with this condition of affairs. They have a right to feel, as they do, that they and their interests should be taken into account. The functions which they exercise are superior to those of the money-changer or the commission man. They have a right to the fruits of their labor, and if the civilization of the period denies it to them they will pray to be remanded to a less civilized condition.

What is the proposition which so excites the ire of those who represent the fixed capital of the country and which if adopted is to bring ruin to the country and to civilization? According to the best data less than $55,000,000 worth of silver is mined in this country each year, and of this something over $30,000,000 is coined under the present law. More than $6,000,000 is the amount used in the arts, and only about

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$17,000,000 is left to become the subject of free coinage unless the stock of silver abroad comes to re-enforce our own supply.

Mr. COCKRELL. I call the attention of the Senator from Kansas to the fact that the Director of the Mint says that in 1888 $8,000,000 of silver was used in the arts.

Mr. PLUMB. I am taking outside figures as to the possibilities under free coinage. Not to exceed $17,000,000 could in any event be added as the result. It must be borne in mind also that about $15,000,000 of national-bank circulation will be retired this year. Practically there is no escape from it. We shall lose during the fiscal year 1890-'91, beginning on the 1st day of July next, $15,000,000 of national-bank circulation beyond peradventure.

Mr. FARWELL. More than double that.

Mr. PLUMB. The Senator from Illinois says more than double that. We lost $41,000,000 last year. The reason why we shall not lose so much this year is because, as I understand it—and yet I may be mistaken, but I think not, however—that the banks can not retire their circulation beyond the amount I have stated without losing their charters. Of course, if the banks should take a notion to quit the system, losing their charters, there would be a loss of $3,000,000 a month, the maximum permitted by law.

Now, Mr. President, supposing that the banks retain their charters and only reduce their circulation to the amount which they can without surrendering them, we should lose $15,000,000, or practically all we gained by free coinage. If we took everything that the American mines furnish we should only be making good the shortage created by the banks, and a couple of millions over. Would that be an inflation of the currency such as would bring serious consequences? It would be the addition of the enormous sum of 3 cents per capita!

Take the next year, and supposing the banks did not retire any more currency, and supposing also that the silver supply should increase 10 per cent., as it probably would not, and the extreme amount added to the currency for that year would be $25,000,000, which, for a population of 70,000,000, would be about 33 cents per capita.

It is additions like these which, according to those who oppose the free coinage of silver, are to make financial disturbance, upsetting values, destroying commerce, and turning back the dials of progress. Mr. President, the American people have made good use of every instrumentality of progress which they have been able to lay hold upon. They are the most enterprising and progressive people in the world. The more money they have the greater the number of their new enterprises, the greater their progress, and, above all, the more even and equitable will be the distribution of the results of labor and enterprise.

The American people would take five times 33 cents per capita of additional currency, yea, ten times that much, every year, absorb it, make use of it, extend their enterprise in consequence, distributing more evenly amongst the people the rewards of labor and enterprise than can by the existing volume be done, giving to labor better reward, to business better facilities, helping everybody, and hurting nobody except those who are indulging in the anticipation of the increase of the value of the bonds and mortgages they hold, and which the Senator from Nevada felicitously calls "money futures."

Everybody agrees that we can not have too much gold. If we were suddenly to acquire one hundred millions of the yellow metal we should be that much richer. It is said we shall have sent to us from abroad

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large amounts of silver, which will seek our mints for coinage, but no one knows where this silver is at present. The United States has constantly exported its surplus silver to London. That surplus would disappear from the market under the operation of free coinage, and why should Europe suddenly have silver to sell us after having readily for an indefinite period bought all we had to sell, many millions each year? But suppose Europe suddenly has silver to dispose of instead of buying, as heretofore, why should we fear for the result? We could only get it in the processes of trade. We should give something for it which was for the time being less valuable to us. It will not be given to us, though we could stand it, I think, even to take the $25,000,000 which the Senator from New York [Mr. HISCOCK] said on yesterday the Dutch were ready to give us. It seems to me we should be $25,000,000 better off without effort.

The average Yankee can be trusted to make a good bargain in trade, whether it be of silver or other commodity. There would be some active business going on as the result of the movement of silver this way.

But, Mr. President, I venture the opinion that when silver shall be coined free in this country Europe will not only keep all it has, but will strive assiduously to get all of ours it can, as heretofore. We overlook that silver has been degraded first by legislation and second by a powerful public opinion created by the banks of the great cities, and by the newspaper press of the same localities. They have employed threats and villification to carry their point. But despite all this the sentiment for the restoration of silver has power stronger and stronger all the time, until now it is demonstrated that public sentiment demands action. The question now is, how little can be done and not run too far counter to this public sentiment?

We hear all the lugubrious prophecies which were uttered in 1878 as the result of a depreciated currency. But if silver be given free coinage it will appreciate in value, and what is more and better, gold will go down. Perhaps the two metals will not entirely come together, but a moderate difference in their respective value as commodities will do no more harm than it did in 1873, when silver was worth 3 per cent. more than gold.

And this brings me to the proposition which I was very sorry to hear my friend from Illinois [Mr. FARWELL] make, that the proper silver dollar was one which had silver enough in it to make it equal in value as a commodity to gold. This would of course make gold the standard. As that metal is constantly appreciating in value and as under this plan silver would fluctuate widely and probably further depreciate, becoming the prey of speculation, the silver dollar would have to be recoined every day in order to be kept at a parity with the gold dollar. The Senator from Illinois is too sensible a man to take up that absurd idea after the author of it, the Senator from Ohio [Mr. SHERMAN], and everybody else has abandoned it.

Mr. President, a return to the gold standard is precisely what we most desire to avoid. I would rather to-day stop on the basis where we are of actual money in circulation if thereby we could maintain the double standard than to increase the currency ever so much upon the basis of a return to the gold standard. The burden of public and private credits is already as great as can be borne. To further increase it as would be the result of a return to the gold standard would be a greater crime than that of 1873. Pay-day is bound to come, and if the strain of additional credits be put upon gold the day is not far distant when

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the ruin of the debtors of the country, the most enterprising and deserving portion of its population, will be complete.

I want to widen the base in order that every man under the flag may feel that he has his feet on a solid foundation on which he can build with safety whether his ventures be such as to call for credit or not, and whether they be large or small, and all the better if they be small, because the interest of the country is a great deal more with those whose business is small than with those whose business is large. Better less accumulation of wealth and a more even distribution; better more comfort on the farm and in the homes of those of small means than greater luxury in the palaces of the rich.

Mr. President, the sacred name of protection was invoked yesterday by the Senator from New York [Mr. HISCOCK] against the free coinage of silver. I was not surprised, because I had noticed with more concern than I care to express that for many weeks past the leading protection newspapers of the country have been denouncing the proposed free coinage of silver, and, in fact, all plans for adding to the volume of silver money as conspiracies, and impugning the motives of their advocates. According to them, only dishonest persons favor silver, and all the country needs in order to be prosperous is to increase the duties on articles of general consumption.

We have had rehashed the old talk about the 75-cent dollar, about repudiation, about the awful impropriety of increasing the value of silver because it would give profit to miners and mine-owners. What does protection do if it does not make profit for the manufacturers? And what about the demonetization of silver in 1873, by which the miners and owners of gold have been enriched, by which, according to the best authority, gold has been increased more than 30 per cent. in value in the last fifteen years? Anything which helps gold and adds to the fortunes of those interested in it is moral and God-fearing. That which would help silver is dishonest.

Mr. William H. Lyon, the oldest dry-goods merchant in the city of New York, has often told me that he had taken careful account of the purchases which his firm had made from time to time during the past twenty years in China, in Japan, in India, in Germany, in Russia, and in all the countries of the world, and he said to me that silver as merchandise would now buy more of all kinds of other merchandise than ever before; that the purchasing power of this degraded silver had increased by comparison with the prices of all other products of labor except gold. Enormous fortunes have been made out of the rise of gold and without effort or risk. Look at the premium on Government and railroad bonds and other similar investments. And yet those who merely say that they mean to so legislate as to prevent a repetition of this are accused of being repudiators.

The virtue which now cries out at the proposed demonetization of silver is very like that of a person who, having stolen all the horses of a neighborhood, should then become devout and announce that stealing must cease. Those who have got a 30 per cent. profit on the rise of gold now behold with alarm and indignation the proposition not to take away what they have improperly acquired, but simply to stop further accumulation of the same kind.

Can it be said that this is repudiation? Are we so bound in bonds to these our lending brethren that we are required to do that which will every day make them worth more than the day before without effort on their part and at the expense of the producers of the country? Is that the standard of commercial morality which we are to have

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here enacted into legislation, or which is to be interposed to prevent legislation designed for the benefit of the great mass of the people?

Mr. President, I am a protectionist, and up to within a few days I have believed that protection meant the giving of value to any product the result of American labor on American soil. But now, in the sacred name of this—I will not call it a fetich, although I do not know what I may call it before I get through—but in the sacred name of this system we are asked to depreciate silver, notwithstanding it is an American product of much larger value than many which will figure in the new tariff bill with an increase of 200 or 300 per cent. of duties beyond those now provided by law. When my friend from New York [Mr. HISCOCK] got into the pathos and patriotism of his plea not to do anything which would deprive the country of gold wherewith to make settlement of our foreign balance, I wanted to ask him what he proposed to do about this same tariff bill, which, if enacted in its present shape, will cut off the greater part of our foreign commerce for the present, at least, and thus obviate the necessity or even the opportunity of our paying out gold in payment for imported goods. I hope I may interpret what the Senator said as a hopeful augury of his action upon that bill in such amendment as will prevent the proposed increase of duties upon articles of nearly universal consumption, whereby new burdens will be put upon the consumer.

Mr. President, I have occupied more time than I expected, but I have scarcely entered upon the threshold of this great question. I have gathered from time to time while this debate was going on data of different kinds which I thought would throw some light upon it. But the speech of the senior Senator from Nevada [Mr. JONES] covered the whole ground so thoroughly that nothing which I could say would be more than to add the flicker of a tallow candle to a subject illuminated by the brightest of electric lights.

I have spoken more to represent the convictions which will govern me in the vote which I shall give than to attempt to instruct any one else. I can not regard without fear the present condition of things, confronted by the danger of a great financial collapse on account of the great volume of credit built on a narrow base of money and the increasing burdens which are put upon the producing classes. But my chief fear grows out of the plans which have been proposed to meet these vicious conditions. The accord in certain quarters to the effect that more currency is needed is in itself suspicious. But when the means of providing this currency are inspected suspicion becomes alarm. The intention is quite apparent to concede an increase in the circulating medium on the sole basis that the double standard shall hereafter prevail and silver cease to be money.

I can not look upon the bill which came from the Treasury Department with the sanction of the Administration as calculated for anything else so much as to restore the single gold standard—no more silver coinage, no more silver dollars, $360,000,000 of them added to whatever gold we may accidentally possess to be the basis upon which 65,000,000 of people, increasing at the rate of 2,000,000 per annum, must hereafter do their business; silver to be used only as a commodity, as a basis for the issue of warehouse certificates. Mr. President, rather than to have that bill become a law I would willingly see this Congress adjourn without one line of legislation upon the subject and carry this question to the people and get their final verdict upon it. A return to the gold standard would be a far greater calamity

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than the continuance for a year or two longer of the present disastrous contraction of the currency.

I do not mean to say that in matters of this kind, where great interests are at stake and where there is perhaps room for difference of opinion, or, at all events, for difference of interest, there may not properly be some compromise between conflicting views in order that legislation may be had; but I want to say that whatever compromise I may consent to will never be one which limits the basis of the business of the country to the silver now coined, plus gold, such as we have and may get. Any legislation which I consent to must permanently widen the base—must either recognize both metals as money or must discard both and put in their place paper money, the value of which can be expanded so as to meet the increasing needs of increasing business. Archimides said that if he had a place to put his fulcrum he could lift the world. Give the American people the base on which to plant their feet, with increasing breadth to meet increasing needs; give them the financial instrumentalities which they need for the development of their resources, room for the exercise of their intelligence, their enterprise, their courage, and they will not only move the world, but they will lead it. If, instead of being content to echo the opinions which emanate from bank parlors in London and Berlin, we take into account its real truth, the needs of our own people and that which concerns their well being and happiness, put silver back to its rightful place, enthrone our American product, give to our people the opportunity which a fairly reasonable money supply would furnish, put ourselves in accord with this hemisphere, inside of two years the United States would have primacy in the financial world and the money center of that world would be not London but New York. I also believe that if we do not adopt free coinage of silver now Great Britain will shortly do that or its equivalent and we shall meekly follow as heretofore, not daring to do anything unless the mother country first sets the example. We seem to enjoy this kind of humiliation.

We are sixty-five millions of people, soon to be a hundred million, possessing a continent of immense resources, with more intelligence and enterprise than any other people in the world. The Anglo-Saxon race is bound to lead and the American people ought to have primacy in the councils of that race. We do not need to ask what London or Germany wants. Our opportunity and career is before us, and may consist in defying the policies of the older nations. Leadership is more the result of courage than of finesse. We need the courage now to take first place and mark out a policy which all the nations will be under constraint presently to follow. We need for our own use all the silver we have and all Europe dare to send us, and the more they give us the richer we shall be. The good sense no less than the patriotism of the Senate is appealed to to create the broad foundations on which we can safely build and which will make the opportunity which our people will gladly embrace.

Let us break whatever bands bind us to the body of death represented by that fixed capital which produces nothing, which shuns the sea of venture, which discourages enterprise and which oppresses labor! It is joined to its idols. Let it alone. Instead let us legislate for the majority, the people whom Lincoln called the common people, whom he trusted and upon whom the Republic rested during the fateful period of the war, and who brought the country and liberty through triumphant. [Applause in the galleries.]

PLUMB

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