

Congressional Record.

FIFTY-FIRST CONGRESS, FIRST SESSION.

Silver-Bullion Certificates.

SPEECH

OF

HON. ZEBULON B. VANCE,

OF NORTH CAROLINA.

IN THE SENATE OF THE UNITED STATES,

Thursday, June 12, 1890,

On the bill (S. 2350) authorizing the issue of Treasury notes on deposits of silver bullion.

Mr. VANCE said:

Mr. PRESIDENT: Since I have been a member of this body I can not recall a question that has been more thoroughly and ably discussed than this of the coinage of silver, nor can I remember one which has come before this body which I think of greater interest to the people of the country.

It is a fundamental, elementary maxim of the science of finance that an abundance of money makes high prices for products, and, *per contra*, that a scarcity of money makes low prices for products. In other words, the value of the products of the world is measured by the amount of circulating medium, of the precious metals, that there is in the world to exchange for them.

I do not think anything has been better established than the necessity of this country for more money, for a larger circulation to meet its constantly enlarging business and its rapidly increasing population. We must have more money; it is necessary to our progress and to our prosperity. It is necessary that the currency of a country should keep pace with its growth in population and its business. It is a remarkable fact, most complimentary to the civilization of this age, that the wealth, and consequently the business, of the world has increased even in a far greater ratio than its population. Within the last fifty years it is not too much to say that the wealth of the world has increased tenfold. Now, the circulating medium of the world is furnished by the precious metals, gold and silver, and with the exception of remarkable finds now and then, lasting not a great while, the output from the earth of the gold and silver which furnishes our circulation has kept pace neither with the population of the world in the last fifty years nor with its wealth.

In consequence of business and population having outgrown the circulating medium of the United States, hard times have come upon this country, and prices of all products are low, lower perhaps than they ever have been in the history of the Government. Wages are low, lower than they have been in recent years of our prosperity, and they would have been still lower if they had depended altogether upon economic causes. The very slight increase in labor that has taken place within the last twenty years is due more to the exertions of labor itself than to any economic cause. Labor associations and the struggles which they have made to secure their proportionate and proper division of the proceeds of capital have operated to some extent to keep up the price of wages; but in every other respect the condition of the country is an unhappy one so far as its finances are concerned.

The debtor class especially are in trouble in consequence of the legal ratio which existed for hundreds of years between gold and silver having been dissolved and the extraordinary fall of one of the metals or the rise of the other; and owing to the fact that debts contracted years ago have to be discharged in a metal that is constantly increasing in value, the debtor class perhaps are suffering worse than any other. No, I will not say that. Those who have suffered most from this depreciation, this bearing of silver by means of legal enactment, is the agricultural class of our country.

The farmer has not only to receive these low prices for his products, but he has gradually fallen behind more and more until his farm, and his homestead, and his roof-trees have become covered with mortgages, and he is so in debt that if the present state of things continues, if he

receives no more for his products than he does now, and there is no aid given to him in the way of increasing the currency of the country and putting some of it within his easy reach, a very large portion of that class of our fellow-citizens are doomed to bankruptcy and ruin.

It seems to me that the causes which have tended to his destruction arise, in the first place, from the unequal taxation to which he has been subjected by our tariff laws, inasmuch as he has been compelled to sell his leading products in the free-trade markets of the world in competition with all similar products of the world and has been compelled to buy his supplies in the highest market in the world, restricted by tariff to prevent competition.

Another cause of the ruin which is threatening him, arises from the fact that those same tariff restrictions operate against the extension of his trade. Inasmuch as his products can not freely go abroad, for the reason that the products of the people abroad can not freely come in exchange for them, he has not only been subjected to these disadvantages to which I have just alluded, but his market has been so restricted that the natural law of supply and demand could not work to increase the price of his products.

But as if that was not enough, after you had practically forbidden him to send anything abroad and stationed a sentinel with a club at every port of the country to keep anything from coming in to exchange with him, you stepped in at the instigation of Wall street and demonetized one-half of the currency of the country which gives credit and value to his products. One of the strangest economic operations that I have ever known advocated by sane men in modern times, is that when the wealth and business of the world had increased tenfold the money with which that business was done should have been diminished one-half. Just when it had most to do was the time when the currency was curtailed, and the work which had been performed by both silver and gold was left to be performed by gold alone.

But so it is that these hard times have come upon the country, and we are called upon to do something to relieve the people who are in distress. Inasmuch as there seems but little chance to relieve the farmer of the incubus which has been imposed upon him by unjust taxation, then the question arises, are we willing to relieve him in this way or in any other way?

In order that there may be no misunderstanding about the purport of my remarks, that it may not be inquired as I go on which side I am upon, I simply wish to say now that I favor the unlimited coinage of silver money and restoration of silver as it was before it was demonetized and the coinage of the silver dollar was forbidden in 1873.

Now, what is the danger of this coinage? Suppose that we yield to the clamor of our fellow-citizens who are in distress, the laborer, the workingman, and the agricultural classes everywhere with their labor, and the common people at large, who all demand this addition to our currency—suppose we were to yield to it, what is the danger that is to come upon this country? In the first place, it is said that we will be immediately deluged with silver; that all the silver of the world will come immediately to the United States to be coined. Mr. President, I do not regard that as a danger. I do not regard it as a misfortune if, having \$1 in my pocket with which to buy so much flour and so much meat, there comes legislation which will put \$10 in my pocket to do the same thing. Some men may regard that as a misfortune, but I do not. But treating it as though it were a misfortune, I wish to suggest that there is no danger of any such thing happening. The silver of the world will not come here for various reasons.

In the first place we coin at a ratio of 16 to 1 when Europe coins at a ratio of 15½ to 1. It is hardly supposable that a man who had silver in Europe worth 15½ to 1 would lose 3 per cent. upon it by voluntarily taking it where it could only be coined at 16 to 1. It is very certain that the silver of the silver countries of the world would not come here, because it is their standard of value, and they would not make the sacrifice, of course, of sending it off and making their standard of value scarce.

The silver of Asia would not come, nor would the silver of European silver-standard countries come, nor would the silver of the bimetallic-standard countries of Europe come, nor would the silver of the gold-standard countries come. Why? They all use silver, every one of them. The gold-standard countries use silver. I have here the last copy of the London Economist, dated the 31st of May, in which I find a table of the coinage of Great Britain and of the world for the year 1889, and I find that Great Britain coined over \$12,000,000 of silver last year, £2,215,000; just about half of what we coined ourselves. I find the

following important fact, which is commented upon by the editor of the Economist:

The gold coinage, it will be observed, consisted wholly of sovereigns, the coinage of half-sovereigns being suspended, as it was in 1888 also. Indeed, during the past few years only 841,200 half-sovereigns have been coined. An opening has thus been created for the more extended use of silver in the currency, and two measures taken by the Treasury in 1889 further increased the use of the white metal. Arrangements were made for paying wages in dock-yards and other large Government establishments in silver instead of in half-sovereigns, and as the small change previously made for sending silver from the Bank of England to banks or firms in the provinces was found to interfere with the free circulation of the metal, that was abolished, the cost of carriage being defrayed by the mint.

It is no doubt to these measures that the large expansion of the silver circulation is mainly due, and although the Chancellor of Exchequer was blamed in certain quarters for pushing out silver, he unquestionably acted wisely in doing so. The half-sovereign is a very convenient coin for the wealthier classes, and as it is less troublesome to handle than silver to the same value it is naturally preferred by bankers and those who have large wages bills to pay. The great mass of wage-earners, however, find it more convenient to be paid in silver than in gold, which they not unfrequently have a difficulty in getting changed, and as in addition to this there is a very large profit in the issue of silver, while the half-sovereign is a costly coin to maintain, there is a double advantage in the substitution within due limits of silver for the small gold pieces.

This is the organ of the gold-standard economists and financiers of England, and this is the official action, showing that the Government of England, although it has the single gold standard, finds it necessary not only to keep a certain amount of its silver in circulation, but is from time to time increasing that amount and refusing to coin the smaller pieces of gold in order that the silver may more readily take its place.

Now, where has England got any silver money to send to us in case we adopt the free coinage of silver? Why, Mr. President, the Secretary of the Treasury tells us the same thing. In his last report he tells us that England could not send any of her silver here without the greatest inconvenience and without disarranging her currency and accommodating her people.

If this be so, that the chief gold standard country of the world can spare no silver, surely the double-standard countries will not spare it.

Where then is silver to come from? There is no surplus silver known to be anywhere unemployed in Europe, unless it be the remnant of the German quantum that was on hand when Germany demonetized silver and adopted the gold standard, and as she has already sold off more than \$140,000,000 worth of her surplus, who knows how much silver Germany has on hand? France has more than any other country, but she is using it all and coining more.

The Secretary of the Treasury also estimates for us that the total production of silver in the world is only about \$142,000,000. I believe it is. Of that India alone takes and is obliged to have about \$35,000,000. China and Japan take about \$20,000,000. The remainder, bringing the total down to about one-half of it, \$70,000,000, is distributed over the silver-using countries of Europe. From that must be deducted the amount required for use in the arts, which is estimated at about \$15,000,000. That would leave about fifty-five or sixty million dollars of surplus silver that could come to the United States in consequence of our adopting the system of free coinage. But by the table which I append from the Economist it will be seen that the world's coinage for last year was £25,376,278, or more than \$125,000,000, leaving only about \$17,000,000 for use in the arts and for "flooding" us! The dire predictions of calamity and disaster that are made by Senators on the other side, of ruin to come to our financial system by this influx, would be, if my calculation is correct, only about \$1,000,000 more than is provided for by this bill which was reported by the Finance Committee, which is \$54,000,000.

Gold coinage.

Cities and countries.	1899.	1888.
London.....	£7,257,455	£2,277,424
Sydney.....	3,294,000	2,187,000
Melbourne.....	2,732,000	2,890,000
India.....	22,600	nil.
United States.....	13,306,055	7,294,424
Germany.....	5,009,000	5,672,580
France and Colonies.....	10,118,959	7,214,438
Russia.....	680,112	23,166
Italy.....	3,888,445	4,219,522
Switzerland.....	nil.	97,358
Belgium.....	80,000	3,530
Austria and Hungary.....	683,006	570,048
Sweden, Norway, and Denmark.....	222,070	nil.
Holland.....	109,306	29,366
Spain.....	nil.	nil.
Portugal.....	19,778	21,110
Mexico.....	56,994	79,729
Japan.....	185,939	194,867
Egypt.....	112,879	53,330
Total.....	34,562,144	25,472,738

Silver coinage.

Cities and countries.	1899.	1888.
London.....	£2,215,743	£755,113
India.....	7,282,000	10,790,000
United States.....	9,497,743	11,545,113
Germany.....	6,908,000	6,837,219
France and Colonies.....	37,201	207,890
Russia.....	269,979	458,632
Italy.....	237,915	239,868
Switzerland.....	nil.	nil.
Belgium.....	1,000	nil.
Austria and Hungary.....	nil.	nil.
Sweden, Norway, and Denmark.....	939,474	1,144,438
Holland.....	54,211	27,304
Portugal.....	nil.	nil.
Turkey.....	140,000	315,535
Egypt.....	320,000	320,000
Mexico.....	1,760	1,760
Japan.....	5,206,245	5,368,806
Spain.....	2,089,510	2,042,422
Total.....	25,376,278	28,508,917
	(*)	2,128,777
Total.....	25,376,278	30,637,695

* No record obtained.

To the increase in the gold coinage of the year it will be observed that this country and Australia and Germany have mainly contributed, while the decrease in the silver coinage is fully accounted for by the lessened output of the Indian mints. The Indian coinage in 1888 was, however, exceptionally large, owing to the importation in that year of the native coins received from the Maharaja Sindia.

In confirmation of the views I have just been expressing, to the effect that there is no danger of a flood of silver, I beg leave to read from the report of the royal commission, those distinguished gentlemen who had in charge the inquiry as to the depression in trade, etc., arising from the separation of gold and silver in bullion value. They say, on page 78, as follows:

Turning next to silver, it is very difficult to estimate the extent to which the use of this metal has diminished in Europe and America owing to currency changes.

No doubt the adoption of a gold standard in Germany diminished the demand for silver in that country, but on the other hand there has been a very large coinage of silver in the United States during the last ten years, amounting to upwards \$300,000,000, while in the ten years preceding 1873 the currency in that country was paper, and but very little silver was coined.

When all the facts are taken into account it seems doubtful whether there has been, on the whole, any great diminution in the use of silver for currency purposes.

Now, if under all those circumstances, if in the period following the depression of silver by its demonetization in many of the leading countries in Europe and by the closing of the mints of all the countries of Europe to its coinage it had still maintained, or very nearly maintained, in the language of these distinguished gentlemen, its use in circulation, how can we argue that the increase of its use now will be injurious to anybody? The very fact that the price of silver has never fallen as compared with products, and that a dollar in silver now will buy as much as a dollar in gold and as much as a dollar in anything else will, is evidence that the country wants it and that the country desires more of it. That which the country wants kept in use and wants increased can not possibly be construed by any kind of philosophy into an injury to the country.

I believe all sides agree now, though they did not agree until pressed by what they regard as the great danger of the free coinage of silver, that whilst it would be an excellent international arrangement, yet that the United States Government would find itself overwhelmed and ruined if she undertook to remonetize silver and to maintain its parity with gold throughout the world. Who prophesies all these dangers to this country? Who tells us of the evils that are to follow if we remonetize the silver of our fathers and give the people once more the money that they are entitled to have by the Constitution of the United States? The same men who told us in 1875, in 1878, in 1883, in 1885, and all the way through, whenever any increase of the coinage of silver or the remonetization of the silver dollar was proposed; the same men who told us then that ruin would come, tell us now the same story. When pushed to the wall by the facts they begin to prophesy, and in every instance they have proved false and lying prophets. In other words, the prophets speak for their profits, and that is what they are doing now.

Why could not the United States maintain the parity of gold and silver with unlimited coinage, if she could maintain that same parity and preserve herself from financial ruin by adopting the bill reported from the Finance Committee, which comes very near taking all the surplus silver in the world? What is the practical difference of the two propositions? We have the greatest country in the world. We are the third country in the world in territorial extent; and when you take into consideration the character of our country, its situation, its fertility, its teeming and untold wealth, and the energy and intelli-

gence and the force and power of the people, it is not too much to say that this is the greatest country in the world, and that it can solve successfully this greatest financial problem.

Let me read to you what is reported in the newspapers to have been said recently by a distinguished English financier and bimetalist, Mr. Moreton Frewen, when interviewed on that subject. The interviewer says:

And if these results follow, do you think that England will then accept bimetalism?

The results to which he alludes were answered in another question. I had better read that first:

Assuming that there is to be a coinage monthly of 4,500,000 ounces, I think these results will follow during the next twelve months. There are some 87 crores of Indian rupee paper, worth to-day, say £55,000,000; the rupee will rise to about 22d., and these securities will increase their value to £80,000,000. There will be a great boom in the Lancashire trades, and real estate in Manchester will rise. *Pari passu*, there will be an industrial crisis in Bombay, and immense numbers of black men there will be thrown out of work. There will also result a rapid rise of prices and wages in the United States which the goldbugs here will ascribe to inflation—for everything with these gentlemen is inflation unless the world's currency is being contracted visibly by anti-silver legislation—and trade to the States will be stimulated, and America, rapidly increasing her imports, will for a year or two lose much gold, which gold will come here, so that probably 1891 will be a year of brisk speculation in the city.

Then the question is put:

And if these results follow, do you think that England will then accept bimetalism?

Probably not; and, however desirable, it may be no longer necessary; for, if, as I anticipate, the action of Congress forces silver up to nearly the American coinage ratio of 1 to 16, it is almost certain that after a conference with the United States the mints of the Latin Union would be thrown open to the free coinage of silver once more. I quite believe that America could, even single-handed, maintain the ratio—the par of exchange—all over the world; but certainly America and France together can. So that the world of trade would be once more bimetallic, as before 1873.

I have no doubt in the world of the soundness of that opinion. I believe the world is waiting for somebody to begin, and that the moment this great people throw open the doors of their mints, the moment that they pledge their immense volume of business to support the ratio and to support exchanges, the moment that they pledge their great wealth to support silver money the success of free coinage will be so well assured that the smaller nations of Europe who ardently desire the free coinage of silver money will at once come to the rescue, and that it is only a matter of courage that is required on our part to cease to regard the interested howls of gold speculators, throw open the doors, and make the beginning.

Mr. President, all classes of our people desire the passage of this bill. The agriculturists especially desire it; and as the rates of exchange have to be maintained by our foreign commerce and as seven-eighths of that foreign commerce is the product of the field and the farm, why should not their voice be heard in this matter? Yes, sir; out of every \$8 which enters into our foreign commerce \$7 of it is the product of the agricultural classes of this country, and that foreign commerce alone maintains the rate of exchange between our country and Europe.

The agriculturists desire this thing earnestly. They will suffer, if it is not successful, more than anybody else and longer than anybody else through any losses of trade which can possibly occur. The merchants will charge up the percentage they have to pay for exchange; the bankers will make it off their customers; but the farmer whose product goes to market and is sold has no one upon whom he can throw his losses. Every man in the country who works for wages desires this great change.

Silver is the money of the people, the common people, not of the speculators, not of the wealthy men, not of kings and princes and potentates. It is the money of the people and has been the money of the people so long and so far back in the history of our race as we have any record whatever.

The common day laborer, who works with his hands and receives his pay on Saturday night, knows nothing of your theories of finance and economy; he knows nothing of the automatic theory; he never heard of Gresham's law; he never heard of the differences in exchange and of those things which are technical to the theory of finance; but he knows that when silver dollars are plenty his wages are higher than when they are scarce, and he knows when he hears them clinking in his pocket as he returns to his home on Saturday night that they make a music which speaks of food and raiment, cheerful faces, and more comfortable surroundings at his hearthstone. They want this money. We ought to give it to them.

There never was a greater crime perpetrated against the American people by legislation—and that is saying a great deal, for I have known some most infamous crimes of that character—than the one which robbed them of the value of their silver money. Nature has placed it in the earth at a ratio of about 15 or 16 to 1. The poor men who use it and receive their wages and buy their weekly supplies with it are in a ratio of about 16 to 1 of the rich men who put their money in bank and use checks and handle gold. Let us establish that ratio and give them this money.

But we are told that if we increase the value of silver money and make it about the ratio of 15 to 1 and make it a legal tender on a parity with gold in all respects we shall stimulate the production

of silver that the price will go down again and financial ruin will ensue.

Mr. President, how is money produced? Do you sow a crop of it in the earth? Is it produced like wheat, or tobacco, or cotton? Do you sow it broadcast, or do you drill it, or do you plant it in hills? To talk about increasing the value of silver stimulating its production, it seems to me, Mr. President, is not much removed from talking nonsense. If making it of equal value with gold or even increasing its value would stimulate its production, will some one please to tell me why gold, which is now more valuable than it has been for fifty years, is constantly decreasing in its production?

Why is it that the stimulation will operate to bring out more silver than we want if its value is made equal to gold, when, the value of gold now being about 30 per cent. above silver, the product itself is decreasing from year to year?

It is well enough to look ahead at these things.

Why, this same royal commission, or a portion of them, gave it as their opinion that if something was not done to increase the value of the silver production and to create a parity between it and gold, gold would go on appreciating until there would be financial disturbances, and the credit of the world would be disturbed by the appreciation of its standard just the same way that it is disturbed by the depreciation of its standard; and that it was absolutely necessary to have a bimetallic currency, so that silver in its fluctuations and its uncertainties might be supplemented and supported by gold, and that gold in its fluctuations and uncertainties might be supplemented by silver. In other words, as the commission expressed it, silver was needed to broaden the base on which the financial edifice stood, in order to make it more secure.

Mr. President, I may argue myself into opinions which are not well founded, as men frequently do when they have the object which is to be attained much at heart. I may argue myself into the belief that there is no argument on the other side, but at the same time no proposition can be plainer it seems to me. What are we going to do for our country? What are we going to do for the agricultural classes, whose farms and homesteads are covered with mortgages? What are we going to do for the working classes, who are struggling and striving to maintain their wages. Where is our country going if we continue to restrict silver and that is followed by the continued appreciation of gold and a reduction of prices in consequence—where are we going to land? How are you going to recompense the farmer for the evils he has suffered, from the very nature of things, through unequal taxation? Or do you really intend to do anything? If not, candor requires you to say so.

It is your best policy to say so. My word for it you can not fool him much. I do not see how you are to do it now except by giving him abundance of money, and putting it within his easy reach, and then, in the language of the distinguished English financier which I have quoted here, wheat, flour, pork, beef, and all the food products that are produced in this country will go up, the prices will be increased, and the farmer will be enabled to discharge his mortgages, and his homestead once more will be safe. He can then educate his children, and he can feel that the laws of his country are not unjust to him; that they have given him what he has desired, and after long years of patient suffering his time has come at last.

Let me read once more about the effect that the increased value of silver will have upon the products of the farmer. The only two items, or rather the two main items, in which the cheap silver countries of the world, India particularly, compete with the United States are in the items of wheat and cotton. There we not only have to compete against the cheap labor of those countries—and we can hardly form a conception of how cheap it is—but we have to compete also under the circumstances which are produced by the fact that a silver rupee in India will buy just as much wheat or cotton as it ever did, and that the English merchant can buy the silver rupee in London, or the silver to be converted into the rupee, or with which to purchase the rupee for 30 per cent. discount, and that enables every man who has a bushel of wheat in India to be shipped from Calcutta to England, to meet the bushel of wheat that comes from Illinois or the plains of the West in the market of London with 30 cents on the dollar advantage over him, to say nothing now of the cheap labor with which it is produced. Here is what Mr. Frewen said on that subject:

Now, it is no longer questioned, even by our monometallists here, that the lower the price of silver falls the lower must fall the prices of wheat, cotton, and other American exports. If the silver countries, say India, can secure in Mark Lane the gold equal to 20 silver rupees per quarter they are satisfied to sell their wheat. Therefore, with the rupee at 2s., the price of wheat here will be £2, but with the rupee at 1s., then £1. Thus the export price of American wheat, and therefore the entire home price, the New York price, has been hammered down by the great fall in silver, and has resulted in the impoverishment of the farmers of the far West to a degree quite pitiable. I think farmers west of the Alleghenies have suffered even more than in England since the monetary revolution of fifteen years ago, and it is for this reason that the strength of the silver party is in the Central, the Western, and the Southern States.

Mr. President, it seems to me that those of us who make professions of regard for the great agricultural portion of these United States, those who constitute nearly 50 per cent. of all its workers, of all those engaged in labor or gainful occupations, those who furnish seven-eighths

of those products which constitute our foreign commerce—I say if those of us who profess any regard for them and any desire to do something for them refuse either to take the taxes off their necessities of life or to give them abundant currency, might well be set down as their absolute and implacable enemies; as men who will do nothing for them, because all the means by which it is sought to ameliorate their condition have been rejected by these statesmen.

I do not know, Mr. President, that I have anything more to say. I

only desired to make a few brief remarks on this silver question, in order that my position might be known to my people, who are deeply interested in it, and in the desire that I have to contribute something towards this discussion and a proper solution of the question which we have been debating. It is difficult, indeed, to go over this field, which has been so carefully swept and gleaned, and add anything worthy of consideration; but I am obliged to the Senate for having listened to me with so much attention.

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