

THE FREE COINAGE OF SILVER.

SPEECH

OF

HON. HENRY CABOT LODGE,
OF MASSACHUSETTS,

DELIVERED IN THE

HOUSE OF REPRESENTATIVES OF THE UNITED STATES,

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"When the great instrument of exchange became thoroughly deranged all trade, all industry, were smitten as with a palsy."—*Lord Macaulay—History of England.*

WASHINGTON,
1892.

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The House having under consideration the bill (H. R. 4426) for the free coinage of gold and silver, for the issue of coin notes, and for other purposes—

Mr. LODGE said:

Mr. SPEAKER: The statistics relating to silver and the silver question, to gold and to the ratio between them are many. They have been brought together from various quarters, chiefly from Seeböhm, and have seen a great deal of hard service of late years in both branches of Congress. They have been drawn out in regiments and platoons; they have been marched and counter-marched; they have been paraded and formed in very hollow squares to resist cavalry; in fact they have done their duty, and I at least do not propose to torment further these over-worked figures. [Laughter.] I desire merely to discuss this bill very briefly in its practical bearings upon the currency and business of the country.

There are two points of view from which the silver question may be approached; one is the international and the other the domestic side. Internationally the question is whether the demonetization of silver which has been adopted by England and Germany and which is threatened by Austria has been a wise and beneficial policy for the business interests of the civilized world. England first put in practice the theory of a single gold standard. Thereupon, as is always the case when any economic theory is adopted by England, English statesmen and economists at once proceeded to argue that no other system was sane, possible, or even honest, and thus they have continued, although the chorus is no longer quite as harmonious as at the start. [Laughter.] They have in this case as in others cried out with one voice that no intelligent man, no man of education, no moral man could possibly hold any doctrine but that of the single gold standard. [Laughter and applause.]

It will be generally found, I think, that when England adopts an economic theory it is because her people believe that it is profitable to do so. When, however, they have once taken up a policy out of which they believe they can make money they like to have it understood that it is really virtue and not money which they seek, and so they indulge in loud declarations of the immutable truth of their own theory and of the wickedness and dishonesty of everyone who does not agree with them. [Laughter.] This little peculiarity would concern them alone were it not that there is a certain number of persons in this country who are always awed by the confident English assertions, and repeat them with parrot-like exactness. [Laughter and applause.] The question of the

use of silver in the world's currency, however, is too large and difficult a subject to be settled by merely swallowing, whole, opinions made up and administered by someone else. It is a subject on which we ought to think for ourselves, and reach our own conclusions.

As the matter stands to-day Germany has followed the example of England in demonetizing silver, and the effect of their joint action has been so serious in the transaction of the world's business that there is at this moment in England itself a strong party which favors the restoration of silver. The international question therefore is whether we shall exclude silver from the world's currency or whether we shall return to the old policy of the use of both metals. This question seems to turn on a single point, and that is whether there is enough gold to serve even the very limited purposes for which under the modern system of exchanges gold is required, or, in other words, whether there is gold enough to pay trade balances and supply the necessary reserves for the issue of paper money. This is a large question, upon which it is extremely difficult to speak with any certainty, and I am not sure that we have enough facts in our possession to determine the point absolutely. Such evidence, however, as we have all appears to point one way. The events of the last two years certainly seem to indicate that the world's supply of gold is inadequate to meet the purposes for which gold is required. The rapidly recurring business panics at different money centers, together with the struggles of the various nations to secure gold all point to a very insufficient supply and to the necessity of using both metals instead of one only in the world's currency. I believe that if we in this country were to cease to hold up silver and were to stop its use in our currency we should in less than two years compel its restoration by all civilized nations.

But, however all this may be, it does not touch the practical domestic question now before this House. In settling that we can deal only with existing facts, and our views as to the true international policy are not relevant. What, then, are the actual conditions? Silver has been demonetized by two of the great commercial nations of the world, and the world's standard of value at this moment is a gold standard. The question for us is not whether we will join in an international agreement to restore silver to the world's circulation, but whether when the world's standard as a matter of fact is gold we shall enter upon the free coinage of the silver dollar, which, by the world's standard, is worth only 72 cents.

For practical purposes it is of no consequence, as I have said, what our views may be as to the use of both metals or the abandonment of one in the world's currency. All that we have to decide is whether under existing conditions it is well for us to enter upon the free coinage of a silver dollar which is worth only 72 cents by the standard under which we, like everybody else, are carrying on and must carry on business. Under existing conditions, without any international agreement, I am utterly opposed to the free coinage of silver as proposed by this bill, and my opposition rests on the following grounds:

I believe, in the first place, that the free coinage of the present silver dollar under present conditions means the complete disappearance of gold from our currency. Gresham's law is one of the

LODGE

few economic laws which experience has shown to work with perfect certainty. The overvalued metal always drives out the undervalued metal, and irredeemable paper will of course drive out both. I need not detain the House by giving the reasons for the operation of this law, because they are familiar to everyone. In our own history we can see that the law has worked with perfect regularity. Hamilton's famous report established a correct ratio of 15 to 1. Then silver relatively to gold began to cheapen. Early in the present century gold was worth 3 per cent more as to silver than the value stamped on the coin. Gresham's law began to work and gold began to disappear. In 1814 the gold coinage of the United States Mint was \$77,000; in 1815 it was \$3,000, in 1816 nothing. By 1819 gold had disappeared. The difference between the metals was slight, and the law worked slowly but none the less surely. Many suggestions and much discussion ensued in Congress, and at last, in 1834, an act was passed changing the ratio. Senator Benton, speaking in the Senate at that time, said:

The false valuation put upon gold has rendered the mint of the United States, so far as the gold coinage is concerned, a most ridiculous and absurd institution. It has coined, and that at a large expense to the United States, 2,232,177 pieces of gold, worth \$11,852,890, and where are the pieces now? Not one of them to be seen! all sold and exported! and so regular is the operation that the Director of the Mint, in his latest report to Congress, says that the new coined gold frequently remains in the mint, uncalled for, though ready for delivery, until the day arrives for a packet to sail to Europe. He calculates that two millions of native gold will be coined annually hereafter; the whole of which, without a reform of the gold standard, will be conducted, like exiles, from the national mint to the seashore, and transported to foreign regions.

The act of 1834 fixed the ratio between the metals at 16 to 1. This reversed existing conditions and overvalued gold. The law worked and by 1840 the silver dollar had disappeared. From 1841 to 1851 the average world's production of gold was thirty-eight millions and of silver thirty-four millions, a nearly equal amount. Then came the great discoveries of gold in Australia and California, and the product of gold rushed ahead of silver, thus increasing the overvaluation of gold so much that even our subsidiary coin began to disappear, and an act was passed in 1853 to prevent this inconvenience. Until the war we had gold alone and the silver dollar was unknown. Then came the legal-tender acts, an irredeemable paper currency, and gold followed silver, the law working this time with frightful rapidity.

I give these figures merely as illustrations of the certain working of Gresham's law, and also to prove that there is nothing peculiar about our situation to exempt us from the operation of natural laws. When it is said in answer to this that silver coinage of late years has not driven out our gold the explanation is simple. We have not had free coinage, and the country by its natural growth has been able to absorb in its ordinary business the monthly increase of silver. Moreover we have thus far with a limited coinage been able to maintain the silver dollar at par, because we have been able and everybody has known that we were able to give a gold for a silver dollar as much as for a greenback or for a gold certificate.

But if this bill should become a law gold would immediately disappear, because there would then be free competition between the overvalued and the undervalued metal. It would not all go out of the country, of course, but it would disappear in a very

LODGE

few days, for the simple reason that people would hoard gold, either because they expected to export it at a profit or because they were frightened and wished to keep it. The first effect, therefore, of free coinage would be an immediate and most severe contraction of the currency, for it would be some time before silver could come in and take the place of the vast quantity of gold thus suddenly withdrawn. When that time arrived the period of inflation would set in, because there is an immense amount of silver in the world which it would be profitable to pour in here for coinage.

The result, economically speaking, would be to put us on a silver basis, to make us monometallists, with silver as the metal. This position seems to me indefensible whether one is in theory a bimetalist or a monometallist. If you are a bimetalist you must be opposed to a single standard no matter what the metal is. If you are a monometallist you must be for gold, because if there is to be but one metal used as a standard no one will dispute that for that purpose gold is superior to silver.

In the second place, I am opposed to free coinage because I believe it would be a great injustice to the masses of the people, and would entail on them almost incalculable loss and suffering. There is no greater fallacy than that which is involved in the argument that the free coinage of a depreciated dollar would benefit the people because it would help the debtor class to pay their debts at a heavy discount. I know that this idea, although not openly avowed, lies at the bottom of much of the popular support of free silver, but it is none the less a delusion. Broadly speaking, the wage-earning class, which constitutes the great mass of the people of the United States, is the creditor class, and the capitalists and business men are the borrowing class. The validity of this classification is not affected in the least by the undoubted fact that there are many wage-earners and farmers who have borrowed money, usually on mortgage. This last fact is one which may mislead superficial observers, but the general truth in regard to the body of the people is that the wage-earners are creditors, while capitalists, corporations, and business men are borrowers. The men and women who earn daily wages are creditors at the end of every month, of every week, and of every day. Their small savings also, accumulated in large masses in banks are borrowed by capitalists for business enterprises, and thus the best and most thrifty among them become creditors again. The great mass of the debts of this country are owed by railroads, by corporations of every kind, by capitalists, and by all men engaged in the promotion of great business enterprises.

Establish free coinage of silver in this country to-day and as we shall still continue to do business on the world's standard you will begin to pay creditors 72 cents on the dollar. In this situation the capitalist can protect himself but the wage-earner can not. The men and women who are earning daily wages will be the first to receive 72 cents on the dollar in payment for what they earn, and they will be the last to obtain even a partial advance when the period of inflation sets in. The capitalist is always protected in some degree at least, but the wage-earner is utterly unprotected and upon him the unlimited issue of a depreciated dollar will fall with peculiar force. There is no money so dear to the great wage-earning classes as what is called cheap

LODGE

money. In writing of the state of the English currency after the many years of Stuart misgovernment, Lord Macaulay says:

It may well be doubted whether all the misery which had been inflicted on the English nation in a quarter of a century by bad kings, bad ministers, bad Parliaments, and bad judges was equal to the misery caused in a single year by bad crowns and bad shillings. When the great instrument of exchange became thoroughly deranged all trade, all industry, were smitten as with a palsy.

The statement is not overcharged, and the principle on which it rests is as true and living now as in the days of William of Orange.

I am opposed to free coinage of silver because it means contraction first, inflation second, and a continual derangement of values. When the currency is disturbed and values are unsettled, gambling speculation flourishes and legitimate business declines. The decline of legitimate business, the lack of confidence among business men, mean not only loss to them but ruin to countless people who depend on innumerable business enterprises for their daily bread. Stability of the currency is a prime condition of business prosperity, and business can not prosper unless confidence founded on a reasonable anticipation of the future prevails. With a disordered currency such confidence is impossible and business paralysis is certain to ensue.

The country does not believe that free coinage can become a law at the present time, but the effect of free coinage in destroying business confidence is already perceptible in the attitude of foreign investors. We have had a year of unusual prosperity, and Europe has been obliged to buy our crops at our own prices. The trade balance has been something like one hundred and seventy millions in our favor, and yet at this moment we are exporting gold. In other words, Europe is paying the enormous trade balances in American securities. I have no desire to exaggerate the significance of this fact and I am very far from attributing it solely to alarm about the silver question. At the same time it has a great importance as showing the effect of the proposed legislation upon public confidence. A year ago last fall England passed through a terrible business crisis. To get money she sold American securities because they were the best and most salable things she had, and that movement has not spent its force. But, although some people in England lost a great deal of money, many did not, and it is the people who did not lose and who have money to invest who are affected by the silver bill. They would take American securities, which experience has shown them to be the best, if they were not alarmed by the prospect of free coinage and its consequent derangement of values. We need abundant capital in the United States, and no part of the country needs it so much as those regions where the movement for free coinage is strongest. Every American security that we buy back means just so much American capital shut out from new enterprises and from the work of developing the still undeveloped resources of many of our States.

I oppose the free coinage of the silver dollar, therefore, because I believe that it means putting us on the single silver standard and separating us from the standard of the civilized world; because it will bring heavy loss to the great wage-earning classes of the country; because it means a disordered currency and un-

LODGE

settled values which bring in their train the destruction of public confidence and the arrest of business activity. I paired against the consideration of this measure because a vote against any consideration is to my mind equivalent to a vote to kill the bill. I paired against postponement, and shall vote against all postponement, because postponement was and is merely an attempt to evade for the convenience of a small minority of the Democratic party a question which ought to be settled now and because this evasion is, in my opinion, much worse for the country than a decisive vote.

It is the fashion in certain quarters to talk about the free-silver movement as merely the corrupt effort of a few mine-owners to enrich themselves. Nothing is gained by such deception as this. Undoubtedly the mine-owners with a selfish interest in free coinage have done and are doing all in their power to foster and strengthen the movement, but it is equally undoubted that if the mine-owners were the only people interested in free coinage the question would never be heard of in this House. The rich mine-owner is no more popular in this body than any other successful capitalist. The strength of the silver movement lies in the fact that large bodies of the people of this country honestly believe that free coinage will be beneficial to them. To me this seems a pitiful delusion, but there is no use in blinking the fact, and I have no sympathy with the practice of calling all those who differ with me on this subject either knaves or madmen.

The Democratic party partly from conviction and partly for votes has adopted this free-silver movement and become its political champion. The casuistry and deception so freely used in my part of the country to prove that the Democratic party, which by an overwhelming majority favored free coinage was really against it, will serve no longer. The veil has been rent away and the true purposes of the Democratic party are laid bare. It is the natural ally of the free-silver movement. When that small minority of the Democrats who believe in sound money are in such a state of mental confusion that they insist that seventy members of this House are more numerous than one hundred and forty, what is to be expected of the party generally on a question of finance? The Democratic party has taken its position, and I rejoice that it has done so, for it means that we shall have a square, honest fight and no more hidings and evasions.

As I have said, great bodies of our people believe in free coinage. I feel sure that they are utterly wrong and woefully misled in their belief; but there is only one way to meet them or to meet the movement which represents their wishes, and that is by open, strenuous, and fair public discussion. This question can not be smothered or evaded. It can be settled only by the great tribunal of the people voting directly upon it. To them it must be appealed, and I am glad that it is coming to a vote in this House, and is to be remitted to the people at the next election. When it is so placed before the people I have no doubt of the ultimate result. The American people will decide as they always have decided, in favor of a stable currency and honest money. [Applause.]

LODGE

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