FREE COINAGE OF SILVER.

SPEECH

OF

HON. THOMAS LYNCH,

OF WISCONSIN,

IN THE

HOUSE OF REPRESENTATIVES,

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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. LYNCH said:

Mr. SPEAKER: Some one has well said that "An honest man is the noblest work of God," and I will add that an honest dollar is the noblest exemplification of the virtue and prosperity of any nation.

This bill has this peculiar feature: its aim is to make something out of nothing. Its purpose is to have the Government loan its credit by means of the Government stamp. The proposition is that the stamp of the Government be placed upon 70 cents worth of silver, which shall then be issued and proclaimed to the world to be worth 100 cents.

The Government is now buying silver enough to make a dollar for about 70 cents, and is coining nearly every ounce of the American product. This bill proposes to increase the price of bullion to 100 cents, the increase to go to the owners of the bullion. I am in favor of the coinage of silver, but every dollar coined should be worth 100 cents in actual value, with all profit in the purchase to the Government, not to the owners of silver mines.

We are not opposing the coinage of silver, but, rather, the attempt to make a dollar out of 70 cents, and the owners of silver mines to make the 30 per cent. We are all in favor of a silver dollar that is worth a dollar in the markets of the world, and we want to put a dollar's worth of silver in every silver dollar. With that proviso there will be no opposition to silver coinage.

This is an attempt to use the credit of the Government for the benefit of the owners of silver bullion, by adding to the intrinsic value of this bullion the splendid profit of 30 per cent.

But it will be said that whatever this bullion lacks in intrinsic value is furnished by the credit which the stamp of the Government gives it. Gentlemen who say this ignore what seems to me to be the basis of money, that is, actual or intrinsic value.

If the Government can, by placing its stamp on 70 cents' worth of silver bullion, give it a forced value of 100 cents, why can it not place its stamp upon an equal quantity of nickel, and say that it is worth 100 cents, notwithstanding its intrinsic value may not exceed 5? The principle is the same. Commodity can not change it. If you can make money by simply giving it a legislative value, when it has no intrinsic or actual value, there should be no scarcity of it. If it is desirable or necessary to have more money and this Government can make it by simply putting its stamp upon a given quantity of metal, without regard to value, then let the Government give the people all the money they want. If there is virtue in little, there is more virtue in much.

Experience has taught us that silver is not popular as a circulating medium. The people of this country do not desire it beyond a certain extent. Notwithstanding the best efforts of the Treasury Department to keep silver in circulation and the absolute confidence of the people in the coin itself, the Government has been able to keep in circulation only about $1 per capita. There is at present in the world nearly $4,000,000,000 of silver, worth on an average about 95 cents an ounce.

It is proposed by the terms of this bill to enhance the value of silver in America from 95 cents to $1.29 an ounce. If the bill stopped there—if it did not open our mints to the mines of the world—we might be able to maintain that increased unnatural or fiat value. But do you suppose for a moment that if silver is worth 95 cents abroad and $1.29 at the mints of the United States, the foreign bullion will not come in? It certainly will, and what is worse, for every dollar of foreign silver bullion brought here an American gold dollar will be taken back. That traffic will soon bring this country to a silver basis, and enable our principal foreign competitors the better to maintain their gold standard.

Under the beneficent provisions of this bill, as explained yesterday by the gentleman from Missouri, he desires that every lot of bullion that reaches the American mint in sufficient quantity to coin a silver dollar shall be exchanged for 100 cents worth of current coin of this country.

His chief complaint, or as the gentleman from Missouri [Mr. BLAND] put it, the meat of the bill, is that silver bullion is a noninterest bearing or nonproductive property until put in actual use by the Government by coinage. He insisted that there should be no distinction between gold and silver bullion, that there is now this distinction: Gold bullion delivered at the mint is paid for by the Government at its full monetary value. The owner of it is thereby able to convert the bullion into interest-bearing property, whereas the owner of silver bullion can not thus readily convert his bullion into a productive or interest-bearing property. This is not true. Silver bullion may be converted into productive or interest-bearing property at its market value, and the only distinction between the two metals, in their bullion form, is the actual or intrinsic value of each.

Following his argument to the end would result in this: That the Government should pay the monetary value of silver bullion when delivered at the mint, to wit, $1.29 per ounce, and lose the value of the use of the money thus invested in silver bullion for months, perhaps for years, until such time as the Government can coin the bullion into money. In effect, it is paying a royalty on the difference between silver bullion value and silver money value, which to-day, according to the market value of each, is 40¼ cents.

If this were a noncommercial nation, isolated from the rest of the world, where all our commercial transactions were within the country itself, and we had no commerce with other nations, it would be possible to declare to the people that a certain quantity of silver bullion, regardless of its actual value, shall be worth a dollar, and maintain such a declaration through the unbounded confidence of the people in the stability of the country. But that is not a fact. This is a great commercial nation, dealing with all the civilized nations of the world, and it ought to have for its money a medium that would command the same respect throughout the world that it does at home.

By the opening of our mints there is a margin or premium offered for all of the bullion of the world to come to the mints of America and have its value increased from 95 cents, or rather as it is to-day 88½ cents per ounce, to $1.29 an ounce. But until this Government makes its silver dollar equal to any other dollar in the world it will not be a success. Until the merchant in this country can accept a silver dollar over his counter in exchange for his goods, and with that silver dollar replenish his stock in any of the markets of the world, it is not and can not be an honest dollar. That merchant who accepts a silver dollar for his goods and goes abroad to replenish his stock must sell that silver dollar at its market value, pay for his goods in the money of the world, and charge the discount to his customers.

But, Mr. Speaker, very much has been said about the value of free coinage to this country while it did exist. It first obtained in 1793, when silver was worth $1.38 an ounce, a price which it has never reached since; and during all of the period of free coinage, from 1793 down to 1873, silver bullion declined in value gradually but steadily until 1873, when it was worth $1.17 per ounce, and in 1890, when the bullion act was passed, it was worth $1.08 cents per ounce. From that time up to the present it has steadily decreased in value until now it is worth less than ever before.

It was contended that the bullion act would give it increased value and restore it, if possible, to almost a monetary value. But the result has been otherwise. The bullion act of 1890 seems to have had the opposite effect of what was expected, and this in the face of the fact that under the bullion act, not only was all the American product purchased and consumed, but a great deal more. The bullion act furnished a market for every dollar of the American product, and yet instead of increasing the price, it decreased it, and it would seem as though the more the Government meddles in the matter of silver bullion, the less becomes its value.

The fact undoubtedly is, that silver is now becoming so plenty and the product increasing so fast that it must necessarily lose the monetary value it had in the past. It is governed by the inevitable law of supply and demand.

When it was first monetized, next to gold it was the scarcest metal in the country. Like gold, it was the scarcity of the commodity that gave it its monetary value. Unlike gold, it has increased faster than the demand, and consequently has declined in monetary value under the law of supply and demand.

If the product of silver were not more to-day than it was fifty years ago throughout the world it would need no legislation to regulate its price. The scarcity of the commodity and the demand for it would give it a commercial value that would be satisfactory to its producers and owners.

It is estimated that the cost of producing the bullion in a silver dollar is about 40 cents; that 40 cents would indicate the actual labor and value of the bullion contained in a silver dollar. Thirty years ago or more the same quantity of silver bullion represented an actual value of between 80 cents and a dollar. But, like any other commodity, its production has been increased and the facilities for its manufacture are so much greater and better than in former times that it is now manufactured for almost half of what it cost formerly; yet, notwithstanding the decreased cost of production and the decreased value of the metal, it is sought to force its value up to its former standard.

If such legislation were to affect only the American product, as I said before, there might be a hope of doing so, and perhaps, under the provisions of this bill, the forced value might be maintained for a time; but with our mints opened to the mines of the world, and a greater value for silver thereby established in this country than in any other, it is inevitable that silver will find its level of actual value, regardless of legislation.

This bill proposes to open our mints to all the silver that may be delivered there, so that the owner of a carload of silver may take it to the mint, and for every 70 cents' worth of bullion delivered he receives a dollar, thus increasing the value of his product 30 per cent.

Again, it is insisted that this great Government ought to furnish a market for the silver product, and the furnishing of such a market is one of the purposes of this bill. If the gentlemen urging its passage are sincere in desiring to furnish a market for the bullion other than that which it has under the bullion act, it would seem as though they would provide that the Government have whatever benefit there may be in the change in the law. The bill should provide that the Government buy silver at its bullion value in any event.

Under no circumstances should the Government be required to pay more than the market value of the product. If that product be increased in value, by the act of the Government in coining it into money, the Government should have that profit. The bill is drawn, not with a view of benefiting the Government, but rather that of the silver kings of the West. If free coinage were the chief purpose of the bill, it would provide that the Government shall purchase all silver presented, at its market value, and immediately coin the same into money. Such a provision would accomplish both purposes, and the Government would profit by any increase in value, rather than the owners of the bullion.

Most of the great commercial nations have discontinued the free coinage of silver. They have gone back to the single standard, gold; or silver coinage on a gold basis. On this rises the question of the possibility of maintaining a double standard, gold and silver, dollar for dollar, and side by side in circulation.

When the quantity of silver was small, compared with what it is now, the bimetal standard was successful and entirely satisfactory wherever fairly tried; but now that the product is increasing at double or triple the ratio of the product of gold, it follows as a natural result that the intrinsic value of the two metals must diverge. Since the scarcity of the metals is what originally gave them their monetary value, the overproduction at this time is what decreases it.

The time is past when a great Government like this ought to indulge in any rash monetary experience. The United States ought never to place its stamp upon any quantity of metal that will not command its full value and have a purchasing power equal to any other dollar in existence. It is entirely beneath the dignity of this country to circulate a money that will be discounted the moment it passes beyond the American boundaries. The American dollar should be the equal of any other dollar made, abroad as well as at home.

The American who goes to Europe for business or pleasure, ought not to be required, before passing beyond the limits of his country, to exchange one kind of dollar for another. A dollar which he uses in the every day transactions of life ought to be such a dollar that he can carry it with him to any part of the world, and not be obliged to sell it as a commodity instead of paying it as money. This new dollar, if made, would place the United States in the same attitude towards other nations that the several States occupied towards each other before the war. Then the principal circulating medium in the States was paper money, issued by State banks.

Whenever a person proposed to go out of the State in which he lived he was obliged to exchange the paper money of his own State for the paper money of the State to which he was going, or else purchase gold at a premium. Those only who had that experience with money in the past can appreciate the advantages of the present condition of things in this country. We are now enjoying the latter condition between ourselves and all other nations. But this bill propses to return to a local money—proposes to create a money good only in the United States—a commodity abroad. It is a step backward.

It is claimed that we ought to have a greater per capita circulation in order to successfully develop and carry on the business interests of the country. It is conceded that the circulation should be increased in proportion to the increased population, but it may be successfully asserted that the manner of doing business in this country does not require the per capita circulation that is required in other countries. More than 90 per cent of the business of this country is done through the banks by means of check, drafts, and other commercial papers, not a dollar of actual money being handled by either party, leaving only about 8 per cent of the business to be represented by money.

While in Europe the wealthier class only know anything about banks, every peasant and middleman has the old family stocking where his surplus is put from time to time and from year to year entirely out of circulation. His transactions are all in cash, and in this way it is said that in France nearly or about two-thirds of all the money in the country is hoarded by the people. In this country the reverse exists. But be that as it may, the per capita circulation in this country is more than $24, while in England and Germany it is $18. In France, by reason of the hoarding system of its people, it has $44. The per capita circulation in America to-day is greater than ever before. In 1860 it was $13; in 1865 it was $20; in 1885 it was $23; now it is $24.

But the serious question beneath all this agitation at present is this: Is it possible for America, standing alone among the commercial nations of the earth, to adopt the free coinage of silver, and attempt to maintain its monetary value at 100 cents on a dollar? Can any one nation accomplish that? Can it drive or compel the other nations to do so? If it can, and the product of silver is not too great, no one will be found to complain. But as the other great nations ceased the free coinage of silver, doubtless by reason of the increased production of the bullion, is it wise for America at this time to undertake that great task of increasing in value nearly $4.000,000,000 of silver, from its bullion value of 90 cents per ounce to its money value of $1.29 per ounce, as it certainly would if it maintained free coinage at its proposed ratio?

England has not had the free-coinage system for generations. Germany ceased in 1871 and France in 1874. To-day the nations with which America has its principal commercial relations are all on the gold basis, and all transactions between our people and those countries are based on the gold standard.

The total amount of money in circulation in the United States is $1,518,000,000. As a basis of value for a circulating medium, silver, next to gold, is the best metal extant; but as a basis a sufficient quantity should be held to maintain any circulating medium based upon it. The silver dollar ought to contain enough bullion to make it worth a dollar in the market if treated or considered as bullion. In no other way can it be made an international dollar. In no other way will it be the equal of the gold dollar or will it have its purchasing value abroad, and without that purchasing value it can not be said to be an honest dollar.

But how are the people to be benefited by the free coinage of silver? The answers made are as numerous and various as the ailments of the human race that can be cured by any ordinary patent medicine. They insist that we will have more money, higher prices, increased value of property, and all the other luxuries that tempt human nature. The picture of prosperity which they present as the result of the passage of this bill contains all the joys and degrees of happiness intended for the people. But they neglect to look beyond that and see that inflation is but a warning of financial embarrassment and trouble; that after a storm there comes a calm; that financial bubbles float only for a limited time. Their explosions are always followed by disasters to all business interests, prices, and values, and those who can least afford it are usually the victims.

The present demand for the passage of this bill is but the crystallizing of that unrest of public opinion which periodically manifests itself through the people demanding a change, which is always claimed to be for the better, but which unfortunately seldom has that effect.

The law of supply and demand in regard to the volume of money necessary to do the business of the country is the only reliable criterion upon which to base our judgment, and we ought not to disturb the present financial theory of this country except upon the best authority that the demand for such a change is founded upon wisdom and reason.

The monetary part or feature of any government ought under all circumstances and at all times to be stable and standard. Every change or attempt to change the standard or monetary plans of the Government at once unsettles values, prostrates business, delays investments, creates suspicions and uncertainties and leads to the hoarding of money and withdrawing it from circulation.

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