

FREE COINAGE OF SILVER.

SPEECH

OF

HON. HOSEA TOWNSEND,
OF COLORADO,

IN THE

HOUSE OF REPRESENTATIVES,

WEDNESDAY, MARCH 23, 1892.



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The House having under consideration the bill (H. R. 4423) for the free coinage of gold and silver, for the issue of coin notes, and for other purposes—

Mr. TOWNSEND said:

Mr. SPEAKER: In the immense pressure which exists to participate in this debate, I should certainly not attempt to consume any time whatever were it not for the fact that it happens to be my privilege to represent a district, or rather a State, which, while it is a large producer of gold, is the largest producer of silver of any State in the Union.

The people that I have the honor to represent are deeply interested in this question, and I think it proper and necessary for me, as a representative of that people, to embrace this opportunity to say that they are not in favor of cheap money, that they are not in favor of a vitiated currency. They believe that every dollar should be as good as every other dollar, but they believe in a bimetallic currency.

They do not believe in a dishonest dollar. They want silver not only to do its duty as money here, but they want to be able to discharge their international balances with silver bullion and silver coin the same as they can do with gold bullion and gold coin. They are deeply interested in this question and they have given it great attention, yet the gentleman who opened the debate upon the other side took occasion to inform all of us who represent districts in the South and in the West and who do not agree with the principle and the idea that he entertains—he took occasion, I say, to inform us that our people do not understand this question; that we ought not to regard the wishes and the ideas of our constituents; and that in view of the fact that they know nothing about the question whatever, that he and his friends, as the representatives of the gold interests and of the capitalistic interests of the country, were the only people from whom we should take advice.

Now, what is it that these gentlemen want to do in keeping this country upon a gold basis? There is not, in our judgment, gold sufficient to do the business of the world upon that basis, and I desire to call the attention of the House for a moment to a few facts in regard to this question of the gold supply.

By the report of the Secretary of the Treasury on the 1st day of February of this year there was in the Treasury in gold coin and bullion \$282,753,864, against which there were outstanding gold certificates to the amount of \$163,178,959, leaving a balance of

about \$120,000,000 in gold. Then there have been issued, as we all know and as the report shows, and now outstanding, legal-tender notes to the amount of \$346,000,000.

Now, what is behind those notes? It is understood that there has been \$100,000,000 held in the Treasury for the purpose of protecting those notes, as a reserve for the payment of the legal-tender notes. As a matter of fact, setting aside the credit of the Government purely, and considering the Government as a banking institution—if we had to redeem the paper of the Government to-day on a gold basis, we would be bankrupt to the extent of over \$220,000,000. We have not the gold to meet our paper at the present time.

Now, let us go a step further with reference to this question. As has been very ably urged by the distinguished gentleman who opened this debate [Mr. BLAND] there is in the banks, or was by the report of the last Comptroller of the Treasury, \$96,558,694 in gold. In all the banks, according to the Comptroller's report, there was that much gold. Add to that all the gold there is in the Treasury and you have \$379,312,558. That constitutes all the gold in the United States, in the Treasury and in the banks.

It is supposed that there is in the country a little less than \$700,000,000 of gold, but as to all over and above these statistics the estimate is to a very large extent simply guesswork. That is the stock of gold in sight upon which rests all the business of this country—all the paper money, all the credit.

As has been frequently stated in this debate but a very small fraction of the business of our country is done in actual money; it is done mainly by bills of exchange, by drafts, checks, bank credits, and in various other forms of credit.

The enormous business of the country is done with these representatives of money. It is all finally to be measured by gold. For as our gold friends insist that is the final and should be the only standard and measure of value. The only medium in which balances can finally be settled is gold.

Now, let us look further. According to the Comptroller's report on the 1st of October, 1890, there was on deposit, subject to check, in the national banks \$1,596,000,000; in other banks and trust companies there was on deposit subject to check \$1,014,000,000; there were in savings banks, to be drawn out upon such conditions and under such rules and regulations as they respectively have, \$1,524,000,000, making in the aggregate \$4,134,000,000 in the banks, now being utilized for the purpose of being loaned out and resting wholly upon \$330,000,000 of gold. Over four billions of credit money, confidence money, or, as the distinguished gentleman from California said last evening, phantom money—a great balloon of credit tied to a little pile of gold!

That is the condition in which gentlemen who advocate the gold standard desire we should be, and that is what they call sound finance—an immense balloon of credit, drifting and shifting about with every commercial breeze that blows over the country; and when the clouds are black and the storm breaks, the balloon collapses, and devastation, ruin, destruction, and misery are brought upon the people of the United States.

The whole concern is broken and burst. That is the condition we are in—a condition which is continuing and repeating itself,

because instead of gold increasing it is decreasing. This is shown by the statistics; and we now find England, Germany, France, and the United States—all the great commercial nations—scrambling for the little gold that there is.

The best statisticians estimate that there is only from \$10,000,000 to \$30,000,000 going into the currency from the annual production; that the rest is consumed in the arts. Here are all the great commercial nations scrambling for this little gold like a lot of dogs fighting for the possession of a bone. Yet gentlemen insist that the immense business of this great country and of the world shall continue to be based upon the little gold that there is.

Every writer on political economy tells us, and experience proves it, that when we have a contracting volume of currency or money, the value of money increases. Statisticians tell us that the value of gold since the demonetization of silver has increased from 40 to 52 per cent. Whenever there is an increasing value in your currency or your money, you have falling prices. That is universal; those questions are not open for discussion.

The result is that we have now falling prices; our prices have gone down from 25 to 35 per cent upon all lines of commodities. They have gone down to such an extent that from every agricultural portion of the country there comes up a cry of distress.

It has been my fortune as a member of the Committee on Banking and Currency to hear since I have been in this Congress a number of addresses from distinguished gentlemen representing various sections, stating that there is no money to do business with in their country. Now, why is it that they have no money? It is simply because commodities are so low, prices have gone down so far, that they make no money out of their crops, they can not sell their commodities for sufficient money to pay expenses.

All writers upon political economy agree that monetary contraction causes a fall in the prices of commodities. M. Laveleye, professor of political economy at the University of Liege, one of the most eminent writers upon that subject in Europe, writing in 1887, makes a statement upon that subject which I will insert in my remarks:

III. To what do you attribute the fall in the wholesale prices of many commodities which has been in progress during the last ten or twelve years?

The fall of the price of certain commodities is due to the increase of their production, to improved facilities for transport, to the advance made in machinery, and to a general amelioration in all modes of fabrication and manufacture; but a universal fall in prices, affecting all produce, even that which is in no way touched by the aforementioned causes, can only be explained by a general reason, and this general reason must necessarily be monetary contraction.

Indeed, simple common sense alone would solve the question. Between the years 1850 and 1870 all prices rose, and economists agree in attributing this rise to an increase in the production of gold. Since 1873 just the contrary has occurred. The production of gold has steadily diminished and silver is no longer allowed to make up the deficiency, a fact wholly without precedent in economic history. The coinage of moneys, so active formerly, has now almost ceased, while at the same time the exchanges effected are far more numerous than they used to be.

All economists, without exception, teach that when cash diminishes, *ceteris paribus*, prices fall, and it is quite certain that since 1873 the stock of gold in Europe has immensely decreased, partly from the exports of gold to America

and partly, also, because industry is ever absorbing a portion of the monetary stock.

The present production of gold is clearly insufficient. It is estimated to be about £18,000,000 or £19,000,000 annually. According to Burchardt's and Soetbeer's very careful statistics, trade yearly absorbs about £12,000,000 in gold, due allowance being made for remelting; the extreme East has of late years taken about £1,000,000; the losses from wear and tear, shipwrecks, hidden treasures, and such like, amount to at least another £1,000,000. There remains, therefore, at most two millions sterling to face the fresh demand for coin, which the immense increase in exchanges all over the world gives rise to.

There never will be a change in this condition of affairs until there is a readjustment between the price of commodities and the price of money. The only way that can be done is to broaden the basis of primary money—the money of ultimate redemption, the money that measures finally the value of all property. It must be a broader basis; and the only way to get that—for you can not get gold, gold can not be found—you have got to utilize silver, and the moment you open the mints to silver that moment silver can be utilized.

The entire bullion—silver bullion—of the world is then money. It is money for the purpose of paying debts, certainly. The moment it is once coined, or certificates issued, it can discharge an indebtedness. That creates a demand that will raise the value and brings silver subject to the law of supply and demand. And while perhaps temporarily gold might not circulate as much as it does now, though we do not use much of it at the present time, the joint use of both metals on equal terms would soon bring them to a substantial parity.

I believe the law is universal, under a bimetallic system, that people will use the cheapest money in the payment of debts; there is no question about that and it is folly to deny it. They will use it, but the fact of that use is what increases its value, and I believe the policy should be—in order to bring about the broader basis of primary money, of money of ultimate redemption—that this Government with its whole power, its wealth, and its progress, its productive capacity, its immense business, and its independence should say to the nations and people of the world the basis of credit must be made broader. That silver and gold both, and not one alone, shall do duty as the final and ultimate measure of the value of property.

I do not believe for a moment, and I do not believe that any one else believes, that had England, Germany, or France the Rocky Mountains within their borders, with their veins of silver and seams of gold, that they would be in favor of the policy of discrediting either metal.

Bismarck has said that the demonetization of silver by Germany was a blunder, and uses these metaphors to illustrate the situation:

The gold fanatics have placed only water in our pots, sorry soup. Gold has become too narrow a blanket; people are fighting to cover themselves with a part of it.

Mr. Speaker, it is a fact of common information that in 1873 silver bullion was worth 3 per cent more than gold bullion, and it is also well known that for two hundred years prior to 1873 and under bimetalism the difference between gold and silver had not exceeded 3 per cent. Hence it is that the advocates of

bimetallism believe that the wise course to pursue is to return to that policy. They believe that the act of 1873 demonetizing silver was the crime of the century, and it is a matter of no consequence whether it was done surreptitiously and by fraud or by accident and mistake, the injury inflicted upon all classes, except the owners of money, has been injurious and damaging beyond comprehension.

When silver was stricken down one-half of the money of the world was destroyed, and the logical result has followed, that of appreciating the value of gold. This is a law of political economy as fixed and unchangeable as the laws of the Medes and the Persians.

The far-reaching effects of that legislation are found in its check and suppression of business industries and enterprises, in the decreased demand for labor, in the universal fall of prices of all agricultural and manufactured products. It has doubled the burden of the debtor and brought suffering, misery, and distress to the producing millions, and has only benefited the owners of gold or those having fixed incomes payable in gold.

Its operation has been practically to place gold at a premium of from 40 to 50 per cent and at the same time make it the measure of value of all property at that increased price. On the other hand, silver bullion has not depreciated in its relations to any kind of property except gold.

Silver bullion will buy as much cotton, wheat, corn, and all the other products of the farm as when it was worth more than gold. It is practically the only stable measure of value now and should by right and in justice be made once more the measure of value by opening the mints to its free and unlimited coinage.

The present gold dollar is a dishonest dollar. The best money is that that is most stable in its purchasing power. History, business experience, and the common judgment of mankind find that in a bimetallic currency.