

Continued Gold Redemption Impossible Under Existing Law.

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SPEECH

OF

HON. WILLIAM M. STEWART,

OF NEVADA,

IN THE SENATE OF THE UNITED STATES,

*Tuesday, April 12, 1892.*

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The VICE-PRESIDENT. The Chair lays before the Senate a resolution coming over from a previous day, which will be read.

The Chief Clerk read the resolution submitted yesterday by Mr. STEWART, as follows:

*Resolved*, That the Secretary of the Treasury be, and he is hereby, directed to inform the Senate what is the aggregate cost of the silver bullion and standard dollars coined therefrom purchased under the act of July 14, 1890, and now held in the Treasury, and what amount of Treasury notes issued for such purchase is now outstanding; and whether any of such notes have been received by the Treasury in exchange for gold coin or redeemed in gold coin; and what amount of silver coin there is now in the Treasury applicable to the redemption of such notes; and also whether, when such notes are received into the Treasury for customs, taxes, and other public dues, they are reissued or retained in the Treasury; and if any such notes have been retained in the Treasury what amount has been so retained. Are persons selling bullion to the United States under the act of April 14, 1890, required to make immediate delivery and take the bullion so sold out of the market, or are they given time to make such deliveries after having made a contract to supply the United States and deprived others of that opportunity? Does the public have notice of the times, places, and amounts of silver bullion which will be purchased by the United States, or are such purchases made of brokers and bankers without such public notice? Is the business of purchasing silver bullion under the act of July 14, 1890, conducted with a view of depressing the price of bullion and obtaining it as cheap as possible, or with a view of carrying out the established policy of the United States to maintain the two metals (gold and silver) on a parity with each other upon the present legal ratio? And what amount of gold coin and gold bars is there in the Treasury, exclusive of outstanding gold certificates?

The VICE-PRESIDENT. The question is on agreeing to the resolution.

Mr. SHERMAN. I wish to offer an amendment which I suppose the Senator from Nevada will agree to. In line 5, after the word "Treasury," I move to insert "and a detailed statement of the amount purchased each day, and the date thereof." I want to get the date of the purchases.

The VICE-PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Ohio.

Mr. STEWART. I accept the amendment.

The VICE-PRESIDENT. The amendment is accepted, and the resolution will be so modified.

Mr. STEWART. Mr. President, it appears from the Treasury statement made on April 1, 1892, that the paper circulation of the United States, redeemable in silver and silver coin outside of the Treasury, consist of the following:

Silver certificates .....	\$339, 272, 852
Silver dollars in circulation .....	58, 471, 743
Treasury notes issued under the act of 1890.....	89, 602, 198
Currency certificates .....	29, 350, 000
United States notes, commonly called greenbacks.....	340, 081, 016
National-bank notes.....	167, 829, 448
Total .....	1, 021, 207, 257

The entire amount of gold in the Treasury in excess of outstanding gold certificates is less than one-eighth of the silver and paper which must depend upon it for redemption if silver coin is rejected as money of ultimate payment. But if we add the silver coin and silver bullion on hand to the gold coin, there can be no question about the sound financial condition of the Treasury. The amounts are as follows:

Gold coin in excess of outstanding gold certificates.....	\$123, 815, 040
Standard silver dollars in the Treasury .....	352, 920, 220
Silver bullion in the Treasury .....	61, 401, 457
Total .....	540, 136, 717

This amount is more than 50 per cent of the entire outstanding paper circulation, and under the act of 1890, requiring the purchase of 54,000,000 ounces of silver bullion per annum, nearly seventy millions of silver coin can be added annually; so that under existing law, if silver is treated as good money, the financial condition of the Treasury will be strengthened every day; that is, the coin will increase faster than paper.

Free coinage would for a time increase the metal basis of our circulation still more rapidly. We might not then get a full supply of coin, but the basis would be more than doubled. Does anyone fear inflation by placing behind every paper dollar a silver or a gold dollar? To accomplish that more than \$500,000,000 are now required. Is there any doubt that the United States needs all the silver which can be obtained?

The United States is required by law to receive in payment of all public dues, including customs, all dollars issued by the Government of every name or description. If the gold advocates succeed in convincing the public that silver and its paper representatives are not good money, but that dollars of that description are worth but 70 cents and less, will not the people retain their gold and pay Government dues in silver? In any event, can it be anticipated that hereafter any considerable portion of Government dues will be paid in gold when the great mass of the money in circulation consists of silver and paper? If the Government receives payment in silver and paper, how can it pay its obligations in gold?

The Secretary of the Treasury sought to meet this difficulty by proposing to sell bonds and buy gold to redeem the Treasury notes issued under the act of 1890, and in his speech at Delmonico

co's on the 17th of November last he claimed that right under the following provision in the resumption act of January 14, 1875:

And on and after the 1st day of January, A. D., 1879, the Secretary of the Treasury shall redeem, in coin, the United States legal-tender notes then outstanding on their presentation for redemption at the office of the assistant treasurer of the United States in the city of New York, in sums of not less than \$50. And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues from time to time in the Treasury not otherwise appropriated, and to issue, sell, and dispose of, at not less than par, in coin, either of the descriptions of bonds of the United States described in the act of Congress approved July 14, 1870, entitled "An act to authorize the refunding of the national debt," with like qualities, privileges, and exemptions, to the extent necessary to carry this act into full effect, and to use the proceeds thereof for the purposes aforesaid.

This act authorized him to sell bonds to buy gold to redeem United States legal-tender notes outstanding on the 1st day of January, 1879, and for no other purpose. It did not authorize him to sell bonds to buy gold to redeem Treasury notes issued under the act of July 14, 1890. On the contrary, that act, while declaring that such Treasury notes might be redeemed in gold or silver coin, declares that the Secretary of the Treasury—

shall coin of the silver bullion purchased under the provisions of this act so much as may be necessary to provide for the redemption of the Treasury notes herein provided for.

It is manifest that gold can not be obtained to redeem the Treasury notes issued and to be issued under the act of 1890 under existing law. There is no possibility of accumulating gold for that purpose or for the purpose of sustaining the other denominations of paper and silver above mentioned in circulation. Silver must be coined and used for the redemption of paper or the Government must repudiate its obligations. The bullion in the silver dollar as compared with gold is worth only about 67 or 68 cents; but it is the established policy of the United States, as declared in the act of 1890, to maintain the two metals (gold and silver) on a parity with each other upon the present legal ratio. If this policy were established and maintained it would make no difference to the holder of a United States note, or a Treasury note, or any other obligation against the Government whether he received gold or silver. The question is, how can the established policy of the United States be maintained?

It was maintained from the foundation of the Government until 1873 by allowing the owner of bullion, whether it was silver bullion or gold bullion, to have it coined at the mint into dollars for his benefit at the ratio established by law. By the act of 1873 the owner of silver bullion was denied the privilege of taking his bullion to the mint for coinage. His situation was very similar in that respect, as my colleague [Senator JONES] suggested the other day, to a farmer who should be denied under any circumstances the right to grind or have ground his wheat into flour while his neighbors enjoyed that privilege. The price of the wheat which was denied access to the mill to be ground would necessarily be greatly depreciated in the market. The same thing happened to silver when it was denied the right of coinage in 1873.

Legislation which would restore the money function to silver, give it unlimited coinage at the mint upon the same terms and conditions which apply to the coinage of gold, would establish and maintain the parity of the two metals. In that case it would make no difference to the owner of bullion whether it was gold

or silver, because he could have either exchanged at the mint for coin on a parity with each other according to the legal ratio. The free coinage of silver would relieve the Treasury Department of the necessity of violating the law to maintain the gold standard. No one who has any knowledge of the subject contends that there is more than from \$6,000,000 to \$10,000,000 of silver bullion in the world. All other silver has already been used in the arts or coined for circulation. But it is absolutely necessary to have that surplus bullion out of the market to rescue the white metal from the bulls and bears, and make it a standard measure of value equally with gold.

There is no half-way station. If the gold standard is to be maintained and the rule of the gold kings perpetuated, the act of 1890 must be repealed, and the Secretary of the Treasury must be authorized to sell bonds and accumulate gold enough to redeem the paper money and the silver money now outstanding. But no public man dare make so monstrous a proposition. If silver is to be used as money, the silver in the silver dollar must be made equal in value to the gold in the gold dollar, which can only be done by the coinage of silver upon the same conditions which apply to the coinage of gold. If the Government will coin 412½ grains of standard silver into a dollar for the benefit of the depositor upon the same terms and conditions which apply to the coinage of 25.8 grains of standard gold, gold and silver coin will be equal in value, and the market value of the silver bullion required to make a silver dollar will be the same as the amount of gold required to make a gold dollar.

While it may be possible for the gold kings by nominating the candidates for President of both political parties, through use of the patronage and the veto power of the Presidential office, to delay for a time affirmative action for the restoration of silver, they can not secure affirmative action to repeal existing law and discard silver. The accumulation of circulation based upon silver at the rate of \$50,000,000 a year under the act of 1890 must continue. If they persist in opposing free coinage and the restoration of silver to par the United States must take silver for Government obligations whether or not the parity between silver coin and gold coin can be maintained.

The plan the gold kings have adopted to depress the price of silver by manipulating the small surplus of bullion in the market will soon ruin the financial credit of the Government and may ultimately terminate in a financial panic. But if financial trouble results from the attempt of the gold contractionists to destroy the use of silver they must not charge it to the advocates of free coinage, who are endeavoring to make silver equal to gold by restoring it to the place it occupied on a par with gold from the foundation of the Government.

The first thing demanded is reform in the administration of the finances of the Government. The French Government furnishes an admirable example for such reform. France stopped the coinage of silver in 1875, but she did not disparage the silver coin which she had. On the contrary, all her obligations were payable and still are payable in either gold or silver. She maintains her reserves in about equal amounts of gold and silver coin, and pays all her national obligations in whichever coin is most beneficial or convenient for the Government.

When Mr. Cleveland sent word to the monetary conference in

session at Paris in 1885, by our consul-general, George Walker, to the effect that the United States was about to repeal the Bland act and discontinue the coinage of silver, the Latin Union, which had been formed in 1867, dissolved or agreed to dissolve at the end of five years. The time for dissolution was in November, 1890. It was stipulated that upon such dissolution each of the nations belonging to the Union should redeem from the others whatever silver coin was held by any of the others, and pay for it in gold coin at the rate of \$1.33 per ounce, which is according to their ratio of 15½ to 1.

But in order to compel such redemption a year's notice was required. Every effort was made by the gold advocates to induce France to give the notice and require the other members of the Union to redeem their silver coin which France held in her treasury and which amounted to about 650,000,000 francs or \$120,000,000. It was urged that Italy, Greece, Belgium, and Switzerland had become unfriendly to France and friendly to Germany, and that France ought not to aid to sustain their financial credit. In opposition to this argument it was contended by the Government that in case France required the other members of the Union to take the \$120,000,000 in silver and pay gold, it would disparage silver in France; that France had, in and out of the treasury, over \$650,000,000 in silver, and it was in general circulation among the people; that if the French Government made a discrimination in favor of gold and against silver the people would do the same, and great financial trouble would follow.

What a contrast between that policy and the administration of our Treasury Department. Every obligation of the United States is, and always has been payable in silver dollars or gold dollars, at the option of the United States; but every Secretary of the Treasury has surrendered the option of the United States and paid out gold at the option of public creditors. This plan has greatly disparaged silver.

In addition to that, the entire gold press in the commercial centers of the country is daily proclaiming that silver dollars are only 70-cent dollars and that they are a swindle. The President of the United States is continually contending that one dollar must be made as good as another dollar, and by implication disparaging the silver dollar. The plan proposed by the Administration to make the silver dollar equal to the gold dollar is a promise of redemption of silver in gold. If our silver currency is to be redeemed in gold, then there is no possible excuse for using silver, because paper is just as good.

This disparagement of silver, this repudiating of it as money in public speeches from the President of the United States down, and in the public press in every commercial center, will soon make the people themselves discriminate against silver in favor of gold, and pay all public dues to the Government in silver and demand that all Government obligations shall be paid in gold. This will bankrupt the Treasury. It seems that the policy of the Treasury Department is to destroy silver money at all hazards, and if it becomes necessary to bankrupt the Government for that purpose, the Treasury officials seem to think that the end justifies the means.

What efforts do the officers of the Treasury Department make to obey the law and carry out the established policy of the United States to maintain the parity between the two metals at

the ratio established by law? The policy of these officials seems to be to create the greatest possible disparity between the price of the two metals by depressing the price of silver. It is alleged that persons who sell silver to the Government are not required to deliver it on the day of sale, but are given time to rig the market and obtain it as cheap as possible.

After they have made a contract to supply the Government, the owners of silver bullion are cut off from the market and must sell for such price as the vendors to the Government or the persons having a contract to supply the Government are willing to give. The Government thus makes it for the interest of speculators to depress the price of silver and furnishes them an opportunity to do so. Whether this charge be true or not the Secretary of the Treasury will explain when he answers this resolution. He will undoubtedly take occasion to explain his methods of purchasing silver bullion and how he regulates the market price.

The two arguments used against the policy of the Government as declared in the act of 1890 are, first, that the silver dollar is a 70-cent dollar and that silver bullion is 30 per cent discount, and the Government should not be called upon to pay for silver bullion more than its market price. In reply to that we simply say that silver was used as money longer than gold; it is the money of the Constitution; it has legitimately the right of coinage, which right was taken away and its price depressed; and that free coinage, which would restore its money function, would restore it to par.

The friends of bimetallism do not ask the Government to buy silver. They ask to coin it as formerly; coin it as the Constitution requires; coin it as it coins gold. Its value depends upon this right of coinage, which existed from the foundation of the Government; they ask that that right be restored, and not that the Government should buy silver and trade in it as a commodity at any price.

The other argument used is that the United States would be flooded with silver. This argument has no foundation in fact. As before remarked, there is not more than from six to ten millions of silver bullion in the world. All other silver which has been produced has been consumed in the arts and coined into money. There is no coined silver in the world which is not valued at a higher price as coin than the standard silver dollar, except the coin of Mexico, because we use more silver in our dollar in proportion to gold than any other country except Mexico.

It is said that silver will come from Asia. Silver can not come from Asia. Exports from Asia always exceed the imports, and it has been the sink in which the gold and silver of the world have been buried for a thousand years, never to return. Some tell us that there will be an avalanche of silver from Europe. Europe has only eleven hundred millions, all told, of silver coin; and no silver bullion. Six hundred and fifty million dollars of this coin is in France. We have already seen that France refused to disparage silver by selling \$120,000,000 at \$1.33 an ounce. Is it likely that she would disparage her silver currency by sending it to the United States to be coined into silver dollars at an actual loss of over 3 per cent, besides exchange? No other country of Europe has any considerable amount of silver. Perhaps

they will make poor Austria sell a little silver, but everybody will want silver when we put it to par

Besides, France had an opportunity ever since silver was demonetized to send her silver to India to be coined into rupees. The mints of India are open to all the silver of the world. The balance of trade against France and in favor of India has averaged, for the last fifteen years, \$33,000,000 per annum. France would not send her silver coin, which is worth in France \$1.33 an ounce, to India to be coined into rupees, which, if returned to Western Europe, would be worth only 70 cents an ounce. On the contrary, France pays her obligations to India in silver bullion, or, what is the same thing, council bills issued by the Bank of England, which are orders for silver coin in India. The gold advocates tell us that the silver dollar under free coinage would be worth only 70 cents, and yet they say that Europe will ship coin worth 100 cents at home to be formed into silver dollars worth only 70 cents here. This is the logic of the gold trust.

There is another conclusive reason why there is no possible danger of a flood of silver. The aggregate product of gold and silver since 1873 has not kept pace with the increase of population and business. From 1850 to 1873 the annual product of the two metals was about \$200,000,000 per annum. The world's product rose between 1849 and 1852 from about \$40,000,000 to \$200,000,000 per annum. It did no harm. It did a great deal of good. It stimulated enterprise throughout the world and made good times everywhere.

There has been, it is true, a slight increase in the combined products of gold and silver since 1873, commencing with a little less than \$200,000,000 per annum in 1873. In that year \$81,000,000 of silver and \$96,000,000 of gold were produced. The world now produces, according to estimates, about \$250,000,000 of the two metals combined. The statistics of the production of both gold and silver must be discounted because each mining locality is vying with the other to make a record of large production to enhance the value of its property and to induce other miners to come. Besides, the great majority of gold and silver mines in the world are on the market, and it is for the interest of the owners to exaggerate production. I think it is a safe estimate to say that the combined product of both gold and silver does not exceed \$225,000,000 per annum.

The fact that all the silver, except the little amount of bullion in New York which is used by speculators to depress the market, is consumed, and the further fact that there has been no surplus silver produced, refutes the assertion that there is silver anywhere in the world from which an oversupply for the United States can be obtained. On the contrary, if the United States would remonetize silver, sustain the \$500,000,000 of silver in circulation as good money, the price of silver would go up and all the nations of the earth would then want it. That is human nature. They all want good money. When commodities rise, the demand for them increases everywhere.

It is the constant disparagement of silver by the gold association of London and New York and the Government officials of the United States which makes people want to get rid of it. As I before remarked, the alternative is presented to sustain silver,

put it to par, make it good money, or meet with financial disaster.

I repeat, silver men may not be able to get affirmative legislation, but they can prevent affirmative legislation for the destruction of silver as money, and if trouble comes it will be because the gold contractionists are laboring to destroy silver to enhance the value of their own property—gold.

Why should they be allowed further to increase the purchasing power of gold while they hold the gold and the gold obligations of the world? Has not the price of property been sufficiently depressed? Are they not satisfied with the gains they have already got?

The people of the United States will not stop this agitation until silver is restored to the place it occupied previous to the unfortunate legislation of 1873. We believe the creditor class procured the clandestine legislation which demonetized silver. We resent the arrogant assumption that the gold dollar, which has been doubled in value by that legislation, is an honest dollar for a debtor to pay, who, when he contracted the debt, agreed to pay either gold or silver, whichever was most convenient for him.

On the contrary, we regard the gold dollar in the hands of the gold combination, which controls all the gold in the world, as an instrument of robbery and extortion. We demand, and we will continue to demand, that both gold and silver shall be used as money. We will never desist from this demand while the property of the producer is being transferred to the parasites of society by strategy and fraud.