COINAGE OF THE SILVER BULLION HELD IN THE TREASURY.

FEBRUARY 3, 1894.—Ordered to be printed.

Mr. BLAND, from the Committee on Coinage, Weights, and Measures, submitted the following

REPORT:

[To accompany H. R. 4956.]

The Committee on Coinage, Weights, and Measures, to whom was referred House bill 4956, submit the following report:

The bill, No. 4956, provides for the issuing of silver certificates in amount equal to the gain or seigniorage that may accrue on the coinage of the silver bullion now in the Treasury purchased under the act of July 14, 1890.

This seigniorage is stated by the Secretary of the Treasury in his last annual report to be $55,156,861.

The object of the bill is to make immediately available for the current expenses of the Government this amount of money. The certificates are authorized to be issued on the bullion and in advance of the coinage should the exigencies of the Treasury require it. It is not likely, however, that this will be necessary, since the bullion may be coined at the rate of four to six millions per month if necessary. There is no question at all that the coinage can be executed far beyond any probability whatever of the demand for their redemption in silver dollars. The bill in no respect alters the final result that would be obtained by the execution of the law of July 14, 1890, authorizing the purchase and disposition of this bullion. Section 3 of the act provides as follows:

> That the Secretary of the Treasury shall each month coin two million ounces of the silver bullion purchased under the provisions of this act into standard silver dollars until the first day of July, eighteen hundred and ninety-one, and after that time he shall coin of the silver bullion purchased under the provisions of this act as much as may be necessary to provide for the redemption of the Treasury notes herein provided for, and any gain or seigniorage arising from such coinage shall be accounted for and paid into the Treasury.

It is clear that this bullion was dedicated to the redemption of the Treasury notes issued in the purchase of the bullion by the coinage of the bullion for such redemption, and that the law itself provides for the payment of any gain or seigniorage into the Treasury.

The bill does not change the terms of the law in this respect, but simply hastens its execution. This view of the law is held by the Sec-

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retary of the Treasury and so stated in his annual report, above mentioned, on p. 53, as follows:

The act of July 14, 1890, that the Treasury notes issued in payment for silver bullion shall be redeemed in gold or *silver* coin at the discretion of the Secretary, and when so redeemed may be reissued; but the same act also provides that no greater or less amount of such notes shall be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom then held in the Treasury purchased by such notes, and, consequently, when these notes are redeemed with silver coined from the bullion purchased under the act, they can not be reissued, but must be retired and canceled, for otherwise there would be a greater amount of notes outstanding than the cost of the bullion and coined dollars "then held in the Treasury." In this manner notes to the amount of $2,625,984 have been retired and canceled since August last, and standard silver dollars have taken their place in the circulation.

As stated before, the bill does not change the final result that would follow from the execution of the act of July 14, 1890, but is designed to facilitate and hasten its execution. The fact that the Secretary of the Treasury has asked for the authority to issue two hundred millions' worth of short-time bonds, and for authority to use, at his discretion, the proceeds for the payment of the current expenses of the Government, is in itself a sufficient reason for the passage of the bill, thus utilizing the assets now in the Treasury instead of incurring the burden of a further bonded debt.

It is believed that the amount of funds provided by the bill will be ample to tide over any exigency that may arise until Congress shall meet next December. By that time we will be in a position to estimate with greater precision the effect the fiscal legislation of this session will have upon the revenues.

The following from the Director of the Mint will show approximately the amount of silver dollars that can be coined per month:

TREASURY DEPARTMENT, *January 29, 1894.*

Hon. R. P. BLAND:

Largest number of silver dollars coined in any one month under Bland act, $3,600,265. Under Sherman act, $2,676,000.

R. E. PRESTON,
Director Mint.

No doubt by running extra hours near twice the amount could be coined. It is not at all probable that a demand for silver dollars will be equal in amount that might be coined from month to month. If such should be the case there could be no possibility of a demand that would endanger the policy of the bill, which is that the coin now held in the Treasury for the redemption of the certificates may be used.

The monthly statement for the past month of January shows that there are now in the Treasury 363,597,057 silver dollars; silver certificates outstanding against said coin $336,919,504, showing a difference of $26,677,553 of silver dollars in excess of silver certificates that are available for the redemption of the silver certificates.

Should it be necessary to issue $55,000,000 worth of certificates in excess of the amount now authorized by law we would still have an ample reserve of coin in the Treasury for their redemption. The annual report of the Director of the Mint for the year 1893, on page 6, shows a total coinage of 419,332,550 standard silver dollars. If certificates to the amount were issued, together with the amount authorized by the bill, there would be, in round numbers, $474,000,000 of certificates on a reserve of $419,000,000 of coin.

This would be more than ample for all redemption purposes, but, as stated before, the bullion can be coined from time to time, so as to have a dollar in coin behind every certificate, at least this can be so after the first two or three months from the passage of the bill. Under existing law no particular silver dollar is held for the redemption of any specified certificate.

The coin deposited is a special bailment or trust, only in the sense that there shall be no more certificates issued than there are dollars held for purposes of redemption. The bill does not contemplate any change in this regard, except for a short period and for the special purpose of making immediately available the certificates issued on the gain or seigniorage specified.

It is recommended by the committee that the bill do pass.

Mr. CHARLES W. STONE, of Pennsylvania, from the Committee on Coinage, Weights, and Measures, submitted the following as the

VIEWS OF THE MINORITY:

(To accompany the bill H. R. 4956.)

There are in the U. S. Treasury 140,699,853 fine ounces of silver, for the purchase of which and other silver bullion heretofore coined there were given Treasury notes issued under the act of 1890, and of which $153,085,151 are now outstanding.

This silver bullion now in the Treasury cost the Government $126,-758,280 and its coinage value is $181,914,961, although its present market value is only $97,156,052.

Bearing these figures in mind, we proceed to the consideration of the bill referred to the committee.

Its propositions are twofold, first, the issuing of silver certificates against the "seigniorage," so called, and the subsequent coinage thereof, and second, the coinage of the silver bullion in the Treasury exclusive of the so-called "seigniorage" and the subsequent issuing of silver certificates therefor, and incidentally the destruction instead of the reissue of the Treasury notes thereafter redeemed.

It will be noticed that an entirely different order of proceeding is prescribed for different portions of the silver bullion on hand, divided by a supposed distinction between the "seigniorage" and the bulk of the bullion, and hence the two sections of the bill, so distinct from each other, may be considered separately.

The first section deals with what is termed the "seigniorage," and proceeds on an entirely erroneous conception of what seigniorage is. Without going into the derivation of the word or the learning of the lexicographers, it is safe to say that under every definition ever given in connection with money up to this time seigniorage is a result of coinage and only comes into existence when coinage has been actually completed. An examination of the use of the word in our statutes will verify this assertion. The act of 1890, under which all the bullion now in the Treasury was purchased, provides as follows:

> That the Secretary of the Treasury shall each month coin two million ounces of the silver bullion purchased under the provisions of this act into standard silver dollars until the first day of July, eighteen hundred and ninety-one, and after that time he shall coin of the silver bullion purchased under the provisions of this act as much as may be necessary to provide for the redemption of the Treasury notes herein provided for, and any gain or seigniorage arising from such coinage shall be accounted for and paid into the Treasury.

The act of 1878 provides "and any gain or seigniorage *arising from this coinage* shall be accounted for and paid into the Treasury as provided for under existing laws relating to the subsidiary coinage," and exactly the same phraseology is found in the act of 1876 providing for the issue of certain silver coins.

Referring to the act of 1853, providing for this subsidiary coinage and being the first law authorizing the purchase of silver bullion for coinage purposes, we find it provided that the Director of the Mint "shall charge himself with the gain arising from the coining of such bullion into coins of nominal value exceeding the intrinsic value thereof."

Although this measure of the gain arising to the Government from silver coinage remained authoritative for twenty years, it is not accurate, as the "intrinsic" value was a varying element in the comparison and did not always mark the real gain correctly. Hence, in the Revised Statutes of 1874, the phraseology was changed as follows: "The gain arising from the coinage of bullion purchased into coins of greater nominal or face value than the cost," and this may be accepted as the modern American idea of seigniorage. Hence it will be seen that there is and can be no "seigniorage" of bullion as long as it remains bullion, and the first section of the bill seeks to deal with something which does not exist.

But the majority of the committee, erroneously as we think, seek to change and broaden the meaning of the word seigniorage to cover the difference between the cost of the bullion on hand and its estimated coinage value, or what it would produce if coined. This difference, however, is not substance, not bullion, not coin, not anything tangible or corporeal, it is simply the faith and credit of the nation. Four hundred and twelve and one-half grains of standard silver are not a dollar. They only become such when they have engrafted upon them the guarantee of the Government, not simply of the amount and purity of the silver, but that its exchangeable value shall always be and remain 100 cents, not in other silver simply, but in any money of the nation. Whenever the Government is unable to make good this guarantee the coin sinks at once to its commercial value.

The real intrinsic value of the bullion in the Treasury can not be increased by legislation. You can increase its exchangeable value by adding the element of the nation's credit, and that increased value remains so long as the credit remains intact, but you can give equal exchangeable value to copper by the same process, only that a larger element of national credit must be added. You can go further and issue intrinsically worthless paper certificates or obligations based entirely on the credit of the nation, and while that credit remains unimpaired and untarnished these obligations become a part of the currency, equally acceptable with the hybrid certificates issued against a combination of the real value of the bullion and the added credit of the nation, as proposed by this bill. Any of these devices for an enlarged currency can be resorted to in an emergency if the necessity of the nation requires, but the credit of the nation ought never be traded upon except in case of necessity, and then it should be done boldly and frankly, with no juggling or sleight-of-hand devices to mislead the people as to the real nature of the transaction. If such necessity exists to-day let it be frankly stated and fairly demonstrated and not hidden behind manufactured definitions and false methods tending to mislead the people.

It should be noted that this bill does not contemplate any increase of the metallic money in circulation, but rather a further issue of paper currency in the form of silver certificates. What is a silver certificate? It is not a note or obligation, but simply a statement of fact. The act of 1878 provided that "any *holder of coin*," authorized by said act, might deposit it with the Treasurer of the United States and receive a certificate stating the fact that such coin had been deposited. Such certificate reads as follows:

This certifies that there has been deposited in the Treasury of the United States one silver dollar, payable to the bearer on demand.

Washington, D. C.

J. FOUNT. TILLMAN, *Register of the Treasury.* D. N. MORGAN, *Treasurer of the United States.*

This bill requires the Secretary of the Treasury to issue $55,156,681 of such certificates when not one single silver dollar for which such certificates are to issue has been deposited in the Treasury. Every certificate would bear on its face a lie. What emergency has arisen that justifies such disregard of truth and fact?

The existing law, while defining the trust imposed on the silver bullion in the Treasury, gives to the Secretary of the Treasury abundant power to coin it just as rapidly as necessary to comply with the terms of this trust, and makes the seigniorage available as fast as, by such coinage, it comes into existence.

No further legislation on the subject is necessary. Abundant legal power now exists. It is only the embarrassment of the financial situation that prevents its exercise, as is fully evident from the recent report of the Secretary of the Treasury. His strong statement of the difficulty encountered in keeping in circulation the silver dollars and silver certificates is only another demonstration of the impolicy of at this time forcing the substitution of silver certificates for the Treasury notes in our currency as contemplated by this bill.

It may be properly noted that this bill does not in any way enlarge the market for silver, nor benefit the silver owner, nor contemplate the use of any more silver as money than is already represented in our currency. It simply provides for the "watering" (if we may use a term which has obtained a recognized and definite meaning in financial nomenclature) to the extent of $55,000,000 of the paper now in circulation and representing the silver bullion in the Treasury, and this, too, when the amount of this outstanding paper already exceeds the real value of the bullion which it represents by over $56,000,000.

This bill has two very evident purposes. First, to authorize the issuing of practically fiat paper currency by the Government to the amount of $55,158,161 to aid in meeting the impending and existing deficit, to be used, as expressed in the bill, "for the payment of the current expenditures of the Government," and second, to replace the present Treasury notes with an exclusively silver obligation and increase the preponderance of the silver element in our national currency.

We dissent from the wisdom and propriety of either purpose. If there is, and is likely to be, a deficit in the Treasury, the one honest, straightforward course is to provide revenue sufficient to meet it, and the other frank mode of proceeding is to authorize the issuance of the obligations of the Government, and honestly say they are based on the nation's credit, and issued to meet its necessities, and not seek to obscure the issue by any such devious devices as are embodied in this bill.

The second purpose is equally unwise. The outstanding Treasury notes are payable in gold or silver, at the discretion of the Secretary of the Treasury, bearing in mind the declared policy of the Government to maintain the parity between the two metals upon the legal ratio, but the intimation of a purpose by the Secretary of the Treasury to pay these obligations in silver only was one of the important factors which unsettled confidence and produced distrust in the early months of last summer. The speedy and forced redemption of the Treasury notes would either quickly exhaust the Government's store of gold, which is not now equal to one-half the volume of the outstanding Treasury notes, to say nothing of the greenbacks and gold certificates, and thus force a resort to sale of more bonds to replenish it, or the Government would be forced to redeem only in silver, and when the fear of silver payments wrenched the nation's credit who can estimate the results of the actual fact of such payments. The consummation of this policy would be surely taking a long stride forward in our financial progress toward an exclusively silver basis.

The minority of your committee do not regard sporadic and fragmentary financial legislation as wise. Our monetary system, so far as silver forms a part of it, ought either to be let alone until the forces operating and that must continue to operate on other nations shall force them to a willingness to cooperate in proper and wise international action fixing the relations of gold and silver in the monetary systems of the world on a basis universally recognized and respected, and thus made stable and permanent, or if this country is to act by and for itself alone, regardless of its relations to the commercial world, it should be by well-considered, conservative, and comprehensive legislation simplifying and readjusting our entire monetary system; and in the view of the minority of your committee the passage of this bill would be an obstacle in the way of the attainment of either of these ends.

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