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Silver.

SPEECH

OF

HON. WILLIAM A. M'KEIGHAN,

OF NEBRASKA,

IN THE HOUSE OF REPRESENTATIVES,

Friday, August 25, 1895.

The House having under consideration the bill (H. R. 1) to repeal a part of an act, approved July 14, 1890, entitled "An act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes"—

Mr. MCKEIGHAN said:

Mr. SPEAKER: I shall not attempt to conceal my disappointment caused by the message of the President. However patriotic in his motives, his recommendations point to the conclusion that the platform upon which he was elected is an interesting document, not on account of what it sought to reveal of the intentions of his party, but for that that it sought to conceal.

That the situation is grave enough to warrant this special session of Congress, no one denies. Productive industry lies prostrate from the strangulation of administrative monometallism; enforced idleness has filled the land with men and women that are asking us for an opportunity to earn their bread; shall we "give them a stone?"

This is no time to scold or criminate, no time to mete out to political parties the share of blame belonging to each of them. Sir, in this discussion Pilate and Herod have been made friends on this floor, and the political Judas has shown no disposition to go out and hang himself. But there is a to-morrow for political parties in this country, a to-morrow that will bring condemnation and death to any political party that turns a deaf ear to the just demands of our people.

There is a God that rules over the destinies of men and nations; a God that is not deaf to the earnest appeal of his humble poor; a God who will see to it that the desire of the people of this great nation shall "not fail," but shall come to bloom and fruit not alone for those who dwell in a brown-stone front, but, sir, for those whose dwelling place may be in the log cabins among the mountains or in the sod-built homes of the Western settlers.

My Democratic friends, it is to you that the people of the country appeal for protection against the encroachments of organized wealth as a political power that to-day threatens the subversion of our Government. Our people have been taught to rely on their inherent sovereignty as the only true basis of human government, and they are not willing that power and dominion should have any other foundation. To your care they have intrusted this country for the term of four years. I warn you that if, flushed with your great victory, you forget that you are and ought to be the servants of the people to crystallize their wishes into law, they will forget you, and in that day when you will again ask their continued support they will judge you by your works and approve or condemn you as you deserve.

Mr. Speaker, I am indisposed to trespass upon the patience of the House by any extended argument for a bimetallic constitution of money. I am content for my own part with the presentation made on this floor in my speech of March 23 last year.

I have read with diligence, have listened with eager attention to single standard discussions and to those who hold that action without European cooperation would be disastrous, and have been unable to discover any feint, even, of attempt at an answer of our arguments or denial of our facts—hardly any appearance of their comprehending the first principles of monetary science from the standpoint of statesmanship.

Nowhere in their deliverances can be found any propositions of elementary doctrines or guiding principles, except the wishes and interest of foreign creditors and that we should have stability in the value of our money.

The first of these desiderata simply reflects the selfish interest of security-holders. The second, while perfectly sound, pertinent, and elementary doctrine, is rendered utterly empty by the idiotic assumption that stability of gold is proven and shown by the fact that 25.8 grains of it, which under compulsion of the law the Mint certifies into a dollar by gratuitous coinage, has the same value in bullion as in coin.

Is it the infatuation of bigotry, of selfishness and stupidity, or is it sheer hypocrisy, that these gentlemen do not understand that this much-vaunted "parity" of coined with uncoined metal is purely legislative, and will accrue to any metal to which the statute would give freedom of coinage?

Consider a moment the emptiness of this logic, 25.8 grains of gold by coinage becomes the instrument by which gold is priced. Under such legal conditions, gold can have no other than the mint price, and that is pricing gold by itself. A pound of putty or a peck of beans can be shown to be constant in value if measured by itself.

But the crowning logic of lunacy is reached by the claim that since that piece of gold was worth 100 cents last year and the year before, "and is still worth exactly 100 cents," therefore no change has taken place in its value in the meantime. It would be difficult to find a more palpable piece of nonsense than that.

If pig iron were fashioned gratuitously into cook stoves there would be parity of value between a stove and the iron in it, and there would be constancy in the value of iron estimated in stoves. But such necessary relations would be useless as a guide to the larger question as to whether iron and stoves together had not greatly changed in value as estimated in something that was not iron. Nowhere is the imbecility of our adversaries more conspicuous than in this notion that the alleged stability of a money metal can be demonstrated by comparison to a money unit, constituted by law, upon itself.

In our advocacy we emphasize this feature of stability and constancy in the value of the unit of money and make it the Gibraltar of our defence of silver. We go further, and explain exactly what constancy of value is, and deduce proof of such constancy in silver, and nobody tries to controvert our definition or our demonstration. What respectable writer denies the over and over proven fact that gold and all money at a level with gold will buy 50 to 60 per cent more than it would prior to 1873? They tell us, "Oh, yes; gold will buy more, but the value change is in products," on account of improved processes of production.

Industrial development has been more rapid in British India the last twenty years than anywhere else in the world, but prices have not changed there. These gentlemen are ignorant of the nature of value, and do not know what a value change in money is, and they confuse their thinking by the notion that value is something intrinsic, and that gold is the only thing that does not change in value—because their case falls to the ground without the support of that absurd dogma.

The question "What is the rate at which goods swap for money?" constitutes the heart and sinew of this whole subject. It is prices, prices, and forever prices. The value of money is constant when prices are stable. This proposition is fundamental, and is as vital and central to a sound and tenable theory of money as it is the one determining force of success in business, of the beneficence of commerce, and equity in time contracts. Any constitution of money under which a protracted fall of prices year after year is possible is a vicious one, though all the money-mongers of the world grow hoarse in calling it the "best money."

Not in the countinghouse, not among money-changers, not in loan agencies, can be learned whether money is behaving well, is serving beneficially or injuriously in its high office. Not there can you study the dynamics of value. It is at those collisions of contending interest known as the "higgling of the market," where money exchanges with products under the all-powerful dominance of supply and demand, i. e., the quantity of things for sale playing against the quantity of money obtainable for their purchase, where the value of money as well as the value of goods is determined. The final outcome of those in-

initely varying conditions and estimations of men is exactly registered in price; and the same market report which records a change in the general price range indicates as well the precise change in the value of money.

It is error, gross and misleading error, to suppose that stability in the value of money can be anything else than stability of prices, or that there is any other mode of finding its variation than to learn the change in prices. It is betrayal of incompetence for this whole discussion not to understand that a confession of a one-third fall in prices is confession of an appreciation or rise in the value of money of 50 per cent; that those two confessions state one single incontrovertible fact. Yet current utterances defending the dogma of gold infallibility are but verbose revolutions of that fatal imbecility.

To those who have given a systematic study to this subject, the theories propounded by financiers and officials as to the causes of recent economic phenomena is a standing amazement. Since the famous discussion between the wolf and the lamb, there has not been foisted upon a credulous people a more bald imposture than this pretense that the present fall of prices is due to the Sherman silver-purchase act, nor ever an apter illustration of the wolfish animus than this distortion of plain facts to justify a predetermined slaughter of innocence. A popular apprehension of the precipitation of all our money down to a "debased silver standard" drove money into hiding and broke down all prices just as much, no more, no less, than the drinking by the lamb down in the valley polluted the water in the wolf's mountain home.

Remember that every kind of paper money afloat (excepting a few gold certificates), including Government bonds, are by law redeemable in silver coin. It is perfectly clear, therefore, that if the country were apprehensive that our money was about to be debased by resort to silver for redemption, hoarding of money is precisely what people would not do. They would unload it rapidly, as we used to do in wild-cat days, lest our money become depreciated on our hands. There is no discoverable discrimination in the hoarding as to the different kinds of money. This is perfect refutation of that theory of causes, if these bigots were accessible to reason.

If men really believed money was going to depreciate, they would hasten to buy property with it and realize in the rise of prices which depreciated money would compel. Those wiseacres who prate about "intrinsic value" of the material of which money is made might learn that not the material of which it is made, but the difficulty of getting it after it is made—demand and supply, control the value of money as of all other things.

If I am asked for a diagnosis of the stringency, my answer is, monometallism. The act of 1873 in an evil hour gave us a single standard and the panic of 1873, other conditions conspiring to the same end. The Bland act broke the integrity of the policy of 1873 and gave us a crippled bimetalism. The act of 1890 was a still longer step toward the double standard, both in what it did and what it promised. But the single standard was all these years doing its deadly work in lowering prices, and held the western world in a state of strain as to its money supply.

But the finishing stroke was dealt when it was given out that the Government regarded silver as debased and unfit to offer in redemption of any of our paper. Such a policy in effect converted all our paper, yes, and even silver coins as well, into the rank of a secondary money, money that must be "made as good as gold" by redemption in it upon presentation. This placed the whole burden of redemption upon the slender basis of the gold reserve, instead of employing silver in that office as the law contemplated and the business interest of the country expected. This was noticed by the Administration, that the volume of money must shrink, and all prices must fall to conform to such a policy.

I aver that the panic and the business prostration (assuming that policy as a factor) was not groundless and artificial as many suppose. At its basis was a perfectly sound business instinct that under such conditions prices must fall and the volume of money shrink, and a stopping of silver purchases must intensify the stringency.

It is the weak platitude of unclear and empty thinking this talk of "want of confidence" being the source of our trouble, when no hint is given as to confidence, in what? As well say it is only fear that makes a man rush out of a burning building. It is indeed want of confidence, but that want is born of a want of money and a plentiful lack of confidence in prices—in other words, a well grounded assurance that property can not be converted into money except at prices that will bring ruin to business which under ordinary conditions would be perfectly sound.

Prices, prices, I repeat, is what is the matter. Insistence by these gentlemen "upon best money" is simply a crusade against fair prices, and that prices shall forever become lower. To arrest that lowering of prices is to "depreciate" our money, and

that is a very wicked thing, you know. Great Britain does not want that. These creditors want dollars that are "worth 100 cents." Well, our decimal notation as taught in our school books will make sure that dollars will still be worth 100 cents, quite regardless of how they are constituted. Our anxiety is as to how much products go to make a "dollar's worth."

We say that a dollar worth 3 bushels of wheat in Nebraska, 5 pounds of wool in Ohio, 100 pounds of steel rail in Pittsburg, 15 pounds of cotton in New Orleans, 4 gallons of turpentine in North Carolina, 1½ ounces of silver in Denver, etc., is an extortionate and iniquitous dollar, and if that has come about by legislation, then that is wicked legislation, which our prostrate industries cry aloud for the repeal of. That all these financial evils have come upon us by the legislation of 1873 is plain enough. Had the spontaneous and rapidly increasing flow of silver to the Mint for coinage into standard money not met that interdiction of February 14, 1873, we should have resumed in silver and our dollar of account could never have risen above the commercial value of 371½ grains of silver. Refusal to repeal that act is complicity in the guilt of the actions of that great wrong. The enforced beggary of hundreds of thousands of brave hearts and strong arms cries aloud for repeal.

That continuing wrong must be redressed. As God lives, it shall be redressed. It is in the air; the stones of the field are in league with us; time is the great champion of our cause; the conscience and rapidly growing intelligence of a stricken people is becoming enlisted; the resolute purpose of the bravest and most enterprising portion of this proudest nation on earth will not be balked by chicane and subterfuge already planning to circumvent us by a new ratio, by which the weight of our silver dollar shall be increased so as to make it "honest" as gold is "honest."

It is proposed by pretended and weak-kneed bimetalists that this sacred landmark be now quite removed, and by increase of the weight of silver coins to rivet forever upon us the deadly iniquity contrived in 1873. That unrighteous thing shall never get my vote, even though this Congress shall, as the alternative, stop silver coinage and purchase entirely. There will be a Congress after this one to which the people can appeal. I will not be a party to a scheme which will inject for all time a new meaning into that great word "dollar," which measures billions of obligations, past and to come.

I will allow no man to go farther than I do in reverence for the power and authority of the American Congress. I maintain that under the stress of a great emergency it may override or annul all contract obligations; but where the exigency is simply the clamoring greed of great creditors, I boldly challenge the right under high heaven for Congress to make that thing dollar a different thing from what it has always been, and make it retroactive.

Can it be possible that honorable gentlemen understand what this means? Consider; I beg of you to consider what it is you are proposing to do.

The silver dollar was no invention of the Revolutionary fathers. They found it here, fully entrenched as the instrument of valuation by immemorial custom, by deep-down habit, conscious and subconscious, as the norm of all value estimation. Consult all our legislation up to 1873; consult your dictionary; remember the Stanley Matthews resolutions, and the Bland law re-asserting as definition what the law of 1873 tried to destroy. Bear in mind that this habit of valuation by silver is as old as history, and covers the whole globe and embraces to-day three-fourths of the people of the world as their exclusive pricing tool; remember that every great money word and unit was, and still is, at bottom silver, and that the value and office of gold is derivative—always was (with only slight and very modern exceptions) a subordinate money.

There is a quite tenable theory that a money unit is a definite coin, and when it suits the interest of great creditors they uplift holy hands at the sacrilege of lessening the weight of standard coin. Remember, also, that upon the other theory of a money unit, viz, that it is incumbent on Congress to maintain our money at some traditional and customary value or purchasing power, the silver dollar is by that test, too, a sacred thing. Remember, especially, that, as has been over and over again proven, the value of 371½ grains of silver is still, as uncoined metal, true to the traditional dollar value, equitable to all the past and more likely to remain stable than gold.

To use the vicious terminology of our opponents, if free coinage will convert a "60-cent dollar into 100 cents, then it will make 60-cent wheat dollar wheat, and 6-cent cotton 10-cent cotton, and other things in the same proportion." I know it will be said such a change will be only nominal and fictitious. If it is a fiction to restore wheat, reduced by legislation to 60 cents, back to \$1, every wheat-grower will rise up and bless the fiction. The money definitions of England and the prices made in their

money in Liverpool is real and sincere, but our money and the prices made in it is false and fictitious. Out upon such treasonable and contemptible toadyism!

With free coinage, silver will be worth \$1.29 an ounce all over the world as priced in United States money, and such money will go in Europe at the same value that it goes at here—will go at "100 cents to the dollar" as measured by itself, the favorite way of measuring gold, and can, like gold, be melted up in London without loss to the satisfaction of those who account that of supreme importance.

If a silver standard discourages credits into investments it will be an added benefit, the chief one being improved prices to our great staples come to stay.

No competent authority has ever tried to show that prices made in silver can go too high for industrial health. On the contrary, Mr. Robert Giffen, a frantic monometallist, argues against the enlarged use of silver by England upon the express ground that such use would only temporarily check the fall of prices inevitably under any metallic constitution of money.

But, it will be asked, how about parity?

Before considering that branch of the subject, I must enter my protest against this false emphasis and studious ignoring of the paramount consideration in the legal constitution of the money standard. The conveniences of exchange brokers should cut but a small figure in this matter. The bugaboo of a gold premium continually held up by foreign loan agents frightens some people out of their wits, and they can not recover their composure for a calm consideration of the really vital points.

The beneficence of the double standard does not depend upon a parity of coins. It consists in equality, if legal privilege be granted to both metals in the constitution of primary or standard money, leaving their market relation to automatic adjustment under such legal conditions. Its beneficence arises from the guaranty of constancy through the years in the purchasing power of money, which is thus at liberty to temporarily retire from the valuing office the metal that should tend to rise unduly in value.

Parity, of course, as now maintained, is a spurious bimetalism; as well our present system quadro-metallism, upon the ground that our copper and nickel tokens are at par with the standard. The Treasury administration is out and out single gold standard; but the pretense that the metallic parity policy declared in the act of 1890 is warrant for such administration is a palpable subterfuge. It is treating a statute of the United States as politicians treat their party platforms, and it is incumbent upon us with all due respect to a coordinate branch of the Government to caution the Executive against such Wall street interpretations of the laws of the country.

If some one would only deign to give us a coherent and reasonable statement of just how a gold premium would harm any honest vocation, any useful industry, or wealth-producing activity, I might abate some of my zeal in this advocacy. But over and over have we begged for an explicit and definite explanation of how any harm can come of it, only to be put off by the claim that the dollars constituted, if freely coined in silver, would not be "intrinsically" worth 100 cents, and as a result of that some nebulous, vague calamity and dishonor would come of it, because we would be out of harmony with England. All which means, so far as it means anything, that creditors would lose by it, and the business of local agents be discouraged.

I repeat, if even the least harm would come to any meritorious interest in this country from a gold premium there would be occasion to open a gain and loss account and strike a balance; for I frankly confess that while many matters in this general subject are capable of some construction as absolute as mathematics, I am unable to frame a demonstration that such a premium could not possibly in any event accrue any more than I can prove that silver would not gain to a premium over gold.

The data for such a request are, first, the quantities of the metals, respectively, that would be offered for certification into money, and, second, to what extent would the volume be expended by credit currency. If this second factor would be kept within reasonable limits, there is, to my mind, what we call a moral certainty, a high probability against it, quite sufficient for practical guidance, assuming that a premium would be a serious harm. Silver can not come in such disproportion as to counteract the force of this country's legislation to hold the metals to our legal ratio.

The solicitude of some people lest we shall not have gold to pay adverse foreign balances, in so far as it is not hypocritical, is a puerile and ludicrous anxiety. When the importer finds it difficult to meet his sterling bills, my advice to him would be, better stop buying abroad. A money that brings good prices come to stay is better for this country than so-called "best money," regardless of the relation it may have to foreign money.

I am convinced that the present high purchasing power of gold is sinister, stilted, and artificial, and is sustained by sheer force of this international gold combine, which it is easily in the power of this country to break, to the great relief of the debtor and industrial classes of the entire world. That is where the shoe pinches. It is not a gold premium in the sense pretended which the great creditors dread. It is the loss of the virtual premium they now enjoy in the artificially manipulated increase in the purchasing power of money.

Let us test the sincerity of their pretenses that the legal and the commercial ratio must stand together in order to the proper working of the bimetallic principle, and that such parity can be maintained only by conformity to the "natural" one of about 20 to 1; that, then, you can maintain in concurrent circulation both coins at their bullion value. I suggest, to that end, that we make the double-eagle weigh 412½ against instead of 516 of standard gold. I do this not at all as a bluff; I do it in the most solemn sincerity as the only decent mode of manufacturing a new ratio.

There is no sanctity or prescriptive right in perpetuity of the relation of \$4.86 to the pound sterling, nor can there be any objection in law, in equity, or in public policy in making the gold dollar weigh 20.612 grains of standard gold, so that \$6 would go to the pound sterling; at least there could not be, provided the change be made not retroactively. Let there be the most scrupulous regard for contract obligations. Let such contracts be construed upon that theory of money which is most to the interest of creditors, and so let the lightened coins have a paying power of but 80 cents on gold contracts outstanding at the date of the change.

When 6 per cent was abstracted from our gold coins, carrying the ratio of 15 down to 16.1 the fathers (to their honor be it spoken), with a punctilious regard to all rights, gave the new coins a less paying power on old contract.

I can not find the decorous words that will adequately express my reprehension of the reckless immorality, the wanton disregard of high and most sacred equities in this proposal of increase of the weight of our standard coin, so easily assented to by pliant and weak-kneed bimetallists. There is no precedent in all history for such an iniquity.

In the Middle Ages when spendthrift monarchs defended against the rapacity of creditors and a diminishing money volume, the English shilling which was at first one-twentieth of a pound, troy weight, became by successive debasements so reduced as that a pound was made into 66 shillings. Yet the great writers tell us that such a process of lessening the weight of coins was wholly beneficent to society in partially staying the downward tendency of prices.

I can not bring myself to believe that honorable gentlemen in this august Council Chamber have duly considered the ethics of the legislation they propose. Have not our people suffered enough from this "best money" legislation? When shall the end be of our concessions to creditor dictation? I caution you, gentlemen, as I have before on this floor in discussing this subject, against traveling further on that dangerous road.

I am moved in this appeal to an earnestness that comes from a higher source than the wishes and special interests of my own constituents, dear as they are to me. You are sowing the wind, and it will return to you in cyclones of wrath. Do you not see what a precedent you are setting us by using your power to increase the size of the instrument which measures and defines the effective meaning of all commercial contracts in the world, and that in the interest of creditors? It will go hard if our people, when they come into power, do not improve upon your instruction and legislate such attenuated import into that great word dollar as will make those heaven-kissing mountains of credit wealth shrivel and waste away like an ice palace before a southern sun, and history with a sigh of pity will record its verdict of approval. [Loud applause.]