

THE SILVER QUESTION.

ITS INDUSTRIAL AND FINANCIAL ASPECT.

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GOLD MONOMETALLISM MEANS FINANCIAL DEPENDENCE ON ENGLAND.

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SPEECH

OF

HON. FRANCIS G. NEWLANDS,

OF NEVADA,

IN THE

HOUSE OF REPRESENTATIVES,

AUGUST 22, 1893.

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WASHINGTON.

1893.



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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. NEWLANDS said:

Mr. SPEAKER: I am the sole representative on this floor of the State of Nevada, a State which has suffered more than any other portion of the Union from the discriminating legislation against silver. I am also the sole representative on this floor of my party. The people in Nevada, recognizing the fact that the platforms of both the old parties were intended to mean one thing in the East and another thing in the West, and feeling assured from the record of the candidates that the election of either meant disaster to the cause of bimetallism, formed an independent organization, called the Silver party of Nevada.

Their hope was that the contest between the two old parties would be a close one, and that the independent vote of the silver States, united with the third-party vote elsewhere, would hold the balance of power in the electoral college and would either secure the election of a new candidate favorable to the silver cause, or secure from one of the existing candidates substantial concessions to that cause. The overwhelming victory of the Democratic party in States hitherto uniformly Republican rendered that hope futile; but their expectations were realized and are realized to-day, so far as the party platforms are concerned; for we find members in this House construing these party platforms in different ways, according to the interests of their section, their locality, or their individual views of the monetary question, without regard to party discipline or the unity of party faith.

I, therefore, can not take a partisan view of this subject. There are no members of my party here whom I can call to task for straying from the straight path, and I certainly can not call to task the members of other parties for recreancy, for that is a right which belongs only to those of the true faith.

I shall take simply a general view, in the interest of this entire country, taking it for granted that an enlightened self-interest will determine the action of this country as it does that of individuals.

There are two aspects to this question, one the industrial and the other the financial, and you will pardon me if I refer to the industrial aspect first, as it concerns the progress, the development, and the destiny of that great section of the country which I represent, and as the determination of this question is freighted with either beneficence or disaster to it.

But, whether we consider the industrial or financial aspect of this question, it is necessary to bear in mind the relation of this country to other countries so far as its material interests are concerned; for the rule obtains, in national as well as individual affairs, that life is a struggle for existence in which individual effort for individual success and advancement leads to the highest development of the race and of the world.

So far as the relations of debtor and creditor and the ownership and production of the precious metals are concerned, England and the United States may be taken as the two representative nations of the world. England is the greatest creditor nation; the United States is the greatest debtor nation. England is the greatest owner of the accumulated gold of the world. The United States is one of the greatest owners of accumulated silver. England, through its African discoveries, is fast becoming the greatest producer of gold. The United States is the greatest producer of silver. They are the only money metals sanctioned through the ages by custom and law.

Both metals depend for their value upon an artificial demand created by law. The laws of the various countries giving each the privilege of coinage at the government mints, providing for the weight and fineness of the coins, and declaring them a legal tender for debt, create the use of and the demand for these metals, and give them their value, and to the extent that the laws shall deny either of these metals recognition, to that extent the demand for and the value of such metal is diminished.

Leaving out the financial view of the question, it is self-evident that, if America is the greatest owner and producer of silver and England the greatest owner and producer of gold, the legislation of this country, so far as it affects the question at all, should be in favor of silver rather than gold, for silver mining sustains the life of six States, in whole or in part, and three Territories. It is the vital industry of one-third of the area of our entire country, constituting the field of exploit, of endeavor, and of hope.

It is true silver mining is not the only industry in that region; but all the other industries are built upon and dependent on it. Silver mining stands at the base of every industry in that region. I deal in no exaggeration when I make that statement. It is true we have other industries—lead, copper, and coal mining, commerce, banking, and transportation—but you will find that they are all allied to and dependent upon this great industry. In lead mining, silver is a by-product, and often constitutes the only element of profit.

So also, but in a more limited degree, in copper mining. Coal mining is prosecuted, not with a view of supplying distant markets already supplied with coal, such as Illinois, Ohio, and Pennsylvania, but for the purpose of supplying the smelters, the population of the mining camps, and the cities and towns dependent upon them, and also for the purpose of supplying the motive power for the transportation of that region.

Agriculture is pursued not for the purpose of seeking distant markets—transportation would be too expensive for that—but for the supply of the local markets of the mining regions. The lands there are not moistened from the heavens as in the East. Artificial irrigation is necessary and vast irrigation schemes, involving large expenditure, necessitating the storage of water in the mountains for the period of drought and its transportation through long and expensive canals over vast areas of what had been an arid waste,

have been inaugurated and carried out for the purpose of reclaiming that country from the desert. The farmers of the Mississippi and Ohio valleys little know under what difficulties and at what expense agriculture is pursued in the intermountain region.

What will become of this vast interest when silver mining and the kindred industries are destroyed? What will become of the commerce of that region, having its sources of supply in the great commercial cities of the East and West, dependent upon local industries for its support, realizing great profits out of the most generous markets in the world; for it is well known that the most liberal market is the mining market? All the expenditures are on a liberal scale, and a mining community will spend much more per capita for supplies, for transportation, for all the necessities, conveniences, and comforts of life than any other community of a like population.

The transportation companies in this great region are also dependent upon silver mining. Did you ever reflect how many hundreds and thousands of miles of railroads have been built for the purpose of tapping the silver mines? All the transportation companies have endeavored to reach them directly or by extensions and branches, all the transcontinental railroads are dependent upon silver mining and the allied industries for their traffic—the Northern Pacific, the Union Pacific, the Central Pacific, the Oregon Short Line, the Great Northern, the Colorado Midland, the Atchison, Topeka and Santa Fe—the transcontinental business of these roads gives little profit because of the keenness of competition. It is the local transportation in the mining regions which is profitable. The only exception to this rule is the Southern Pacific, which is entrenched in and draws its support from the rich and fertile valleys of California, yielding, as they do, products of such high value as to sustain high rates of transportation. The capital stock and bonds of these railroads are owned largely in the money centers of the East.

The money centers of New York, Boston, and Philadelphia have a direct monetary interest in the prosperity of that section. I recall that several months ago I saw it stated in the papers that Mr. Villard, of the Northern Pacific, was present with others during the last Congress, urging the repeal of the Sherman act. I wondered whether the newspapers had correctly reported the fact. I could not believe that the president of that great railroad, passing through Montana, Idaho, and eastern Oregon, more dependent upon silver mining for its business than upon any other industry, gaining more profit from it than from its through transcontinental business, which is subject to extensive competition, could be here directly antagonizing that sustaining industry.

Upon inquiry I found that he represented not the stockholders, but the German bondholders, who were insistent that this country should be kept on a gold monometallic basis. Their position was that of a man holding a gold mortgage upon a silver mine, and yet they were aiding in the destruction of the very industry which stood at the basis of their bonds and gave them value.

So it is you will find throughout these monetary centers of the East—men largely interested in these great transcontinental railroads who do not know the danger which threatens their property in the destruction of silver mining. I remember when I heard that Mr. Villard was advocating the repeal of the Sherman act, I predicted that within sixty days after the repeal of that act the Northern Pacific would be in the hands of a receiver. That prediction has been

prematurely vindicated. That road is already the victim of the decline in silver caused by the action of India, and is now in the hands of a receiver. The market value of the stock and bonds on the mileage of railroads actually located in the mining regions amounts to between six hundred and a thousand million of dollars. All these transcontinental or intermountain roads running throughout that country with the exception referred to will be in the hands of a receiver within sixty days after silver mining is suppressed by legislation.

You can not strike a great interest and predominating industry of any section of the country without involving other sections. The East has a great monetary and proprietary interest in the West, a greater monetary interest than the West itself. The people of the mining region are the workers employed mainly by Eastern capital. You will find in Denver, built up by Eastern capital, magnificent buildings owned by Eastern capital, a building owned by the Equitable Insurance Company of New York which has cost between \$1,000,000 and \$2,000,000, and others of equal character; and yet you propose to destroy the industry, the development, and the civilization of that great region, comprising one-third of our country, and to bring additional disaster to Eastern stock markets and capital.

Ah, you say, it will not be destroyed; but I have already shown you that all the industries there are allied to silver mining, and depend upon it—lead mining, copper mining, commerce, agriculture, transportation—and after you destroy those what is there left? What is there left for that region but a return to the arid waste from which capital and civilization have wrested it?

Now, if this were the only feature of the case to be considered, I think that we all, as Americans, would agree that the great industries of that vast region should be sustained. But we are told that the industrial view of the question is a narrow one; that finance knows no boundaries of section, State, or nation; that the entire civilized world is drifting to gold; that it is fashionable to adopt the gold standard, and that we, the greatest nation of the world—I have heard that vainglorious expression very often in this debate—must be in fashion.

Let us consider that. Let us consider where our financial interest lies and ascertain whether it does not lie with our industrial interest. And here comes in the distinction between debtor and creditor nations. England is the representative of the creditor nations and is herself the greatest creditor nation in the world. She has swept the seas with her commerce, has made gain from every nation in every part of the globe, and has taken it home in the shape of gold, and loaned it to the nations of the world upon gold-bearing obligations. She has her tentacles upon every nation. She owes none but her own people, while every nation owes her.

America, on the contrary, is the greatest debtor nation of the world. She needs such large quantities of money for the development of this great country that she can not produce enough to satisfy the demand. Hence she has to borrow from other countries and she has borrowed largely from England upon bond obligations, national and State, and upon the obligations of private corporations and individuals. It is estimated that those obligations amount to about \$4,000,000,000, and yet we have in this country only \$600,000,000 of gold to respond with, and only \$1,500,000,000 of all kinds of money.

England, then, is the great creditor nation, America the great debtor nation. England is the greatest owner and producer of gold, America the greatest owner and producer of silver. And when we bear in mind that silver is the only metallic competitor of gold, the only metal which has been dignified through the ages with gold as one of the precious metals, I ask whether it is our policy to discredit that silver, to destroy its value, to increase the value of English gold by the destruction of its only competitor, American silver?

I wish to indulge in no declamation whatever against England. I admire the power and wisdom of that great people, infinitely more powerful, infinitely more wise than we, because they exercise their power in international affairs, and they are wise enough to legislate in their own interest, and not in the interest of other countries. [Applause.] Self-interest constitutes the prevailing motive of the governmental and political action of that great nation, while we are spending our energies in building up other nations, in appreciating the value of their accumulations and their productions and neglecting our own.

But we have another interest in this question, and that is connected with Mexico, which lies next to us. Mexico has been built up and developed by American capital, and you will find that the basis of every industry there is silver mining. It has promoted the building of railroads throughout that entire region, which are largely owned and controlled by Americans. President Diaz, the Gen. Grant of that country, has pursued a most liberal policy, and has welcomed Americans, and the country has witnessed an unprecedented development.

We have in it a monetary and a proprietary interest. Now what do we propose to do with that country? To sink its only currency to 25 cents on the dollar, to destroy the value of the product upon which its interests are based, to destroy the value of the product upon which the value of the transportation interests of that country, which are owned by us, are based. We propose to repeal the Sherman act. We propose to withdraw from silver the prop of "the greatest nation in the world," so our friends on this floor tell us. And yet, Mr. Speaker, it is a question with me whether we are the greatest nation in the world. We are constantly asserting it on this floor, but England is acting it. We deal in assertion; they deal in action.

We propose to destroy silver, for it will be destroyed by this action. If, under the influence of progressive adverse legislation, silver has fallen from \$1.29 an ounce to 73 cents an ounce, I ask where will it fall after America has struck the final blow, and how, then, will you be able to restore it? Silver will then be simply the material in which promises to pay gold are written. We say that we will keep in circulation in this country this vast amount of silver, five or six hundred millions, but it will be simply the material in which promises to pay gold are written, and would it not be cheaper to write those promises on paper.

Where will we, then, get the gold with which to do our business? We may rest assured that we can not remain satisfied with only a hundred millions in our Treasury. We shall have to issue the bonds of this country and draw in more gold and thereby increase further the value of England's gold and diminish the value of American products. And when we have got that gold it will be subject to be withdrawn at any time when the desire or the caprice may seize England; so that we shall be in the position of a debtor on "call," re-

sponsive to the demand of his creditor at any time and liable to have his securities sacrificed.

We will place ourselves in the merciless grasp of the gold contraction, destructive not only of the value of silver but of the value of all our products—wheat, cotton, and all the products of labor—destructive even of the value of labor itself, for its unions can not withstand the withering effects of poverty and distress.

What are the lessons of the past twenty years as to the effect of monetary contraction? We have been through three monetary panics during that period—the monetary panic of 1873, that of 1890, and the present panic.

Toward the close of the war we had added to our population by the surrender at Appomattox 12,000,000 of people without a currency; yet we started at that time and destroyed the greenbacks, the only currency of the country, and at the same time we took steps toward the resumption of specie payments, which meant resumption in coin, either gold or silver. And though nature, as if intending a special benefaction, had exposed its riches in the silver mines of the West, we passed laws denying our people access to them. That legislation denying us the right to resort to the silver mines for one of the precious metals of the world, and the legislation diminishing the greenback currency, the only currency in use when our population had been increased in the manner I have described, started the panic of 1873. And you all know the distress, the insolvencies, the bankruptcies of the period from 1873 to 1878.

Again, in 1890, England had some difficulty with her debtors in the Argentine Republic, for all those debtors who have promised to pay in gold are coming to bankruptcy. The English bank reserves had fallen low, not because England had not an abundance of money but because she had loaned her money to other nations of the world and could not quickly recall it. She looked around, surveyed the field to see which one of the debtor nations of the world could best respond to her demand; and she fixed upon America.

Within a period of five months she called from us between eighty millions and ninety millions of dollars, constituting one-fifteenth of the currency of this country. The withdrawal of ninety millions of dollars from this country almost landed it upon the shore of bankruptcy. The banks of New York were in suspension; they issued clearing-house certificates which were taken as money, though under the law they were not legal tender; a wave of contraction swept across the country, and it was only the return of the gold, by reason of the sale of our products to Europe, that saved us from universal bankruptcy.

During the present year, when Mr. Cleveland was about to come into power, when the metropolitan press of New York, aiding the banks of that city, saw a favorable opportunity of forcing the repeal of the Sherman act, the newspapers of that city, particularly the New York Herald, the New York Times, and the New York Evening Post, joined in a clamor for its repeal, predicting every kind of calamity if it should not be repealed immediately.

A single issue of the New York Herald would embrace five or six editorials to every column, italicized and double-leaded, calling attention, in the most inflammatory and alarming language, to the danger of the situation, stating that our gold would be exported,

that our foreign investors would lose confidence and sell their securities, that we were drifting on a silver basis, that our gold reserve was in danger, that our savings-bank depositors would meet with loss, that our dollar was a 58-cent dollar—editorials well calculated to excite alarm both at home and abroad. Those papers were read in England, and the owners of our securities there, thinking there was something in this senseless clamor, commenced to send their securities to this country for sale. They changed what was a natural drain from this country abroad, in the first part of the year, into a forced demand. Then came the withdrawal of deposits from the banks, and so England's withdrawal of eighty or ninety million dollars from this country has placed it in its present condition, involving the sacrifice of every kind of property, aggregating hundreds of millions—wheat, cotton, all the products of labor.

And now to-day, having sold their securities in this country two or three or four months ago, those same English investors are taking those securities back at 30 cents below what they sold them for, and so the English gold is being coaxed back by the sacrifice of American securities and products.

This presents an object lesson of what our condition will be when our financial dependence upon England becomes further assured, subject as we will be to her call whenever caprice or disaster may prompt her. We shall be subject to the storms that sweep every one of her financial seas—whether in India or South America or in Africa. We shall be obliged to sacrifice our securities and products in order to pay her back whenever she calls for her gold. If she disapproves of our policy she can withdraw her gold; if we contemplate war she can arrest prompt and decisive action; if aggression upon her part arouses us to appeal to the god of battles she can paralyze our energies upon the very threshold of war. Is it wise or patriotic to so place ourselves in the power of our great rival?

Do you say that these bonds are time bonds, and that immediate payment can not be demanded? That is true; but England can at any time force their liquidation by putting them upon the American market, and we will be obliged to absorb them. There are too many and too vast values dependent here upon the maintenance of the price of those bonds to permit us to allow their value to be sacrificed.

Now, we all admit that we must go to England for our gold. The total gold product of the country is, I believe, only \$30,000,000 per annum; and one-half of that will be lost when silver mining is destroyed. We must go to England for our gold. We are in debt upon call. We shall have to store a large amount in order to be prepared to respond to every disaster that may affect that country, or to her forced demand in case of caprice, disapproval, or war.

But it is said that credit is a good thing, that there is no need of a large per capita, that credit satisfies all the demands of money. This may be true of a creditor nation, but it is never true of a debtor nation. Gentlemen refer to the per capita of England or Germany as being somewhat less than ours. That means simply that the actual coin in either of those countries is somewhat less per capita than in ours. But those countries, when the bank reserve falls below a normal standard, can recoup, can restore their reserve by calling upon the debtor nations, the nations that owe them money, whilst we have no debtor nations upon which to call. We must, therefore, preserve a larger amount of money subject to call.

Now I ask what is the lesson of the panics to which I have referred;

three panics within twenty years? Why, sir, the lesson is that in all cases the volume of money here has been too small. The lesson is that the metallic money of the world is not sufficient for its demands; and this has always been proved by the existence of a large amount of paper money uncovered either by gold or silver. One-third of the world's money to-day consists of paper money not covered either by gold or silver. Yet we propose to destroy one-half of the metallic money.

We, who have suffered in this way, propose to join England as a creditor nation in a crusade against the only resource, the only salvation of the debtor nations of the world.

I ask, Mr. Speaker, where will we get gold? Austria is clamoring for gold. She has got about a hundred or a hundred and twenty-five of the one hundred and eighty millions she desires. She has been looting our Treasury in order to secure what she has. Almost all of her gold bears the stamp of the American eagle. We are the only country on earth that has not protected its gold. If Austria should go to Germany and attempt to get it, the great Imperial Bank says, "No; we have no gold for export." If she goes to France, with its seven hundred millions of silver circulating side by side with an equal quantity of gold, and presents to the Bank of France a note or check and asks to be paid in gold, it would not be given for such a purpose.

France exercises the option which we ought to exercise for the protection of her gold. If the Bank of France has a surplus of gold and desires to pay it out on check against it or in the redemption of its notes it does so. If not convenient, it pays in silver. But yet we hear no talk there about a 5-franc piece being worth only 3 francs. Suppose the great press of the city of Paris should unite in a clamor against the coinage of that country, such as has disgraced the metropolitan press of this country for some time past. Suppose they declared that the 5-franc piece was worth only 3 francs, and dinned in the ears of the people the danger of its silver currency. I would like to know how long France could resist a monetary panic? Ah, but before that exigency could arrive the editors of the papers would be behind the bars serving a sentence for sedition. [Applause.]

Look also, Mr. Speaker, at the condition of Russia. She has accumulated 500,000,000 of gold, and see how she protects it. She puts it in the war chest, locks it up for emergency, and issues against it fiat money, paper money, which circulates at par or nearly so. No one can get gold for the paper money of Russia; but we—the greatest nation in the world, the most powerful nation in the world, the wisest nation in the world (so our song goes)—allow our Treasury to be looted by every foreign speculator who so desires, by the failure to exercise the option which the law and the contract give us.

Why, a year ago we heard the announcement that a firm of New York bankers had presented \$1,000,000 of Treasury notes, payable in terms in either gold or silver, to the United States Treasury for redemption in gold, and the Treasury determined it must pay gold. What did it mean? It meant that the Rothschilds, in connection with the great syndicate of bankers in Paris, Berlin, and Vienna, who control the finances of the great nations of Europe, were preparing to undertake changing Austria from a silver to a gold basis.

This syndicate of bankers who held Austria's silver bonds were preparing to arrange for their funding in gold bonds. The profits

can be imagined. Silver bonds bought at a discount exchanged for gold bonds taken at a discount, with all the probabilities of a great rise in value. But where could they get the gold for the reserve fund necessary for the adoption of the gold standard?

They knew that England would not give it, for the Bank of England would raise the rate of discount. They knew that the Imperial Bank of Germany would not let them have the gold. Neither could they expect to get it from the Bank of France, and therefore they fastened on the country, protected by a similar option under the law, and made a test case by presenting \$1,000,000 of United States Treasury notes, and then having ascertained that they could take the gold out of our Treasury, they entered into a binding contract which proposed to place Austria on a gold basis. And behold the result—our gold has gone to Austria and we are on the shores of bankruptcy.

Now, Mr. Speaker, if we go on a gold basis we will have to be wiser than we have been. We will have to pull the gold here and lock it up in our war chests and surround it with sentinels, and issue against it fiat money; or else we will have to go to fiat money alone, for when we destroy one-half of the money of ultimate redemption, metallic money is doomed in this country. I say that the consequences of this act are too awful to be contemplated in their effect upon our own values, upon our own securities, upon our own products, upon that vast mining region now threatened with depopulation, upon the country at large.

The civilization of the future depends upon the restoration of silver, and if we withdraw our support it may be lost forever. I do not believe in the specious suggestion that we now give silver its final blow and kill it in the hope that international action will resurrect it. I believe rather in nursing what remains of life in the hope that health and vigor may be restored. The task has grown in difficulty as time has advanced. We the greatest silver-producing nation in the world, we the greatest debtor nation of the world, we who required both gold and silver for the resumption of specie payments closed our mints against the product of our mines, in February, 1873, and proposed to throw it on the world for absorption.

Germany responded by demonetizing silver within two months after. France and the Latin Union, finding that Germany was pouring into their mints her accumulated silver coin, and that the United States was pouring into their mints the products of her mines, closed their mints finally about 1876. The Latin Union abandoned silver reluctantly, and yet during that period of agitation in this country the metropolitan press and the bankers in the money centers prevented its restoration. When the Bland act was passed it would have been easy.

The task would have been easy in 1890 when silver had the great sustaining power of India, which absorbed one-third of the product of the world. It is of course made more difficult now. But let the support which America affords be withdrawn and silver is destroyed and lost, and there is no hope of international bimetalism. We had the assurance of that in the language of Sir William Harcourt, chancellor of the English exchequer, the other day, when he said that the action of India was the death of bimetalism.

If my time permits, I hope to dwell upon the importance of America assuming courageous leadership on this subject, and as she was the first great nation, within the last half century, to demonetize silver so she should be the first to restore it. I should like to pre-

sent my views upon the prospect of international bimetallism, as well as to this alleged danger of silver monometallism and with reference also to the unification of our currency and the retirement of the five or six kinds of paper money now in existence and the substitution in their place of one form of United States Treasury note, payable in coin and backed by ample reserves in both gold and silver in the Treasury.

But before doing so I wish to express my regret that Congress has allowed itself at this time of public danger and excitement, when imagination and alarm are enthroned and reason is unseated, to enter upon the discussion and consideration of a great subject requiring careful consideration and deliberate action. It would be better in my judgment to immediately take hold of some measure that would relieve the situation. But the controlling minds in this attack on silver have insisted that the existing panic should be made use of as a weapon for its destruction and they will not allow the consideration of any remedial measure.

We are suffering now from the want of legal-tender money, and the only thing to do is by prompt action to provide the people with money which will take the place of the money exported and hoarded, under provisions which will automatically force its retirement when the emergency is over. Such an increase of money could be easily made by legislation which would not contain the word gold or silver in it. Remember that the settlement of the silver question now either by the repeal of the Sherman act or by an act providing for the free coinage of silver will not give the full and adequate relief which the situation demands. The repeal of the Sherman act will not restore the confidence of those who are now hoarding money.

This debate will instruct them that we are about to enter upon a period of contraction greater than any ever yet experienced, and the people will know that at such times the value of money increases and, just as when property is high people hold on to property and resist offers of purchase, so when money is scarce and correspondingly high they will clutch their money in the hope that the future may bring them better bargains. On the other hand, the free coinage of silver would add to the circulation of this country only \$5,000,000 or \$6,000,000 per annum, a sum entirely inadequate to meet the contraction caused by export and hoarding. I hope that at some stage in these proceedings instead of engaging in a Greco-Roman contest over this silver question, whose determination either way will not bring immediate relief to the country, we will enter upon the consideration of some emergency remedial legislation that will meet the requirements of the pending crisis.