CHAPTER X.

THE MONEY STANDARD QUESTIONS.

How the Money Standard Questions have been settled in and by the Republican party—Silver legislation in brief—How the country was saved from the silver standard—John Sherman and William McKinley have marched together—The Hon. Charles Emory Smith's exposition of this question—The unexampled supply of gold is solving the money questions for the people and abolishing this issue.

THE money questions have been settled by the Republican party, and the standard of sound money is like the flag of the country, established, and the credit of the nation fixed. There was no compromise in the peace of Appomattox and there has been none in the resumption of specie payments which marked the restoration of the public solvency. Republican policy has provided a national currency of paper, silver, and gold, equal in volume to the wants of the people, and all good as gold. There was a powerful movement at the close of the war to enlarge the greenback issues and extend the limit of paper of that character to cover all the bonded obligations of the government, but the greenback was made as good as gold, and then the

stress of the passionate green paper illusion passed away.

The silver question took form when the country, under strong and wise guidance, approached resumption. It was then ascertained that we had participated so far in an international plan to employ the money of resumption and secure the advantage of uniformity in coin to facilitate the intercourse of nations, as to omit from the mint regulations the coinage of the silver dollar—our only white metal coin of full legal tender value—and there was a formidable tendency to retain the standing of silver in the mints without limitation. Silver had been "coin," in the meaning of the laws and contracts, through the war, and when the bonds were issued—especially when specie payments had been suspended—and there was an impressive propriety that "gold and silver" should be "coin," when we resumed coin payments, the same as when they were suspended. There was but little variation then between the mint and market value of the two precious metals at their old familiar ratio of 15½ to 1 in Europe and 16 to 1 in the United States, and the matter did not seem to be momentous. The fall of silver had set in, caused by the sale of silver in Germany, to establish the gold standard, and the enormous silver production in Nevada. The general judgment—at least of those who had not been profound students or business experts in money—was that if we replaced silver at the mints the value of the metal in the markets would advance to our ratio. This view of the case was at first taken by Major McKinley, but he supported the Allison amendment of the Bland bill, which was not to have "free" coinage of silver dollars, but forced—commanded—coinage, not less than two or more than four millions per month. Unquestionably this movement, originating with Mr. Allison in the Senate and supported by Mr. McKinley in the House, saved the country from the free coinage of silver, and, therefore, the silver standard! John Sherman was Secretary of the Treasury, and coined the minimum sum—two millions a month. He advised against the veto of the measure by President Hayes, suggesting that he should allow the bill to become a law without his approval, as he had conscientious scruples against attaching his signature. The bill was passed over the President's veto, and the continued fall of silver—while we coined over four hundred millions of white dollars—was an object lesson most convincing that the United States could not alone restore silver as a standard money of the world.

We reached the point that it was necessary to stop the free coinage of silver or accept the silver standard, and we stopped, pledging ourselves to maintain the parity of the two money metals, and there we are now, and, like France, the great bimetallic country, we uphold silver as a money metal by the limitation of the coinage and the direct application of the public credit.

Major McKinley has stood with Secretary and Senator John Sherman with unfaltering courage and unshaken fidelity throughout this contest, and was conspicuous in it for his perfect understanding of the general situation, his intelligence as to the principles involved and applied, and his exact information in details. There is no better record for honest dealing with all the people on all the questions of sound money, first and last, than his.

One of the most frank, instructive, and luminous discussions of the silver question has been supplied by the Hon. Charles Emory Smith, of Philadelphia, and is as follows:

What is Free Coinage?

BY HON. CHARLES EMORY SMITH.

We meet again the demand for independent, free, and unlimited coinage without regard to other nations. To this demand I now address myself. What is free coinage? The standard silver dollar is now worth about fifty cents. Free coinage means that the government shall receive all the silver which may be presented, and upon every fifty cents' worth put the stamp of one dollar. As nobody, however, expects it to be coined, it really means that the government shall issue its note for one dollar in exchange for fifty cents' worth of bullion, and that this note which the favored bullion owner gets for fifty cents' worth of his commodity shall be made a legal tender for one dollar in current circulation. Now, what would be the result? It would be a forced circulation of a dollar worth one half its face. It would be the debasement of the unit of value, and so the violent disturbance of all values. It would be the destruction of stability, and so the overthrow of confidence, security, and prosperity.

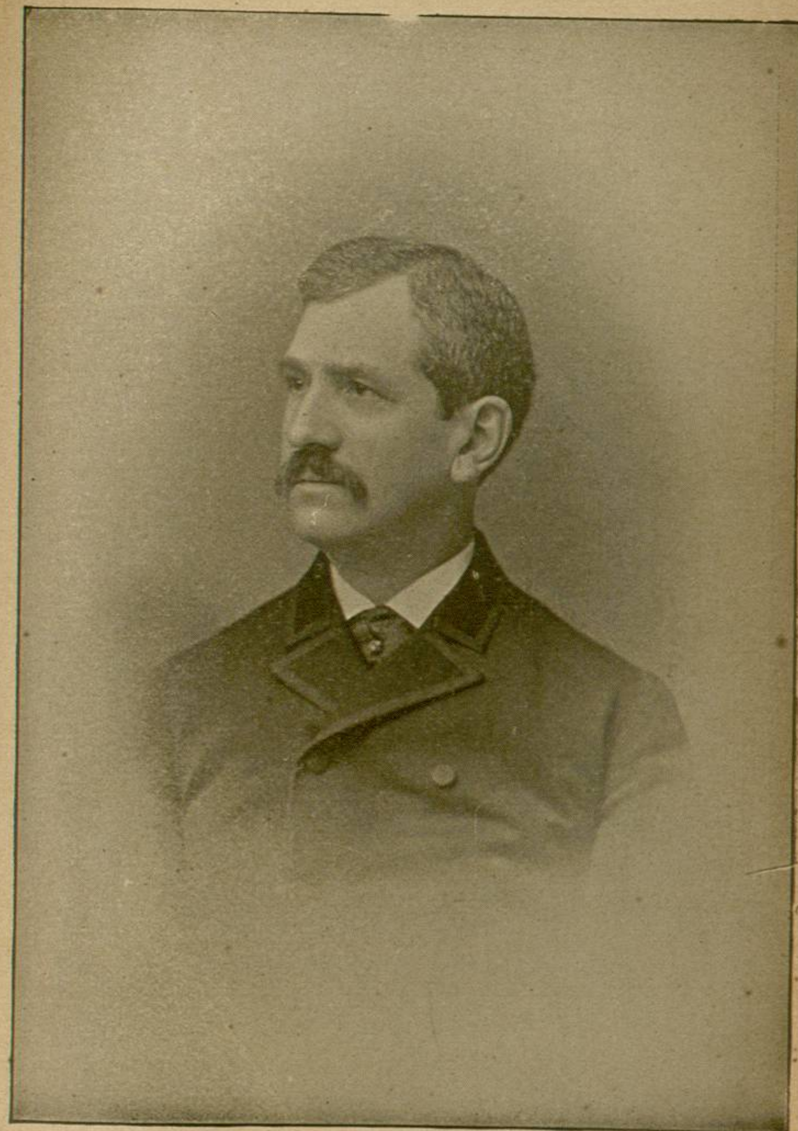
Let me be entirely frank. I know the advocates of free coinage claim that their measure would raise silver to the standard of gold, or perhaps they would prefer to put it, reduce gold to the standard of silver —that, in a word, it would establish parity. They point to the fact that the silver or silver certificates already in circulation have been kept at par at the ratio of 16 to 1, notwithstanding a far different market ratio. This is true, because we have limited the coinage or purchase, because we have maintained the gold reserve, because we have pledged the whole credit and power of the government to sustain parity. But when we enter upon unlimited coinage, under present conditions, we embark upon a new and dangerous sea. The free silver champions contend that our silver policy has failed, because we haven't gone far enough, and they insist that free coinage would bridge the divergence and remove the disparity of the two metals. There is no other pretense upon which it can be defended for a single instant. If it does not establish the equivalence of gold and silver at the determined ratio it is rank repudiation and dishonor. It is the willful adoption of the debased standard

and the compulsory circulation of a depreciated dollar, with its robbery of labor, its unsettlement of all values, its derangement of all finance and trade, and its incalculable wrong and dangers in every direction.

But what possible hope can there be, in the light of the facts already before us, that free coinage will re-establish parity? It was claimed just as confidently that the Purchase Act of 1890 would do it. What was the fact? Its first temporary effect was to raise silver so that the bullion value of a dollar which was 74 cents in 1890 advanced for a short time to 84 cents; but it soon dropped back to 72 cents, and has been falling ever since. We were then buying pretty nearly the entire silver product of this country. It must be remembered, too, that India, the great sink of silver in the East, was still under free coinage. While we were coining or purchasing nearly $600,000,000 of silver India was coining over $600,000,000, and during all this time, and in spite of this great market, silver kept on falling. India has since stopped her free coinage, and how, then, can we hope to do alone what the two together could not do?

Do you realize what free coinage by the United States alone involves? It involves one of two things —either the lifting up of the entire volume of silver in the world to the standard of gold, or else the dragging down of the United States to the single standard of silver. There is no possible escape from one horn or the other of this dilemma. The visible stock of silver in the world is about $4,000,000,000. Europe has over $1,000,000,000. The product of the United States in 1893 was 60,000,000 ounces. The annual product of the world has grown from an average of 40,000,000 ounces, between 1860 and 1870, to an aggregate of 160,000,000 ounces. For the United States alone to enter upon free coinage means that we must stand ready to buy all of this vast stock that may be attracted by our open hand and open mint, and that, while it is now at a ratio of 32 to 1, we must undertake the stupendous and impossible task of lifting it to equivalence with gold at the ratio of 16 to 1. It means not only that we shall stimulate and inflate our own product, but that Europe will dump its surplus silver on us. I know the silver extremists deny this truth. I know they allege that the silver of Europe is in use as coin and that it could not be sent here without a loss. But this answer will not bear examination, as a moment's consideration will show.

Ever since bimetallism was abandoned Europe has been struggling for gold. With the adoption of independent free coinage in this country that struggle would gain new force, because it would be notice that the re-establishment of bimetallism had been indefinitely postponed. The Bank of France has $250,-000,000 of silver, not in circulation, but locked up in its vaults. The Bank of Germany has over $150,000,000. The Bank of Spain has about $50,-



HON. CHAS. EMORY SMITH
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000,000, the Bank of the Netherlands $35,000,000, and others varying amounts. There are over $450,-000,000 stored in nine banking houses. This silver is worth nothing to them beyond its bullion value. It serves as a part of the metallic reserve for their paper money; but they could better sustain more paper on gold, and if they could make the substitution by sending this silver to the United States and exchanging it for gold, why wouldn't they do it? Let me give you commanding authority. Henry Cernuschi is the ablest champion in Europe of the restoration of silver and the recognized leader of the bimetallists. In his pamphlet on "The Great Metallic Powers" he says: "As soon as the coinage of silver by the United States was free, Europe would act toward the United States just as Germany acted toward France, so long as France coined silver. Europe would demonetize large masses of silver and send them to Philadelphia to get them made into dollars, with which dollars she would get gold dollars despatched to her." And again: "Why is not the coinage of silver free in France? Because, were the coinage free, all the gold would emigrate, and France, deprived of gold, would no longer have a monetary medium, either with England, or with Germany, or with the United States. Very venturesome would be those who should recommend the United States of America to undertake single-handed what France will undertake only triple-handed." Wise counsel and admonition from the greatest of the friends of silver!

Let me add another impressive warning. And in order to make it specific will you pardon a personal allusion, and a statement which I have never publicly made before, and in making which at the present time I hope I am not altogether indiscreet. In 1890 when the bill for the free coinage of silver was pending in the United States Senate, I had the honor of being the American Minister at St. Petersburg. The Russian Minister of Finance was Mr. Vishnegradski, who died a few days since—a statesman of extraordinary capacity, and perhaps the ablest Finance Minister in Europe at the time. I had occasion one day to call upon him, and I found him with a copy of the American free coinage silver bill, then under debate in the Senate, lying open on the table before him. His first expressions revealed his profound interest in the subject. He had studied the details of the bill to the minutest particular. He did not hesitate to pronounce it a most remarkable measure; involving a most disastrous policy, which, as a friend of the United States and of safe finance, he hoped she would not undertake. He inquired carefully after its prospects, and then in earnest words came the pregnant climax, which, as others were involved, I shall not in this public declaration venture to repeat in as specific a form as he gave it in that more confidential talk. But he said in substance: "If this bill becomes a law the United States will expose herself

to dangers of which she has perhaps little idea; there is a great deal of silver in Europe; we have some in Russia; already the proposition has been made to me to join in a movement, in the event of the American adoption of free coinage, to unload a part of Europe's silver on the United States; but I believe this measure and this action would bring calamity, and I hope the United States will make no such mistake." It was the clear vision and the weighty remonstrance of a statesman looking on with the truer perspective of distance, and speaking with direct personal knowledge of dangers which the silver extremists profess to scout and deride.

With free coinage the surplus silver of the world would flow toward our shores as infallibly as the dropping apple seeks the ground. It would flow here because this would be its one great market at a price not offered anywhere else. Realizing the danger of this deluge, some of the silver radicals have proposed to limit free coinage to the American product. But none of the free coinage bills has ever embraced that limitation. And if you tried it how could you do it? With a temporary artificial and exaggerated price here, how could you prevent foreign silver from finding its way across our borders, as it has done in the past? Besides, suppose it were possible to succeed in such a restriction, that would not be free coinage at all. It would not lift silver in the markets of the world; it would not remove the disparity between the two metals; it would not, therefore, carry the only condition upon which free coinage could possibly be justified; it would simply enable anybody who has fifty cents' worth of silver bullion to take it to the mint and have it stamped one hundred cents, or take it to the Treasury, which would issue its note for it and force you and me to receive it for a dollar. Are the American people ready for that amazing folly?

Free coinage, I repeat, means that we must be prepared to buy the silver of the world. What would be the effect? Gold coinage would immediately stop. Who would bring gold to be coined when it was undervalued one half? We should pay for the great influx of domestic and foreign silver in notes redeemable in coin. The notes would be presented and gold demanded. If gold were paid by the Treasury, how long under this great demand would the reserve last? If gold were refused we should be instantly on the silver basis, and the Treasury notes and the whole circulation of the United States would fall to the silver level. Under such conditions gold and silver would not circulate side by side. Gold would go to a premium. Every dollar would be locked up or exported. The government, stripped of its gold, would be forced to pay its creditors in silver, and that payment would reduce us at once to the silver standard. There is thus, under free coinage, no escape from one of the two alternatives, either that we must by our action alone raise the silver of the world to the gold standard, which is manifestly impossible, or we must drop to the silver standard.

This, then, being clear, we come to the next question, What does the silver standard mean and what would be its effect? This question involves such broad considerations and such tremendous consequences that time will permit me to touch on only a few of them. The silver dollar is now intrinsically worth fifty cents. It passes for a dollar because, by limited coinage and full exchangeability, the government has kept it at par with gold. Under free coinage it would be worth whatever the world should rate the silver in it as worth. It might be fifty cents; it might be more; it might be less. It would follow all the fluctuations of a varying commodity, going up with the demand and going down after the deluge. It would still be called a dollar, but only because the real dollar unit of value had been expelled; and it would be a dollar in fact just as much as if we were to lock up all the present yard-sticks and were to make a new unit of length consisting of a foot and a half, and were to assume that calling it a yard would make it a yard. If it takes ten yards of cloth now to make a robe, ten yards under the new unit would leave the costume decidedly decollete! Wage-earners might receive as many nominal dollars as before, but the purchasing power of the dollar would measurably be cut in two. The Mexican dollar contains more silver than the American dollar; yet the American silver dollar will buy twice as