ADDRESS

BEFORE THE

Washington County Agricultural Society.

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ADDRESS.

Members of the Washington County Agricultural Society,
Ladies and Gentlemen:—

The ordinary phrase with which a speaker "invites" the attention of his audience to his subject, has no place here to-day. There is one subject which forces itself upon our attention; it occupies our thoughts; it fills our minds; it is vital to our welfare, shall we have free coinage of silver at the ratio of 16 to 1?

In former years I have discussed before you the essential points of this question. As long ago as 1877 I touched upon it. The addresses of 1892 and 1893 were largely devoted to it. I am glad to be able to say that I believe the principles I laid down were sound, and in the light of further investigation and greater experience they will stand as correct. But when in 1877 I warned you against the danger of destroying the gold standard and attempting to make silver a standard with gold, I was discussing the matter from a scientific standpoint. The advocates of silver were an insignificant number; those who believed in paper money were more numerous, and even they, the so-called "greenbackers," were quickly voted down. The danger was afar off; it was difficult to make people believe there was any danger. Now the case is different. The storm is upon us. We must examine this question with all the intelligence we possess, and we must decide wisely if we would save ourselves from disaster.

What is free coinage at the ratio of 16 to 1? It is the attempt to say that as a measure of value 16 ounces of silver shall be the equal of 1 ounce of gold. Sixty years ago this was very near the true ratio. At that time the weight of a gold dollar was fixed at 25.8 grains of standard gold. The silver dollar was made 16 times as heavy, and contained 412.5 grains of standard silver. In the markets of the world the metals exchanged for each other in this proportion. There were, of course, fluctuations, and in general an ounce of gold was exchanged for rather less than 16 ounces of silver. The actual proportion was nearer $15\frac{3}{4}$ ounces of silver for one of gold. But the ratio of 16 to 1 was a near approximation at that time, and continued to be so down to about the year 1874.

But since 1874 a great change has taken place. There is a great dispute as to the causes of this change; there is no dispute whatever as to the fact, and it is certain that with 1 ounce of gold you can now buy in the markets of the world over 32 ounces of silver, instead of 16.

The proposition, therefore, of the free coinage of silver at the ratio of 16 to 1, is a proposal to change this market rate for silver which is now firmly established throughout the civilized world. It is proposed that the United States alone shall say to all holders of silver, "Bring your silver to the mint, and we will double its value. We will coin it into dollars which shall be equal to gold dollars, and will put into those dollars one-half as much silver as a gold dollar will buy." It seems as if the simple statement of this proposal would show its preposterous character. Consider for a moment its effect. There are to-day in the vaults of a single Safe Deposit company in New York 1,700,000 ounces of silver belonging to private persons. It is worth to-day 68 cents an ounce. If this law is passed, it could be taken to the mint and coined into dollars which would have a debt-paying power of $1.29 an ounce. The owners of that silver would make over half a million of dollars by the operation, but they would have done nothing whatever to entitle them to such a profit, and, on the contrary, people to whom debts were owing and who would be obliged to receive this silver in payment of debt, would lose a corresponding amount. The law would transfer property from one man to another arbitrarily and without any justice.

It is said that this law would favor debtors, and would enable them to pay their debts more easily. This would be true only of the debts existing at the time the law went into effect. These debts could be discharged for half their present value. Would that be honest? If not honest, the question is settled. The sound judgment of the American people cannot be brought to favor dishonesty. But would such payment be honest? Let us look at this question fairly.

We have had the gold standard ever since 1834, except during the period of paper money caused by the war. We resumed gold payments in 1879. Since that date a current dollar has meant 25.8 grains of standard gold. Every borrower has therefore received gold or its equivalent. With this gold he has purchased, at gold value, goods, machinery, buildings, land or whatever he required in his business, and from which he expected to derive a profit over and above the interest on his loan. When a loan has been made on good business principles, the borrower by the use of the money borrowed makes such a profit. Sometimes mistakes are made, but as a rule the borrower makes a profit besides paying his interest. When the time of payment comes he is therefore wealthier than when he first borrowed, better able to pay the loan, or better able to borrow again. Why should he not pay back the gold he borrowed, the use of which has increased his wealth? There is no good reason.

It is argued, however, that gold is rising in value, and in the interval between the borrowing and the time of payment this rise compels the borrower to pay back more value than he received. This is the argument on which silver advocates rely. Now if it were true that gold is thus appreciating, it is by no means clear that the borrower ought not to return just what he borrows. He makes the loan for his own profit, by the use of the loan he makes the interest he has agreed to pay, makes his profit, and is in condition to pay back the principal. In this case it is simply a question of interest. The borrower will say, "at the time when I must repay this loan gold will be more valuable than it now is, I must be compensated for this increase in value; I can only afford to pay a low rate of interest." This is what actually happens, and whenever currency is appreciating then interest is low, and whenever currency is depreciating then interest is high. Some curious statistics have recently been collected by Professor Irving Fisher demonstrating these facts. It is therefore not clear that, even if gold is appreciating, the borrower ought not to return exactly what he borrows, the fact of appreciation will be discounted in the low rate of interest.

But the argument we are discussing assumes that there has been a very large increase in the value of gold within the last thirty years. To prove this they say that gold prices of commodities have fallen. It is assumed that a fall in prices means a rise in gold. But this is not necessarily true. New inventions and better machinery continually cheapen the cost of production, and prices fall even if gold remains stationary. This is the universal law of prosperous industry; improved methods, lower cost, lower price to the consumer, increased comfort to mankind. It is more reasonable to attribute the fall in prices to greater cheapness of production than to the appreciation of gold, which is purely conjectural. For instance the reason for the fall in the price of wheat, which undoubtedly has been very great, is easily found in the severe competition of wheat produced at low cost from Russia, from the Argentine Republic and from India. So in other cases where prices have fallen, we can find good cause for the fall in increasing supply and lessened cost. Falling prices can be accounted for without the supposition of the appreciation of gold.

But if we turn from commodities to labor, which produces commodities, we find that wages have not declined. Wages paid in gold are higher than ever before in the world's history. This fact is shown by the report made to Congress by the committee of which Senator Aldrich was chairman, and which is known as the Aldrich report. This report was made after the most painstaking and judicial examination and inquiry, and is of unquestioned authority. The wages of labor measured in gold have risen 69 per cent. since 1860. They have risen 20 per cent. since we resumed gold payments in 1879. The silver advocates who allege that gold has appreciated cannot explain this fact. It proves that gold has not appreciated. It is easier to procure by labor a dollar's worth of gold than ever before. The borrower of gold has then no justification in attempting to avoid the repayment of the metal borrowed. The attempt to substitute a cheaper metal will not bear honest scrutiny.

I am, however, far from saying that all who are inclined to espouse the cause of silver are dishonest. They are simply mistaken. They have been deceived by fallacious statements.

One very common idea is that free coinage will make money plenty, and somehow laboring men will be benefited. If this were so, I would be the last to oppose the change. I recognize the fact that when wages are high the country is prosperous, when they are low prosperity is declining. If, therefore, a system of currency can be devised by which wages can be raised and the condition of the laboring man improved, that system should be adopted. But I cannot see how the present proposal can produce any such result. It is a proposal to double the price of commodities. The laboring man wants low prices for commodities, not high prices. How will doubling the cost of living improve his condition? Manifestly there can be no improvement in this direction unless wages rise faster than commodities. We all know that this is not so. All experience teaches that wages rise more slowly than commodities; they are the last to feel the effects of advancing prices. Those of us who can remember the great advance in prices which took place with the issue of greenbacks in the war, must have observed this fact. Between 1860 and 1865 prices of commodities went up 132 per cent. Wages advanced only 49 per cent. A table from the Aldrich report, printed in this pamphlet, (copies of which are here for distribution) shows this in detail. Wherever, through all history, the currency has been inflated, prices of commodities have risen, and wages have risen much more slowly, if at all. This is seen in Mexico to-day, and, in fact, it is an argument which is gravely used, that the producers of all the commodities which are exported from Mexico have an advantage because labor is so low. They can pay for labor in silver, and by exporting their commodities can get paid for them in gold, which by exchange doubles the silver price at home Whatever truth there is in this argument comes from the fact that labor is forced down to a very low point by the use of silver currency in Mexico.

We can see there the exact effect of silver free coinage. Silver has become the sole standard. Gold is banished, and is used only in foreign commerce. The laborer is paid in dollars which in common trade pass at the rate of two Mexican dollars for one United States dollar. The Mexican dollar contains a little more silver than our silver dollar, but our dollar is maintained on a parity with the gold dollar by the United States government reserving to itself the right to coin silver dollars. Admit free coinage and the parity could no longer be maintained. Our coinage would sink to the level of Mexican coinage, and our labor would be paid in 50 cent dollars.

The truth is that wages are paid out of the product of labor. When the laborer is intelligent, and is furnished with the best tools and best facilities of production, then the quantity of his product is larger, and his share in wages is correspondingly large.

One other favorite argument of the advocates of silver is that the debtor class will be benefited. The creditor class is spoken of as oppressing the debtor class. This whole conception of debtor and creditor classes is misleading. The debtor borrows to secure his own good. He makes money out of his loan. Every one at times owes money and at times has money owing to him. Most people are both debtors and creditors at the same time. A clean cut separation of these classes is impossible. But if any class is entitled to the name of creditor class it is the laboring class. There is no wage earner who does not have owing to him always some sum for the labor which he has performed. He is not usually paid oftener than once a week, and frequently the term for which he is paid is longer than a week. It is safe to say that every Saturday night there it due to the laboring people of the United States at least one hundred million of dollars for the previous week's work. They are creditors to that amount. The laboring class is the most numerous and most important creditor class which exists. The debt due this class is never fully paid. Each succeeding week adds its hundred millions. Now this law proposes that these laboring men shall be paid with dollars coined out of silver now in possession of private individuals, which has cost the owners a trifle over 50 cents for each dollar. This single statement is sufficient to show the gross injustice of such a law.

Free coinage has been described as a conspiracy against labor, and it is in effect such a conspiracy, for it would degrade laborers to the point of receiving one-half the value at present paid to them in wages. This conspiracy was entered into by the owners of silver mines about the year 1875, when silver, in consequence of enormous increase in production, began to decline in value. They thought if they could get the government to purchase it at the former price their mines would be more valuable. Persistent and determined efforts have been made ever since to procure the passage of a free coinage law. There has been a paid silver lobby at Washington, and misleading silver literature has been widely circulated. Paid orators have made specious pleas and given out misleading information until many honest people have been made to believe that there was some merit in free silver coinage at 16 to 1. The times have been hard, and the promises of relief made by silver advocates have been very bold and attractive. A proposition to make something out of nothing is always attractive. A sick man is willing to try almost any remedy if the promise of certain relief is made strongly enough. We must not blame men harshly for this, but we must show them their mistake by the light of reason and experience.

Now it so happens that we have in our own history most valuable teaching on this very subject. In 1792 we began our coinage experience, with the attempt to establish a double standard. For over eighty years the attempt was continued, changes were made in laws, but absolute failure was the result. That you may see the nature of this experiment and learn from it for yourselves the lessons which it teaches, I have condensed from the Mint reports and other sources a short history of United States coinage. As it contains tables and statistics I have had it printed that you may take it home and read it at your leisure. I will only summarize it now.

Our coinage laws began with the law of 1792. This law was framed in accordance with the recommendations of Alexander Hamilton. It fixed the ratio of silver to gold at 15 to 1. The standard dollar, or unit, was fixed at $24\frac{3}{4}$ grains of pure gold, and also at $371\frac{1}{4}$ grains of pure silver. These two units were declared of equal value; both were unlimited legal tender, and there was free coinage. Hamilton's system was the most perfect system for the establishment of the double standard which had ever been formulated, but the result did not justify the expectation. Gold was exported as fast as coined, because there was a profit realized by sending it to Europe. The commercial ratio did not remain the same as the legal ratio.

Silver dollars were also sent over to the West Indies because of a small profit made by exchanging them for Spanish dollars. In 1806 it was found that the United States silver dollars were sent out of the country as fast as coined. The mint was kept busy to no purpose. In view of this fact Thomas Jefferson, then president, gave an order through his secretary of state, James Madison, to discontinue the coinage of silver dollars. The demonetization of silver dates back to that order made by the authority of Thomas Jefferson in 1806. The commercial conditions prevented the use of silver dollars. Jefferson recognized the fact, and stopped their coinage.

The laws of 1834 and 1837 were then enacted, but they did not bring silver dollars into use. We practically had no silver dollars in circulation until 1878.

Please take notice of these points in this history. The law of 1792 enacted a double standard, but after forty-two years trial it failed in the attempt. It attempted to fix a ratio of 15 to 1; the commercial ratio became more than 15 to 1, in spite of the law. Under that law of 1792 we had no gold; the acts of 1834 and 1837 were passed to remedy this state of things; they fixed the ratio at 16 to 1. The attempt was still made to continue the double standard. These acts also failed. Nineteen years more of trial were added to the previous forty-two years. The act of 1853 then became necessary, because under the act of 1837 we had no silver, not even enough for small change. The act of 1853 practically abandoned the double standard. It made no provision for the coinage of silver dollars, but only for fractional parts of a dollar. It was a confession that the double standard had failed, and it was so stated in congress at the time by the chairman of the committee having charge of the act.

This failure to establish the double standard was fully recognized after sixty years of trial. It failed when the difference between the legal ratio and the commercial ratio was comparatively small. According to the best authorities, the commercial ratio was about 15¾ to 1; the legal ratio sought to be established was at first 15 to 1, then 16 to 1; and yet the law could not overcome that small difference. It could not move the commercial ratio down to 15 to 1, nor up to 16 to 1. What hope is there that a law can change the commercial ratio now existing of over 30 to 1, and make it 16 to 1?

The law of 1873 only legalized the total disuse of the silver dollars which had previously existed for many years. To attach to this law of 1873 any importance in demonetizing silver, is to ignore the facts of history. The disuse of silver dollars had taken place long before, in consequence of natural laws which congress is powerless to overcome.

The point to be observed is, *that when a profit can be made by sending coins out of the country, they will inevitably be sent out, and will not remain in circulation.*

If you keep this point in mind, you will see as you read this history of our coinage, the folly of trying to fix by law values which differ from those fixed by the judgment of mankind in the markets of the world.

The general conclusion from our experience is that the attempt to establish a double standard has proved a complete failure. This agrees with the experience of other nations. France and the nations of the Latin union tried it and failed. Pevious to 1874 there was in Europe an approximation to the circulation of both metals at the coining ratio of 15½ to 1. Sometimes there was a small premium on gold, and sometimes a premium on silver. These premiums showed that the parity was not perfect. But with the great increase in silver production in 1874, the Latin union limited the coinage of silver. In 1878 it was stopped entirely. There is no free coinage in France or in any other European nation to-day. The value of the silver franc is kept at par with the gold franc, by the same means that the silver dollar is maintained at par with the gold dollar in this country. Under free coinage this parity could not be maintained a day.

The gold franc is the real standard in France. In our country the gold dollar containing 25.8 grains of standard gold has been the standard of value ever since 1837. This standard has been entirely satisfactory. It has given us the least changeable measure of value known to civilized man. It is the attempt to violently change this standard, which has deranged our monetary system, inspired distrust, destroyed credit, stopped industry, and is now opening the door of the laborer's cottage, that plenty may go out, and want may enter.

Much of the obscurity which surrounds this subject will vanish if you reflect on the true function of gold in our currency. The modern methods of business require very little gold to pass from hand to hand. Its most important function is to furnish the standard with which to measure all other values. I am aware that this method of speaking of value as belonging to an object is open to criticism. Value is not a quality, it grows out of the relation which one desirable object has to another. By comparison we determine which is the most valuable to us. So we can measure value by its relation to other objects which are desirable or valuable. Value is thus analagous to weight. Weight is not a quality of a stone. It is the relation which exists between the mass of the stone and the mass of the earth. The same stone on a different planet would have a different weight. But we measure this relation of weight by comparing one weight with another. So we compare one value with another. So long as business men are satisfied they are dealing with gold values, the gold itself may be locked up in bank vaults. But it must be known to be in the vaults in order to maintain confidence. If gold thus performs its office, furnishes a standard, and confidence exists, ninety-five per cent. of commercial transactions are performed by bank credits which offset each other. Gold is not used at all, or only for settlement of small balances. The modern use of bank checks, drafts, notes, bills of exchange and paper money, has furnished a means of doing business with much greater celerity and much less expense than was possible before these inventions. The telegraph and telephone are additional aids. But the usefulness of all these inventions is destroyed if the stability of the standard is threatened. For sixty years we have had the gold standard. About it has grown up this vast complicated system of credit. To violently and arbitrarily change this time-honored standard is to strike a blow at all business and invite universal disaster.

There is one point which I wish to mention because it affords some excuse for the wild desire for change which pervades some of our Western and Southern states. It is true that our National bank system is not perfect. The defect which has been observed, is a certain want of elasticity in the volume of currency. When the grain crops are to be moved from the West, or the cotton crop from the South, a larger volume of currency is required than at other times. Our current circulation admits of little variation. The West and South cry that their interests are neglected, and it is true that a banking system can be imagined which would answer the purpose better. The Canadian system is better than ours, and we ought not to be ashamed to learn of our neighbors. This defect can and ought to be remedied.

But it is also said farm products are very low. This is particularly true of wheat. It is probable that we must grow less wheat for export. We cannot compete with India and the Argentine Republic. But we are not compelled to grow wheat. Farmers must diversify their products. Each locality must produce those products which will *there* pay the best, and there must be intelligence used in the choice of crops. But granting that the prices of farm products are low, how will coinage of silver at 16 to 1 benefit the farmer? We are dependent now on the foreign market for the price of a large part of our agricultural produce. Under free coinage the pressure to export would be greater than ever, because the price of commodities by rising faster than the wages of laborers would lessen the ability of consumers to consume, and a greater proportion of products would be forced to go abroad. The pressure to export would depress the foreign market, and at the same time the home market would be injured. This injury to the home market would be most serious. The consumption which takes the products of the farm without long transportation, is the most profitable. So that a general cut down in wages, which would follow the coinage of silver at 16 to 1, could not benefit the farmer. The small gain he would make in hiring his labor cheaper, would be lost many times over in the injury to his market. If it were otherwise, few farmers would desire to better their own condition by forcing wages down. The farmer stands in very close relation to labor. The prosperous farmer labors himself. The old adge is true:

"He, who by the land would thrive,
Must hold the plow himself, or drive."

Such a farmer is successful, and he recognizes the fact that his prosperity is bound up and interlaced with the prosperity of those who labor with him.

One thing is certain, the market for the farmer which will pay him the best is the home market. The farmer will be most prosperous when all other business is most prosperous. We see how interdependent are all parts of our society from what has recently happened, and what is now taking place. The stability of our standard of value was threatened. Credit was disturbed. Capital became timid. Rates of interest advanced. The building trade, which now consumes immense quantities of iron began to languish. The projectors of all great enterprises hesitated, and many suspended operations. The consumption of iron decreased. Furnace fires were put out. Artisans and workmen were thrown out of work. Then the great iron mines found no market for their ore, and the miners became idle in the mountains of Michigan and Wisconsin. In Pennsylvania the coke ovens, which furnished the coke to smelt these ores, have recently put out their fires, and ten thousand coke burners are looking for work to supply food to their families. All these workers have been deprived of their usual wages. They have no money to buy clothes, and the factories of New England pile up goods in their warehouses until they are forced to run short time, or to suspend work entirely. The single blow at our standard of value, aimed by ignorance and conceit, has paralyzed industry all over our land, and has brought loss and depression to our own doors. The lesson is severe, but it is plain we are so bound together that whatever affects one part affects the whole. The West cannot say to the East, we are independent of you. The East cannot ignore the South, nor the South the North. We are one great country. Every part is dependent on every other part, and all must pull together for the common good.

We have the best standard of value which exists. We have built upon it our great financial and commercial system. If any section of our country believes it can change this standard and destroy this system without injury to itself it makes a terrible mistake. The mere threat of a change of standard has deprived tens of thousands of workers of their wages. This standard of value, this gold standard, has come down to us from our fathers. It is the outgrowth of experience. Nation after nation has adopted it, until all the great civilized nations are gold standard nations. They have done this because gold is better than silver for the purposes of standard money. To go back to silver would hinder the onward march of civilization. Our duty is to resist every such attempt at retrogression. We must stand firmly for what is right, for what is just, and for what is honest. Then shall we all truly pull together for the common good.