SHALL WE HAVE UNLIMITED SILVER COINAGE?

Joint Discussion by Edward Rosewater and Jay Burrows.

PART III.

Mr. Rosewater's Conclusion.

In view of the fact that my figures on silver dollar coinage were absolutely correct and Mr. Burrows was away off on his coinage statistics, it was an act of generous condescension on his part to exonerate me. While I am willing to let Mr. Burrows throw dust in the eyes of credulous people disposed to accept his version of the discrepancy between us, I am compelled to point out the fact that he has badly mixed his figures and included with the silver dollar coinage not only all small silver coins, but also the entire coinage of nickles and copper pennies when he well knew that every discussion of free silver deals exclusively with the coinage of silver dollars. The act of 1873 demonetizing silver applied to standard silver dollars and to no other coin. It did not, as Mr. Burrows asserts, take away the legal tender quality of the half dollars and smaller silver coins. They have not been a legal tender in any larger sum than five dollars since 1853. My friend acts very much like the cuttle fish that covers his tracks with inky fluid when he gets into close quarters.

He sheds a great deal of ink in denouncing the imaginary conspiracy of 1873 and ascribes to it all the calamities that have befallen the country within the last eighteen years. The bill was pending in congress for nearly three years. It was discussed during five different sessions, and the debates occupied 148 pages of the Congressional Globe. No unbiased person will contend that it was smuggled through by the connivance of a majority of members in both houses of the national legislature. Its character was perfectly understood and clearly explained by the late Judge Kelley of Pennsylvania, Stoughton of Michigan, Senator Ingalls and other members of both houses, who have never been suspected of being chumps.

Mr. Burrows contends that the act of 1873 is responsible for the widespread industrial depression and world wide shrinkage of prices. He draws a most pathetic picture of the concentration of wealth, the spread of poverty and distress amid unparalleled production, and caps the climax of exaggeration by asserting that the demonetization of silver has lost the farmers of this country an average of one thousand millions a year or eighteen thousand millions since 1873.

The whole national debt, the debts of all our states, counties and cities, the bonded debt of all the railroads, and the debt of all the corporations, added to all the farm mortgages of this country, are computed at less than $28,000,000,000, and the farm mortgages are less than one-eighth of the total. He points his bony finger at the ghastly spectre which his over-heated imagination has conjured up and challenges me to tell him, if I can, whether the cause of all the calamities, industrial depression and business failures were due to over production, speculation, intemperance, licentiousness, extravagance or waste of wars. And then he answers the question for himself: "No, it is none of these! It is the direct result of the disease that attacked us in 1873 in the ill-advised attempt to discard the use of silver as a full legal tender money."

With the same propriety he might charge that the grasshoppers that devastated Kansas and Nebraska in 1874-75; and the cyclones that have swept over Iowa and Minnesota, were due to the silver conspiracy of 1873. And on top of these calamities might be added all the other terrible visitations by flood and fire, earthquakes and pestilence.

Let us now take a retrospective view of the ten years prior to 1873 when the country, had free and unlimited coinage and according to Burrows, was prosperous; when money was plentiful and prices of all commodities were high. It was an era of extravagance and reckless expenditure in public and private places. The enormous volume of depreciated currency stimulated gambling in stocks and all kinds of commodities, including gold which commanded a premium. Merchants, manufacturers and farmers were paying ruinous rates of interest because the speculators and gold and stock gamblers were paying from 1 to 10 per cent a month for the use of money. The memorable Black Friday on which Jay Gould and his associates ruined thousands of the most enterprising business men and drove scores of them into the mad-house, while scores of others committed suicide, was the natural outcome of Mr. Burrows' much vaunted period of cheap money prosperity. The Black Friday of 1869 was followed by the crash of 1873, which paralyzed our entire industrial and commercial system, and left it strewn with wrecks like the Atlantic coast after a terrific hurricane. This was before the silver dollar was stricken from our coinage and at least two years before silver began to depreciate. Will any free coinage man explain why the prosperous era following the war; with its abundance of money and high prices, culminated in national bankruptcy and a general prostration of all industries and enterprises, from which it took the country more than ten years to recover? The true explanation is that this boasted prosperity was fictitious. The nation was groaning under an enormous public debt and an inflated currency which created false values and extravagant prices. Men of moderate means, believing themselves rich became spendthrifts and paid exorbitant rates of interest as if the day of reckoning never would come. This era of inflation and bogus prosperity proved of no real advantage to the producers or the working people. It was an exhausting stimulant and had about the same effect as if the nation had been on a big drunk, from which it sobered up with a terrible headache and general prostration.

The key note for the shrinkage of prices since 1873 has been unwittingly furnished by Mr. Burrows himself.

Our population in 1873 was about forty-two millions and a half. Computing the present population at sixty-five millions, the increase in population has been 53 per cent. In the same period we have increased the product of pig iron 600 per cent, iron and steel 200 per cent, petroleum 200 per cent, cattle 125 per cent, cotton 133 per cent, sugar 130 per cent, corn 116 per cent, and wheat 78 per cent. The total number of bushels of grain produced in the year '73 was 35¼ per capita, in '89 it was 52 4-5 bushels and in '91 we had 61 bushels per capita. The marvelous development of our natural resources has during the past eighteen years multiplied our producing capacity far beyond the increase of population. The fall in prices has been in accord with the law of supply and demand. The proof that the commercial decline in the value of silver has had little or no bearing upon the fall in prices of other commodities is conclusively furnished in the market prices of farm products.

In 1856 the price of wheat in Chicago was $1.55 per bushel; in 1857, $1.22; in 1858, 71 cents; in 1859, 65 cents; in 1860, 69 cents. During these five years the bullion in the silver dollar was worth from $1.02 to $1.04 in the commercial market. How are we to reconcile the decline of 90 cents a bushel in the price of wheat between 1856 and 1859? In 1865 wheat at Chicago was $1.50 per bushel and a silver dollar was worth all the way from $2.00 to $2.40 in greenbacks. In 1870 wheat was $1.00 a bushel and the bullion in the silver dollar was worth $1.03 in gold. In the same year the total production of silver in America was only $17,000,000, while in 1890 it was $70,464,645.

In 1890, when silver was quoted at $1.16 an ounce, wheat at Chicago sold for 90 cents; today silver is quoted at 88 cents an ounce and wheat at Chicago is 87½ cents a bushel. Had the price of wheat been gauged by the price of silver, wheat at Chicago today would sell for only 66 cents a bushel. Three years ago corn was so cheap in Nebraska and Kansas that it was used as fuel and millions of bushels were burned in place of coal, today it sells at 30 to 40 cents a bushel.

The fact is that the decline and rise in the price of silver has no more effect upon the price of farm products than has the decline or rise in the price of copper or pig iron. The law of supply and demand governs the prices of commodities as the law of gravitation governs the rise and fall of rivers. The potential force that has lowered silver on the scale of prices has been the same force that raised it out of the bowels of the earth. When the production of our mines was small, silver commanded a higher price than when the output of the mines had increased and the cost of mining had decreased. Since 1873 the output of our siver mines has increased enormously, while the amount and cost of labor expended in mining has decreased very materially. It is computed that the cost of mining the bullion contained in our standard silver dollar is 48 cents.

Incidentally, let me call attention to the fact that the talk about crippling a great industry by withholding free coinage is baseless. Silver mining has never been more profitable than it has been since congress made the coinage of twenty-four millions of silver dollars a year compulsory and especially since the act of 1890, which requires the secretary of the treasury to buy and store away 4,500,000 ounces of silver every month.

Colossal fortunes have been made in silver mining within the last fifteen years, although the wages of the miner have been gradually going down.

The mining of the precious metals is not such a vast industry as many people imagine. All the gold and silver mines in the United States only employed 57,307 persons in 1889-90. Their average earnings; including superintendents and mining experts, was $729 a year, or $2 a day including Sundays.

There are twice as many persons engaged in farming in the state of Nebraska alone as in all the silver mines of America, and the products of Nebraska's farms for the year 1891 will yield more in gold dollars than all the silver mines in the United States have yielded in any single year.

Mr. Burrows insists that it takes twice or three times as many bushels of wheat or corn and other products of the farm to pay any given sum of interest, and he asserts that it would take twice as many products of the farm or factory to pay the small national debt of today as it would have taken to pay the national debt at the end of the war.

Such comparisons are deceptive. There are not two days in a year on which any given commodity will exchange for exactly the same quantity of other commodities.

It is of no consequence to the farmer whether he gives fifty or 100 bushels of anything if the fifty bushels cost him precisely the same as the 100 bushels. One thousand bushels of wheat today will not pay as much on a farm mortgage as it would thirty years ago, because it does not cost the farmer in days' work to raise 1,000 bushels of wheat today what it did 500 bushels thirty years ago, both standard gold times. It is an established fact that a farmer can pay off his mortgage now with wheat selling at 75 cents a bushel using the modern methods and machinery with the same number of days' work that would have been required to produce the same results before the war at $1 a bushel. Putting his corn at 26 cents a bushel it would take the same number of days' work to pay off a given amount now that it would have taken in 1860 with corn at 44 cents a bushel. This results from the use of improved machinery of today which has put down prices. All commodities that the farmer buys have fallen in price by a larger percentage than those which the farmer produces.

The great fall in prices that has taken place within the last twenty-five years is bemoaned by free coinage men as the direst calamity, when in fact it has proved a great blessing to the toiling masses in the workshop and on the farm. It has placed within the reach of these breadwinners commodities that were considered luxuries fit only for the rich. Cheap prices have marvelously increased the consumption of all products. Laborers who formerly only had meat once a week now have meat three times a day.

When people paid $1 for six pounds of sugar they used sugar like medicine in teaspoonful doses. Now that they get twenty-two pounds of sugar for $1 they use it as liberally as they do salt. And what is true of sugar is true of hundreds of articles that may be found in every household. But I cannot expect to convince a man who claims that the people of the United States are paying $9 in interest for every paper, gold and silver dollar in circulation. If that were true we would be paying as interest fourteen thousand three hundred millions of dollars a year, or $220 interest per capita, $1,100 a year for every man with a wife and three children. Was there ever such reckless exaggeration!

Admitting that the double standard would be very desirable, it has become manifest to every intelligent financier that we can never permanently restore silver to any fixed ratio with gold unless the leading nations of the world unite upon the double standard.

With free and unlimited silver coinage by the United States alone, we would be just what Mexico is today, a silver standard nation. Gold would be driven out of this country just as it has been out of Mexico and that means a fearful contraction of our volume of money and a terrific crash that would carry down with it our entire fabric of credits which now forms the basis of all our commerce and industry. With gold at a premium over $600,000,000 of gold coin and $346,000,000 of greenbacks, which are redeemable in gold, would be withdrawn from circulation. Instead of $24.50 per capita we would have less than $10 per capita of actual money in circulation. All the silver product of this country converted into silver dollars would only add to our volume of currency $70,000,000 a year. At that rate it would take nine years of free coinage before we could replace the gold that would be forced out of circulation, and it would take thirteen years of free coinage to replace the gold and greenbacks.

But this is not the worst feature. Suppose it was absolutely certain that congress would pass a free coinage bill and the president stood pledged to approve it. Long before the bill had reached its final passage there would be a run by depositors on all the banks and trust companies. Merchants and manufacturers would transform their available funds into gold drafts and foreign bills of exchange. The savings banks would be besieged and stormed by excited and exasperated working people alarmed over the prospect that their scanty savings would depreciate in purchasing power. Money lenders every where would crowd debtors and put on the thumb screws to either force a collection before gold went up to a premium or compel the debtor to make a concession. Every debtor whose notes or interest were payable in gold would have to pay a high premium. This is no overdrawn picture, but would fall far short of the reality. The panic of 1857, and the crash of 1873 that carried down over 5,000 firms, would be mere child's play in comparison.

Assume, if you please, that we have safely passed this crisis, how would the farmer or wage worker fare with a depreciated currency, much smaller in volume than our present circulation? Prices would be up, but the farmer would get American money with its diminished purchasing power for his products and the wage worker paying two prices for the necessaries of life would have to be on a perpetual strike to get his wages raised.

Mr. Burrows, pointing to the gospel of St. John, the bullionaire banker, exclaims it is not true gold will disappear from circulation with free and unlimited coinage. France has held up silver under great variation of ratio and America certainly will be able to do the same thing. Free coinage will restore silver to $1.29 an ounce and keep it on a par with gold. Well, if free coinage will not disturb our currency, then prices of farm products and commodities will remain just where they now are. Who, then, will be benefited by free coinage? Would not the whole advantage rest with the bullionaire mine owner, who would be in position to exchange 73 cents worth of bullion for one dollar's worth of grain, meat, cotton or labor? Where would the farmers' profit come in? Do not these facts force upon us the conclusion that the free and unlimited coinage of silver is not expedient and would not, if carried into effect, promote the public welfare?

Mr. Burrows' Conclusion.

I could be quite content to let Mr. Rosewater close the debate on free coinage with his article this week, and shall only briefly allude to some of his glaringly incorrect assumptions.

As to his figures about old coinage of silver his quarrel is with the secretary of the treasury, not with me. I quoted his figures correctly. And in either case no material fact bearing on the actual question at issue is proven.

But Mr. Rosewater's statement that the silver dollar was dropped out of our coinage in 1873 with the full knowledge and approval of nearly every man in the country who at that time took any interest in the coinage or monetary questions, is simply monstrous. The facts in relation to this matter are historical, and as I stated. No person has said "that it was smuggled through by the connivance of a majority of the members of both houses." What is claimed is that it was smuggled through by the connivance of a very few members, and that the great "majority of members of both houses" knew nothing about it.

President Grant stated, years afterwards, that he signed the bill of 1873 in ignorance of its provisions dropping the silver dollar.

Mr. Garfield said, in 1877, that he "was ashamed to confess that he did not know what was in the bill demonetizing silver when it passed—it was put through upon the faith of the chairman, Mr. Hooper of Massachusetts. (Mr. Garfield was a member of the house in 1873.)

February 13, 1878, Mr. Voorhees said: "Its enactment was as completely unknown to the people as the presence of a burglar in a house at midnight is to its sleeping inmates."

Mr. Blaine (who was speaker when the bill passed the house), said: "I think now, very clearly, with the light before me, that it was a great blunder. * * * I did not know anything that was in the bill at all."

Hon. Allen G. Thurman of the senate said, "I cannot say what took place in the house, but I know when the bill was pending in the senate we thought it was simply a bill to reform the mint, regulate coinage, and fix up one thing and another, and there is not a single man in the senate, I think, unless a member of the committee from which the bill came, who had the slightest idea that it was even a hint toward demonetization."

Mr. Kelley of Pennsylvania, March 9, 1878, said that "though chairman of the committee on coinage, I was as ignorant of the fact that it would demonetize the silver dollar from our coins, as were those distinguished senators, Messrs. Blaine and Voorhees."—Congressional Record.

The absolute recklessness and unreliability of Mr. Rosewater's statements may be seen from the above. Only two or three members of congress, one of whom was John Sherman of Ohio, knew the villainy the bill contained, and the people were absolutely ignorant of it.

Parenthetically, let me protest right here against the term "bony finger" as applied to any of my digits. Though rather slight in build, I weigh 150 pounds. My frame is well padded with healthy muscle and adipose tissue; and to be held up as a haggard cadaver in behalf of the single gold standard is a stretch of editorial courtesy which cannot be permitted.

I do contend, as Mr. Rosewater says, that the act of 1873 is largely responsible for the general depression and stagnation of business since that date. I asked Mr. Rosewater, last week, to indicate some general cause that could produce these results, if that act, and the general subsequent legislation in line with it, was not the actual cause. He has failed to answer my question, though he quoted and fully understood it. Instead of attempting to answer he goes back to the period prior to 1873 and attempts to account for the panic of that year. In doing this he misstates history, and shows an entire lack of understanding the cause of the "Black Friday" and the financial disaster of that year. He asks, "Will any free coinage man explain why the prosperous era following the war, with its abundance of money and high prices, culminated in national bankruptcy and a general prostration of all industries and enterprises, from which it took the country more than ten years to recover?"

Yes, more frank than Mr. Rosewater, I will explain the reason to the satisfaction of every candid man.

The enormous expenditures made necessary by the war called for a much larger volume of money than then existed in the country. As always in such emergencies the volume of specie was insufficient. Specie payments were suspended, and the government issued various kinds of paper money, among these United States treasury notes, or what are known as greenbacks. As is always the case in times of increased money volume, all kinds of production received a wonderful impetus. Probably more actual wealth was produced per capita in the years 1863 to 1867 than in any ten years of our national existence.

Unfortunately and unwisely, in issuing its legal tender paper, two important exceptions were made. The government discredited its own paper to the extent that it would not receive it for duties on imports, nor pay it for interest on the public debt. This made gold a necessity to the government and at the same time a speculative commodity. The gold board was established, and men became wild in the gold speculation. More gold would be sold in one day on that board than was in existence in America and the United Kingdom. "Black Friday" was the direct and legitimate result of that gold craze, which was the legitimate result of the exception clause of the greenback.

The business of the country had became adjusted to the increased volume of money demanded by the war. The panic of 1873 was caused by the unwise attempt to compress the business of the country of 1870 into the strait-jacket of the money volume of 1861-2. Granting for argument's sake that the money volume of 1865 may have been too large, it would not have been too much for 1875; for during that time the wealth and business of the country doubled in amount, requiring double the amount of money. New territories were populated, new railroads built, states and cities sprang up as if by magic, the seceding states returned to the union, until every dollar of money in the country was needed and profitably employed. But no! The money power demanded contraction, and contraction began. The Chicago Inter Ocean, the leading republican paper of the west, then edited by Hon. F. W. Palmer, the present national printer, said in its issue of June 29, 1878:

> So the shrinkage went on, at the beck and bid of the money power, till the volume had been contracted $1,230,990,085, leaving a volume of money of $765,679,685.

The United States Monetary commission said of this contraction:

> If all the debts in this country had been doubled by an act of legislation it would have been a far less calamity to the debtor and to the country than the increase of their real burden already caused by a contraction in the volume of money.

The contraction of the currency from a volume of $48 per capita in 1865 to $13 per capita in 1873 multiplied the purchasing power of the dollar by three and reduced the value of property and the debt-paying power of products in the same ratio.

The horrors that Mr. Rosewater portrays in his question, and many more, followed. The "crash," "Black Friday," "the panic," almost a total suspension of payment of private indebtedness came, carrying ruin, disaster, bankruptcy in its train, strewing the years 1873-4-5-6-7 with the ruins of private fortunes and business.

There were 3,000 failures in 1874, against 600 in 1865, or five to one, and suicides increased in about the same ratio.

The country not only did not recover from the shock in ten years, but it has not recovered from it yet.

The crime of the demonetization of silver was only a repetition of the crime of the destruction of the greenbacks, and has extended its disastrous effect from 1873 to the present time.

The balance of Mr. Rosewater's article of this week is so entirely wide of any application to the subject as to be unworthy of him. He takes my argument showing the decline of money volume relative to production, and pronounces it "the key-note for the shrinkage of prices." Certainly. But if there had been an increase of money to correspond with increased production there would have been no shrinkage.

He now devotes a paragraph to comparing the price of silver and wheat in 1856-59. The prices of single commodities vary year by year. It is only by averaging prices for terms of years that the full effect of money volume is shown. The facts are too well known to make it necessary to repeat them.

He now begins upon the price of silver and its relation to wheat since its demonetization, and then says:

> The fact is that the decline and rise in the price of silver has no more effect upon the price of farm products than has the decline or rise in the price of copper or pig iron.

The principle I have demonstrated is, that volume of money, not the price of the material of money as a commodity, controls prices. But India being a silver using country and a wheat producing country, with a commerce largely controlled by England, a wheat using country, it happens that the price of silver is of vital moment to our wheat raisers. By the demonetization of silver the people of England are enabled, with gold, to buy silver at 30 per cent discount, which when shipped to India and coined into rupees will buy as much wheat as could have been bought with the gold. This is equivalent to buying wheat at 30 per cent less than it could be bought were silver not demonetized. The wheat raiser of this country is thereby compelled to compete with underpaid and half-starved ryots. And so it is with our cotton planters, and every article of Indian export. "The law of supply and demand," finding its first expression in the supply of money relative to products, "governs the price of commodities as the law of gravitation governs the rise and fall of rivers."

Mr. R. now makes some immaterial comments on silver mining, not denying my assertion of last week, that our financial policy tended to depress the value of our silver product.

Mr. Rosewater institutes a comparison between the amount of product required to pay a mortgage now and before the war. Admitting he is correct, which I do not, it is a sufficient answer to say that mortgages have increased out of all proportion to the increase of products to pay them with. Besides, I assert without fear of successful contradiction, that mortgages cannot be paid off with wheat at 75 cents a bushel. Any practical man can demonstrate this. An acre of wheat on an average Nebraska farm cannot be raised for less than $8.83, not counting interest on any part of the plant except land. Averaging the yield at fifteen bushels per acre, it can easily be seen what a slim chance the mortgage would have after subsistence. In fact that price would not provide subsistence.

Mr. Rosewater now makes the amazing statement that low prices are a blessing "to the toiling masses in the workshop and on the farm."

Again we must go by averages, and, so considered, all history proves that it is not so. I will not argue the question, only thus far: The period since 1873 has been an era of low prices. Let Mr. Rosewater ask the millions of tramps, the millions of men working on short time, half a million of miners working for 60 to 80 cents a day, and paid in orders on "pluck me" stores, the millions of bankrupt merchants and mortgaged farmers, which he could find in any year of that era; and all who understand the cause of their sorrow will tell him that low prices are not a blessing.

Mr. R. asserts that I said the people were paying $9 in interest for every dollar in circulation. Mr. Rosewater must be very much occupied, indeed, to cause him to read so wildly. Of course I have said nothing of the kind. What I have said (but not in this discussion) is that there were in use about $9 of credit money, based on deposits, for every dollar of actual money in the country.