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FOR SOUND MONEY.

Mr. Carlisle at Covington - The Folly of 16 to 1 Free Silver.

(*Continued from last week*)

Thus we remained until 1878 We had tried to keep the legal-tender coins of the two metals in circulation at the same time, under a system of free coinage, but had utterly failed. In 1878 a new policy was adopted, and it was determined to restore the standard silver dollar to the coinage and to circulation with full legal tender qualities, not by opening the mints to its free and unlimited coinage, on individual account, as is now proposed, but by providing for the purchase and coinage of not more than four million dollars' worth of silver bullion each month by the government itself. Under this act, and the so-called Sherman act, and the act providing for the re-coinage of the trade dollars, there have been coined at the mints of the United States and put into circulation $397 652,873 in full legal tender standard silver, as against $8,030,000 coined during the whole previous existence of the government—a period of eighty-nine years In other words, there have been coined and put into circulation among the people, in coin itself or in certificates issued upon it, nearly fifty times as many full legal tender silver dollars as were produced at the mints of the United States from 1792 to 1878, and yet some gentlemen are writing books and making speeches to convince their fellow citizens that silver is demonetized in this country. There was never in our whole history one-third as much legal tender silver in use in the United States at one time as there is now, and it is used without depriving us of all our gold, which has never been done before. Silver is not demonetized in this country, but its coinage has been so limited and regulated by law and the financial affairs of the government have been so conducted that up to the present time its purchasing power has been preserved and its circulation to a large amount has been maintained concurrently with other forms of money, notwithstanding it has been coined at a ratio which does not conform to the real value of the metal contained in it. I repeat that silver is not demonetized, and the question presented to us by the agitation now going on is not whether it shall be demonetized in the future, but whether the mints of the United States shall be thrown open to all the silver in the world that any individul or corporation may desire to have coined, free of charge, into legal tender dollars—that is, legal tender in the United States only—at a ratio of 16 to 1. In order to discuss this subject intelligently we must understand distinctly what is proposed by our opponents, and fortunately there is no difficulty upon this point.

Free and unlimited coinage of full legal tender silver dollars at the ratio of 16 to 1 means that our law shall be so changed that any owner of silver bullion may send it to the mints and have it coined, at the public expense, into dollars, each containing 412½ grains of standard silver, the dollars when coined to be delivered to the owner of the bullion, and all the people of the United States to be compelled by law to receive them as dollars in payment of debts, although not intrinsically worth more than fifty cents each. The 25 8 10 grains of standard gold contained in a gold dollar is worth 100 cents, or the equivalent of 100 cents, all over the world, in silver-standard countries as well as in gold-standard countries, and it is worth just as much before it is coined as afterwards; but the 412½ grains of standard silver contained in a silver dollar are not worth anywhere in the world more than about fifty cents. Or, to put the statement in a different form, 16 pounds of silver cannot be exchanged for 1 pound of gold anywhere in the world, but it requires about 32 pounds of silver to procure 1 pound of gold everywhere. But some one may say this is not a fair statement, because it measures the value of silver by gold. The answer to this objection is that the statement does not attempt to measure the value of either of the metals, but simply to compare them, one with the other, and that for the purpose of making the comparison the value of gold is determined by its purchasing power in the markets of the world, and the value of silver is determined in the same way. Sixteen pounds of silver bullion will purchase only about one-half the quantity of commodities anywhere that 1 pound of gold will purchase, and this purchasing power is the true test of their actual relative values In the United States 16 pounds of silver, coined into dollars, will now purchase as much as 1 pound of gold coins, but this would not be the case under a system of free and unlimited coinage on individual account. The coinage of silver dollars here has been limited by law for the purpose of preventing an excessive issue, and they have been coined by the government on its own account and paid out for public purposes as dollars of full value, and consequently the government is bound by every consideration of good faith, to say nothing of the positive declarations contained in the statutes, to keep them as good as gold, or, in other words, to maintain the parity of the two metals; and this it has done and will continue to do as long as the present system exists. But, if the present system is to be abolished and a new one established, so that private individuals and corporations can have their own bullion coined at the public expense and have the coins delivered to them for their private use, the government would be under no obligation whatever, legal or equitable, to keep them as good as gold, and, in fact, it would be impossible for it to do so, because the coinage would be unlimited and the volume of silver in circulation would became so great in proportion to the gold the government could procure that the attempt would necessarily fail. The most extreme advocates of free coinage have not yet ventured to suggest that the government would be under any obligation to guarantee or maintain the value of silver dollars coined without charge for private parties, and without such guarantee it is clear the dollar would be worth no more than the commercial value of the bullion contained in it, just as the Mexican dollar is now I admit that if the United States could coin without charge to the owners all the silver in the world available for coining purposes, 412½ grains of standard silver, in bullion, would be worth as much in this country as a silver dollar; but the real question is, What would the silver dollar itself be worth? That it will not be equal to our present unit and standard of value is not only admitted but openly urged as one of the chief arguments in favor of its free coinage Everywhere the people are being told that under free coinage it will require twice as many dollars to procure any given quantity of commodities as are required now, and this means, of course, that the money will be only one half as valuable as it is now. When the public judgment is finally passed upon this subject I think it will be found that the people of the United States are determined not to have a depreciated dollar, whether it be gold, silver or paper. They are undoubtedly entitled to have for use in their business just as good money as any other people in the world have, and no political party that attempts to deprive them of it will ever enjoy their confidence or receive their suffrage.

Those of us who oppose the free coinage of silver at a ratio of 16 to 1 are proposing no change in the measure or standard of value now existing, nor are we proposing to discontinue the use of silver as money. I have never been and am not now, unfriondly to silver in the sense of desiring to see it excluded from the monetary system of the United States, or of any other country, but I know that it cannot be kept in circulation along with gold by means of any ratio the law of any country may attempt to establish between the two metals, and that the only way to secure the use of both at the same time is to make one of them the standard of value and so limit the coinage of the other that the government which issues them and receives them for public dues may be able at all times to maintain their exchangeability, either directly or indirectly through the operation of its fiscal system. I am, therefore, in favor of the preservation of the existing standard of value with such use of full legal tender silver coins, and paper, convertible into coin on demand, as can be maintained without impairing or endangering the credit of the government or diminishing the purchasing or debt paying power in the hands of the people, That is what I mean by the terms "sound money," and, in my opinion, it is what is meant by an overwhelming majority of the opponents of free coinage at a ratio of 16 to 1. This is neither gold monometallism or silver monometallism, but it means that one standard or measure of value shall be maintained, and that all forms of standard coins in use shall be kept equal to that standard in the purchase of commodities and in the payment of debts. Any policy which would discontinue the use of silver as money, by direct legal enactment or by under-valuing it relatively to gold in the coinage laws, would certainly result in practical gold monometallism, and, on the other hand, it is equally clear that any policy which would discontinue the use of gold as money, by legal enactment or by under-valuing that metal relatively to silver in the coinage laws, would result in practical silver monometallism. Free and unlimited coinage at the ratio of 16 to 1 would at once establish silver monometallism, pure and simple, for, as already shown, the coins of the over valued metal will ultimately drive the coins of the other out of circulation and out of the country, even when the legal ratio varies but a small fraction from the commercial ratio, but the expulsion of the under-valued coin from circulation would be instantaneous when its value is really double the value of the other. How long do you suppose the $625,000,000 of gold in this country would remain here and be used as money under such a policy? The banking and other great financial institutions, which own and hold in their reserves much the greatest part of this gold, would at once sell it at a large premium for silver—about two dollars for one dollar—or they would exchange it for silver bullion in the market at a ratio of about 32 pounds of silver for each 1 pound of gold, have the silver coined into dollars at the expense of the people and with this cheap money pay the demands of their depositors and other creditors The masses of the people cannot do this, for they have no gold nor have they any silver bullion to be coined at the expense of the government.

But it is said that although the masses of the people have no bullion, many of them are in debt, and that the free coinage of silver would increase prices and give them more money, thus enabling them to discharge their obligations more easily. The merit of this argument will be judged by each individual according to the view which he may have taken of the nature of his obligations to the people who have loaned him money or sold property to him If a man who has borrowed a thousand dollars in gold, or its equivalent, and has promised to pay it, or has purchased a thousand dollars worth of another man's property and promised to pay for it in the standard money recognized by law at the date of his contract, believes that it would be just and honest to discharge his obligation in a new standard worth only half as much as the money he borrowed or the property he purchased, he would appreciate and indorse this argument and it would be useless to discuss the question with him But if, as I have already endeavored to show, the immediate effect of the adoption of a free coinage policy at the ratio of 16 to 1 would be to contract the currency to the extent of about $625,000,000, by the withdrawal of that amount of gold from circulation and from use as the basis of notes and other forms of credit, prices would not even nominally advance. On the contrary, for the time being at least, this contraction would greatly reduce prices, because it would alarm the country, destroy credit, and undoubtedly produce the most serious financial disturbance this country ever witnessed. Every depositor in the savings and other banks, fearing that he would ultimately be paid in depreciated silver, would immediately demand the return of his money, and this would compel the banks to call at once for the payment of all notes and other securities they had discounted for their customers, and the contraction of the currency would cause an increased demand for currency at the very time when it could not be obtained, and thus the difficulty of the situation would be increased by both causes The banks would be compelled to either suspend payments themselves or drive their customers, who are generally business men—the men who give employment to labor in every community—into bankruptcy at once. Who would profit by this condition of affairs? Nobody except the holders of gold and the owners of silver mines, the holders of silver bullion and the brokers and speculators in stocks of silver mining companies. The people who owe debts and are unable to pay them would be the ones to suffer most while the people who owe no debts and have money on hand would be the ones to profit most. Every man in debt would be called upon to pay it promptly when due; there would be no more extensions of old debts, or any new credits given, because no man could foretell what the money would be worth at any time in the future. In this crash the laborer would be thrown out of employment by the failure or suspension of his employer, the farmer would receive less money for his products, property would be sold at low rates and under judicial proceedings all over the country, credit would be destroyed, and all industrial and commercial enterprises would stand still, awaiting the results of the new experiment with the monetary system. Of course a great country like this, rich in natural resources, would ultimately recover in some measure from even such a disaster, but how long a time would be required to do so no man can predict. All the mints of the United States, if devoted entirely to the coinage of silver, could produce only about forty million dollars per annum, and, therefore, with free coinage it would require more than fifteen years to put silver dollars in the place of gold we now have and give back to the country the same amount of metallic money now existing. But, in the meantime, we would have a depreciated standard of value with nominally higher prices—after the first collapse was over—on account of the reduced purchasing power of the dollar, and at the same time we would have for a long time fewer dollars to pay with. Common prudence would dictate that, when any considerable change is to be made in our monetary system, some provision should be made in advance of the actual change for a gradual transition from the old to the new order of things; a transition period should be provided for so as to avoid as far as possible a sudden disturbance of business and contraction of currency: but the advocates of free coinage have no such purpose. They propose to make a sudden and revolutionary change in the standard upon which all existing contracts of the people are based and by which values are measured, and let the consequences take care of themselves.

But, suppose the change is made, and that the business affairs of the country have been finally adjusted to the new standard, what will the effect on our domestic trade be? The prices of all things will be nominally increased—that is to say, it will require a greater number of dollars to purchase a given amount of commodity than it required before. There appears to be a singular delusion in the minds of some upon this subject. Many good people appear to think that in some mysterious manner, which no one has yet attempted to explain, the government, by legislation or otherwise, can increase the price of the things they have to sell without increasing the prices of the things they have to buy. If there is any financial necromancy by which the one sided increase of prices can be accomplished, our free coinage friends ought to explain it to the people The plain, every day, common sense view of this subject is the only correct one. If prices are increased solely on account of an increase in the volume of circulation, or on account of a depreciation of currency, without any change in the relation between the supply and demand of the commodities to be exchanged, the increase in prices will necessarily affect all things alike. If, therefore, the farmer or planter receives a greater number of dollars for his crop of cotton or wheat, he will be compelled to pay a correspondingly greater number of dollars for his agricultural implements, for his groceries, for his clothing, and, in short, for everything he purchases. Consequently, his profit, if he has any, will bear about the same relation to his expenditures that it bears now—that is to say, if he makes a profit of 10 per cent he will make a profit of no more than 10 per cent then. Now it is out of the clear profits of his business that he must pay his debts, and it therefore remains to be seen how much benefit he would ultimately derive from a nominal increase in the price of commodities. He cannot control the prices of the commodities produced by him to the same extent that other producers can control the price of theirs, and it may be that the price of the things he is compelled to buy will be increased in much greater proportion than the prices of things he has to sell, and if so he will be a loser instead of a gainer by the change.

It is contended, however, that prices of commodities have fallen since 1873, and that the reduction of prices has made it more difficult to pay debts now than it was then It is true that the prices of some things have fallen, but it is equally true that the prices of some things have increased. It is not true, however, that our people owe any debts contracted as far back as 1873, but it may be that some of our great corporations which issued bonds before that date still owe them, but they have all been refunded at a low rate of interest, so that our free coinage friends need not be disturbed on their account. The fundamental proposition of the advocates of free coinage is that all values are measured and all prices are fixed and regulated by the amount of redemption money in the country, and that the amount of paper currency or credit money, as it is sometimes called, such as bank notes, government notes and other circulating media, exert no values or prices of commodities Having dogmatically asserted this principle, they proceed without further argument to the legal demonetization of silver in 1873 and the legal establishment of the gold standard of value at that time are the causes of the alleged fall in the prices of the commodities of this country, and then, upon the theory that high prices for the necessaries of life would be a blessing to the people, they appeal to the consumers of agricultural and manufactured products to unite with them in the effort to secure the free and unlimited coinage of all the silver that the owners of bullion may see proper to present at the mints Even if we should admit the truth of the first proposition, their conclusion that the demonetization of silver reduced prices is founded upon the assumption of a fact which cannot be established. They have wholly failed to allege, much less to prove, that silver actually constituted any part of the redemption money in use or in existence in this country before or at the time of that legislation. If it did not, then it is clear that its legal demonetization did not and could not, in fact, reduce the amount of such money in this country, and therefore cannot have reduced prices. It is well known personally to every gentleman in this audience who was old enough to know what was transpiring in 1873 that there was not a dollar of silver in circulation at that date. The assumption upon which the argument is based is diametrically opposed to the historical and official fact The only metallic or redemption money in use here at that time was gold, which amounted to only $135,000,000, including what the government was using, whereas now we have about $625,000,000 in gold and $397,652,873 in full legal tender silver, besides about $77,000,000 in subsidiary silver coin. If, therefore, prices have fallen since 1873 the decline has taken place in spite of the fact that our full legal tender metallic money has been increased until it now amounts to more than seven times as much as it did at that date, and consequently the alleged decline in prices must be attributed to some other cause than the demonetization of silver. These facts prove not only that the demonetization of silver did not reduce the amount of redemption money in this country, but they prove also that the fundamental proposition of the advocates of free coinage is erroneous and prices are not fixed or regulated by the amount of redemption money alone, for if so, prices should have increased since 1875

Substantially, the whole argument for free coinage, so far as it is addressed to the honest people of the country, is based upon this flimsy foundation, upon an erroneous principle and a false assumption of facts. That the amount of money in circulation, or available to circulation, has more or less influence upon the prices of commodities is not disputed by anybody, but it is not the amount of metallic or redemption money alone that exerts this influence. If all other condition remain the same, if the relations between supply and demand are unchanged, if the cost of production, transportation and financial changes are stable, an increase or decrease of the currency in circulation, or available for circulation, will, to a certain extent, increase or decrease prices, as the case may be; but by the terms "money" and "currency," in this connection, I mean every element that enters into and is utilized in the complicated process of buying and selling in the markets for products and in the mercantile exchanges, whether it be gold, silver, bank notes, United States notes, checks, bills or other forms of credit, written or unwritten. Credit or confidence is an element of far greater importance in fixing or upholding prices than the mere amount of actual money in use, or available for use; and, in fact, about 35 per cent of the entire business of the country is transacted without the actual use of metallic money, or its paper representative, and as to metallic money itself, whether in gold or silver, it is not used to the extent of more than 1 per cent in our business transactions. In view of these facts, which are as well established as any facts relating to our commercial and financial operations, how absurd it is to contend that prices are fixed by the amount of that particular kind of currency which does not constitute more than one hundredth part of the whole. In the broadest and most comprehensible sense the business capacity and personal integrity of each individual constitute a part of the effective currency of the community in which he lives, because these characteristics enable him to become a purchaser of the commodities it has to sell, although at the time he may have neither money nor property Credit is a purchasing power, and the man who possess it compete in the markets with men who possess actual money, and contribute as much as they do to the maintenance of prices. To assert that prices are fixed by the amount of redemption money alone is equivalent to the assertion that if all the silver dollars, subsidiary silver coin, silver certificates, United States notes. Treasury notes, national-bank notes, and every other form of credit were destroyed, leaving nothing but gold, prices would remain the same as they are now—a proposition so preposterous upon its face that I presume no man with any regard for his reputation would venture to make it except in a disguised form.

The great majority of our people render service for wages in one form or another and they are compelled to purchase in the markets everything they eat, drink or wear, and in most cases they are compelled to pay rent for the use of a home for themselves and their families Like the farmers, they have no silver bullion to carry to the mints to be coined at the public expense; they have nothing to dispose of but their labor and their skill, and, as a general rule, all or substantially all, the wages they receive must be used in procuring commodities for the personal use of themselves and those dependent upon them. They cannot eat, drink, or wear the money paid to them for their labor, and it is valuable to them only because they can exchange it for the necessaries and comforts of life; and there never was a time in the history of the world when the workingman's dollar would buy as much of the necessaies and comforts of life as it will buy now, and there never was a time in the history of the world when the workingman received more good dollars for the same amount of labor than he re-

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