HOKE SMITH ON MONEY

THE SECRETARY OF INTERIOR GIVES REASONS FOR OPPOSING FREE COINAGE.

HIS SPEECH AT GAINESVILLE.

He Defines Money and Says that in Order to be Sound it Must Have an Exchangeable Value Equal to Its Face Value--Says that the Act of 1873 Did Not Contract the Money of Final Redemption--Effect of that Act on the Price of Commodities.

GAINESVILLE, Ga., July 23.—Secretary Hoke Smith of the Interior Department delivered here to-day, the first of a series of three addresses in Georgia on the financial issues. A tremendous crowd assembled to hear the speech and he was cheered to the echo. He was introduced by Judge Perry, who paid a glowing tribute to President Cleveland, and was followed by Secretary Smith in an able address.

Secretary Smith said in substance:

I am here in response to your invitation, to discuss the financial problem. I shall support the national Democratic platform and oppose the national platform of the Populists. At Chicago in 1892 the Democratic party, by its representatives for the entire Union, voted down overwhelmingly the proposition of a delegate from Colorado to insert in the platform the word "free"—which would have made the platform declare for free coinage of silver. The platform adopted, when honestly construed, condemned the free coinage of silver at 16 to 1, and the delegates, on the first ballot, nominated by a two-thirds vote, as the standard bearer of the party one, who, in 1885, by message to Congress, had opposed both the free coinage of silver and the Bland-Allison act, and who, later—on February 10, 1891,—as a private citizen, in a public letter, declared the "experiment of free, unlimited and independent coinage of silver" to be "dangerous and reckless." This nomination emphasized the repudiation, by the convention, of the free coinage of silver.

I shall also show that this action of the Democratic party is in perfect accord with the teachings of Jefferson and Jackson, but I am unwilling to waste time following the wordy harangue recently delivered in our State by that patriot who served his country abroad with such distinguished success as the appointee of President Harrison in the protection of fur seals

We have been through a panic. Times have improved without stopping to account for the panic. It should be borne in mind that panics have occurred about every twenty years, usually accompanied with distrust of the kind of money used. Every panic has developod a party in favor of bad money, but with returning prosperity the party has died. Relief from panics has always come through restoration of confidence, not through bad money.

Definition of Money.

Continuing, the Secretary said, in part:

Money is a device to facilitate the exchange of commodities. Property is exchanged for money that the money may be exchanged for some other property. Its use is to enable a man having property, who does not desire to keep it to obtain some other property, which he wishes to procure. The more universally recognized, therefore, the value of the money and the less bulky it is to handle, the more completely will it facilitate exchange. Shells, skins, tobacco, have been used as money. It was the actual value recognized in the community and their value at those points where the people of the community traded that made them serviceable. Gold and silver are better than shells, skins and tobacco, on account of their more universally recognized value, and on account of the fact that they are easier to handle. The Secretary showed that it was not the stamp of the government but the value of the thing itself which fixed its exchangeable quality. Confederate money had the stamp of a government upon it, but the fact that the government did not have the ability to redeem the bills in something of actual value destroyed its exchangeable quality. The gold coin, however, of the Confederacy are perfectly good still, although the government has ceased.

Paper money is good when the government is able, on presentation, to carry out its promises to redeem it in something of actual value equal to its face. The stamp of a government on a coin is good if the stamp tells the truth about the value of the bullion coin.

History, said the Secretary, teaches that a bad money scheme should be expected now. It comes in the form of a proposition for the free, unlimited and independent coinage of silver at 16 to 1. Coinage at 16 to 1 means sixteen time as much silver as gold in a dollar, 28.8 grains o standard gold, 412 1 2 grains of standard silver. Free coinage means without charge to the bullion holder, but at the expense of the tax payer; unlimited means to coin all that is offered; independent means without reference to the course of other nations. In the language of Ben Hill: "I oppose this proposed legislation because I favor all of the professed objects, and oppose all of its real effects."

Effect of Free Coinage.

The free silver advocates claim, first, that the act of 1873 was surreptitiously passed and robbed the people of one-half the money of final payment; second, that for this reason there is not sufficient money of final payment, and the appreciation of gold has depreciated everything else. Upon these two propositions their entire arguments are based.

The Secretary met these propositions by claiming: First, that the alleged contraction of money of final payment had not taken place; second, that the proposed remedy would, in reality, drive one-half the money now in use out of circulation and produce a contraction ruinous in its results.

He said it was immaterial, so far as the proposed legislation was concerned, how the act of 1873 was passed.

It would be folly to bring on disastrous consequences for the simple satisfaction of repealing a law improperly passed. The act of 1873, he claimed, did not remove one-half the money of final payment. In 1873 the only silver coin in the United States consisted of subsidiary silver amounting to $17,000,000, which was not good for the payment of debts in amounts beyond five dollars. The coined gold in the United States then amounted to only $135,000,000. The coined gold in the United States now amounts to $678,569,000, while the standard silver dollars amount to $423,289,000, and the subsidiary silver to $76,772,000.

The total gold and silver therefore in 1873 was $152,000,000, while gold and silver now is $1,238,000,000—eight times as much as in 1873. The paper money, including bank notes, in 1873, was about equal to the amount now in use. The per capita of circulation in 1873 was between $18 and $19. The per capita now is between $23 and $24.

Or compare the volume of money under the present law with the volume at any time prior to the act of 1873. Take the year 1850, for example, when the free coinage of both gold and silver was allowed by law. There was then, specie, $154,000,000; bank notes $131,000,000, total $225,000,000, making a per capita of $12.02, or only about half as much per capita as at present. The per capita of silver alone in the United States which is full legal tender at present is $9.08. This is a larger per capita of silver than that of any date during the period when free and unlimited coinage of silver was provided for by law.

It is more than twice as large as the per capita of silver coinage found in any free silver country to-day. Mexico has a per capita of but $4.13; Japan $2.14, and no other free silver country has so much.

Currency Has Not Been Contracted.

The claim, therefore, he said, that the money of final payment has been reduced by one-half, thereby depriving the public of a sufficient volume, is simply groundless. We still use gold and silver both, and have more than we ever had prior to the passage of the act of 1873.

The claim also that the currency has contracted, thereby by appreciating the value of gold, is shown to be false by the enormous output of gold last year; it was the largest in the world's history, and amounted to $181,500,000.

The world's coinage of gold in 1893 rose to $232,785,000 and that of silver to $135,389,000, making the largest yearly coinage in the world's history, with possibly one exception.

The world's stock in full legal tender, gold and silver, to day is, by the latest statistics, $3,965,900,000 gold, and $3,435,800,000 silver, and it must not be forgotten that even though the gold standard may be in force, the silver coined furnishes money of final payment redemption to relieve the pressure upon gold, just as if it had been coined upon a free coinage plan.

The claim that gold has appreciated, thereby depreciating the value of products, is based upon the theory that the decrease in the value of silver and in the value of products has been co-temporaneous. A careful examination of the facts shows this not to be true. The average decrease of commodities since 1873 has been about 20 per cent. The heaviest declines have been in the line of those things which the masses of the people buy. All these reductions in price are partly attributable to a lessened cost of production and partly to the recent panic. While commodities have fallen 20 per cent., silver has fallen 50 per cent.

The Price of Commodities.

But to consider particular articles: In 1873 corn sold for 41 cents a bushel; silver was worth 1.31 an ounce. In 1895 corn sold for 52 cents; silver was worth 67 cents an ounce. Silver had fallen 50 per cent. and corn had risen 25 per cent. In 1873, wheat was worth $1.17 a bushel; silver $1.31 an ounce. In 1878 wheat was $1.34 a bushel; silver $1.15 an ounce. In 1889, wheat was 90 cents; silver $1.04. In 1895, wheat was 85 cents a bushel; silver 57 cents an ounce.

Cotton.—This is the production in which our people are directly interested. The claim that the value of cotton depended upon the rise or fall of silver has been shown to be without foundation, this year. Cotton in the last four months has risen 30 per cent.; silver 5 per cent. Prior to 1873, the price of cotton varied from four to forty cents; silver never fell below $1.29. In 1845, cotton sold for four cents. Silver was then $1.32 an ounce.

The bullion in a silver dollar is only worth 52 cents. 25.8 grains of standard gold are worth 100 cents. It will sell for that all over the world. It now constitutes a measure of value in the United States, and a measure of value is worth, barring the coinage, in round numbers, twice as much as the silver coined into a dollar. Then why do people exchange products for a silver dollar as readily as for a gold dollar? Why do they give a hundred cents worth of commodity for a silver dollar when the silver bullion in the dollar is only worth 50 cents? It is because the government having started stamping 412 1 2 grains of silver one dollar and having put them into commerce as worth a hundred cents, has felt responsible to keep the coined dollar at an exchangeable value equal to the stamp put upon it—to keep it up to the standard of 25.8 grains of gold.

The government collects $500,000,000 yearly, as revenue.

There are 433,289,000 standard silver dollars. Of this number, about $400,000,000 are in circulation. They can pass into the Treasury in payment to the government of obligations due, at their face value. To prevent the number becoming so large that this recognition would not sustain their value, it was necessary to limit the number of dollars thus coined. If the world's silver could be coined into dollars, it would break the government to undertake to keep them at a value greater than the value of the silver bullion put into them. First, we limited their coinage under the Bland-Allison Act to $2,000,000 worth a month. Then, under the Sherman Act of 1890, we increased the purchase of silver to 4,500,000 ounces per month. This began to make the quantity so large that the ability of the government to sustain them was threatened. General distrust was caused and it became necessary to repeal the Sherman Act which was putting silver on the government so fast. Now we have the quantity mentioned, but have stopped buying more bullion and are gradually coining the bullion we have already bought, buying no more bullion, except for subsidiary silver.

Value of Silver Bullion.

The proposition is to take off all limit as to coinage; to withdraw the government support of silver; to let any man who has silver bullion worth 50 cents have it stamped a hundred cents.

Without government support 412 1-2 grains of silver and the new silver dollar would be of the same exchangeable value. The question, therefore, is: what effect would free coinage have on silver bullion? Would it 412 1-2 grains of silver become worth as much as 25.8 grains of gold? Would free coinage give it an exchangeable value equal to our present dollar in the markets of the world? If the value of silver is not doubled by free coinage then the exchangeable value of our new silver dollar must drop to the actual value of the silver put into it. We would not have bi-metallism, but a gold dollar worth twice as much as a silver dollar and the silver dollar would become the standard measure of value, driving the gold dollar out of circulation. We would reduce our standard one-half.

The History of Free Coinage.

When the act of 1792 was passed, Jefferson and Hamilton both determined to make the new gold and silver dollars equal in value to the then standard of measurement, which was a dollar equal to 24 3 4 grains of gold. They recognized the fact that the exchangeable value of a coined dollar must be controlled by the commercial value of the bullion put into it. Therefore, they undertook to find how many grains of silver, uncoined, were commercially equal in value to 24 3-4 grains of gold. They decided that it required fifteen times as many, and multiplying 24 3 4 by 15 placed 371 1-4 grains of silver in a dollar. This undervalued gold. For the first few years, owing largely to the lack of quick international communication, it circulated to a limited extent, and then long before 1834, went entirely out of circulation and we were on the silver standard. In 1834, Jackson sought to restore bi-metallism, but he was unwilling to change the standard upon which business was then being done. He recognized the danger to commerce of exchanging the standard. He, therefore, reduced the amount of gold put into a dollar, so that under the new coinage the bullion value of both dollars would be just equal to the dollar then in use, and at his instance a new ratio of 16 to 1 was passed. It was soon found that this new ratio undervalued silver and shortly after 1834 this country went to the gold standard—25.8 grains of gold to the dollar—and has been on it ever since, with the exception of the time incident to the war.

Under the new ratio, after 1834, even fractional currency was worth more when melted, than its coinage value, and, therefore, in 1853 it became necessary to provide a fractional currency containing a reduced number of grains to the dollar, and their legal tender was limited to five dollars. The Spanish milled dollar was still in circulation, but the highest amount of foreign silver by the estimates of the Treasury Department, in circulation, at any time was $50,000,000.

In 1860, the gold circulation was $214,000,000 and subsidiary silver $21,000,000. While $4,000,000 of silver dollars had been coined, they had all gone out of circulation, being worth more when melted as bar silver than their face value. These facts prove that free and unlimited coinage of both metals, by the United States, did not substantially affect the bullion value of either metal; that the cheaper metal became the standard of value, and the other went out of circulation.

If sixty-eight years of experience with free and unlimited coinage of both metals showed that by free and unlimited coinage we were unable to effect: first, the value of silver, to make it equal with gold at the ratio of 15 to 1; or second, the value of gold to make it equal to silver at 16 to 1 when the difference in their bullion values was only 5 per cent, is it not proposterous to claim that free and unlimited coinage now, will so increase the value of silver, when the discrepancy is 50 per cent.

Silver Coinage in Other Countries.

It cannot be claimed that the legislation by the United States in 1873 seriously affected the commercial value of silver, for since that time we have furnished a market for $800,000,000 of silver, very much more in proportion to our increasing commerce than went through our mints during the days of free and unlimited coinage of silver.

The fall off in the price of silver can easily be accounted for. In 1873 the world's product of silver at coinage value was $81,000,000; in 1892 it was $196,450,000; in 1893, $209,165,000, and in 1894, $214,481,000. This enormous increase in the product of silver took place despite the fact that silver had fallen in value 50 per cent.

By legislation passed in 1871-'2 Norway, Sweden and Germany suspended the coinage of silver in 1875. Germany demonetized silver and put the $300,000,000 of bullion upon the markets of Europe. Denmark, Holland, Russia, Austria-Hungary each suspended the coinage, or demonetized silver.

The Latin Union, composed of France, Belgium, Switzerland, Italy and Greece, was forced to suspend the coinage of silver because it was found impossible, by free coinage, to sustain the value of silver bullion. This was done by a suspension for twelve months at a time from 1874 to 1878, when the suspension was made without a limitation as to the time of continuance. Since then India, Brazil, Argentine Republic and Chile have suspended free coinage.

The value of silver bullion has fallen since 1873, on account of the lessened cost of production, on account of the enormous increase in production and on account of decreased demand. All of these elements entered into and helped to cause the reduction of the value of silver. To restore the price of silver to its value in 1873 you must remove all the causes which have reduced its value. Concede for the sake of argument that the action of the United States was one of those causes, it is illogical to claim that the removal of this one is to remove the effect of all the others.

But it is urged that the United States should try the experiment and if it failed, then abandon it or change the ratio. The facts stated show, conclusively, in advance, that it must fail. To lift the value of 412 1-2 grains of silver in the United States from 50 to 100 cents it would be necessary to lift the value of all the silver in the world to the same extent less the cost of transporting it to the United States. That volume to day coined is $4,051,700,000. If the burden were only to raise the commercial value of the coined silver in those countries where it has dropped to bullion value, the undertaking would still be clearly impossible. India has $950,000,000, China, $750,000,000; Japan, $72,000,000; Mexico, $50,000,000; South American States, $30,000,000. A total of $1,852,000,000 used by these countries alone. This silver, though coined, circulates only at its bullion value. In addition to this, if the silver mines can afford to continue increasing their production as they have from $81,000,000 in 1873 to $214,481,000 in 1894, on a market which has fallen 50 percent what would they produce on a market which had risen one hundred percent? The volume to be raised in value extends to the earth's deposits, as well as to that heretofore mined.

We were unable to keep the value of silver up to gold under the free coinage act of 1892. We were unable to keep gold up to silver under the free coinage act of 1734. France and her associates in the Latin Union found themselves unable to keep silver up to gold in 1874. The failure of these practical tests, under far more favorable circumstances than those of the present demonstrated how ridiculous is the claim of the silver advocates.

Means Silver Monometallism.

These facts, fairly considered by one, will bring the conclusion that free coinage at 16 to 1 means the use of no coin but silver; means a new standard of measure equal in value to the present commercial value of the bullion now put into a silver dollar: means a new dollar worth only approximately half as much as the present dollar, and the measure of all values by this new standard.

The immediate effect of the election of a President committed to such a policy would be the separation of the gold and silver dollar, the gold dollar going to a premium of about two for one.

We would lose at once $678,000,000 of gold now in circulation and in the Treasury. The greenbacks and the Treasury notes, $375,000,000, which would still remain outstanding, would be hoarded in the hope that a free silver bill, if passed at all, would soon be repealed. This would take place immediately after the election of a President in November, 1896, and probably even after the nomination by either of the great parties of a free silver candidate. The new President could not be inaugurated until March 4, 1897. During the six months or more before it would be possible to pass free silver legislation, the contracting of the currency just described would precipitate the most serious consequences. Those owning gold obligations would put a strain upon the remaining silver currency and bank notes, to buy gold to meet their gold obligations. The currency, consisting of cheeks and bills of exchange, amounting to 95 per cent of our entire currency would go out of use in consequence of loss of confidence and credit, and the result would be the withdrawal of 97 1 2 per cent of our entire currency and the paralysis of business would immediately follow. Banks would be raided by their depositors. Creditors would seek to enforce their debts before the reduction of the standard to the silver basis. No extension of debts would be given to anybody, except where made payable in gold at increased rates of interest. Long time debts are in gold. The amount to be paid on them would not be reduced. Indebtedness not payable in gold would be collected at once or the property owned by debtors taken from them. Merchants would fail; manufactories close; workment be idle; farm products without a market, and poverty and distress be found all sides.

I do not believe that a president would ever approve such legislation, if elected upon a platform with a Congress pledged to pass it. The calamitous effects following such an election would bring to them the prayers of the very men who elected them, appealing for the defeat of such legislation. But if such a law should pass it would not be until the latter part of 1897. Then a general adjustment to the new standard would be necessary. Prices being temporarily reduced on account of the panic, it would be some months before the actual effect could be told and the real value of 412 1-2 grains of silver determined. During this time business would stagnate on account of the uncertainty as to what was the real size of the new measure—the new standard of value. This trouble would more or less affect business permanently because the commercial value of silver bullion has become uncertain; has ceased to be stationary, on account of the few countries now using it as standard money, and on account of the uncertainty as to the volume of its probable production.

No practical benefits can be pointed out as a consequence of the legislation. It would interfere with our exchanges in foreign trade, and prove a burden upon the producers of our great staples—cotton, corn and other grain. By hindering international commerce it would burden the agricultural products of this country like a high protective tariff.

Not only would the men who work for salaries be deprived, at least for a while, of employment, but when enabled to return to work they would find the dollar paid them as wages depreciated in value, as a consequence of a change of standard. The only possible benefit would be from a limited increase in the value of silver bullion which would go into the pockets of the great silver mine owners—the men who really are backing all this agitation and furnishing to it its sinews of war.

Relies on the People's Good Sense.

In concluding, he added:

The picture is not overdrawn. When I contemplate it there is but one source of comfort—it is an abiding confidence that with twelve months of full, free discussion, the American people can be relied upon to overwhelmingly defeat any party which proposes to bring such disaster upon us.

Instead of free silver at 16 to 1, which means silver monometallism, a contraction of the currency and a temporary and permanent injury to business which has been described, the Secretary urged the necessity for a sound currency consisting of gold, silver and paper, but every dollar kept as good as any other dollar. This would allow the coinage of all silver which could be held at an equal exchangeable value with gold. This would allow the improvement of our banking system even to the extent of repealing the tax upon State banks under well prepared provisions regulating the issue of notes and giving safety to the bill-holders.

It is a source of gratification to Democrats to know the troubles of 1893 were brought upon the country by the unwise legislation of the previous administration. Your representatives at Washington were confronted with many difficulties. No civil crisis has been more serious.

Let the return of prosperity; let the daily news that factories are again at work, and that one million wage earners have had their wages increased; let the rise in value of farm products, tell how they have succeeded.

The McKinley bill has been repealed; the credit of the government has been preserved; money has been kept sound, and we will go to the country in 1896 with the Democratic party fighting further high tariff legislation, opposing bad money, and assured of success.

Salisbury is to have a double hanging Thursday. The condemned men are Whit Ferrand and Anderson Brown. The execution will be public.