

WHAT IS 16 TO 1?

Free Coinage Discussed by Secretary of the Treasury

A DEFINITION OF RATIO

It is a Relation in Weight Between Gold and Silver Dollars—How the Parity Has Been Maintained—The Interest of Wage-earners in the Coinage Question—How Banking and Business Interests Are Affected.

Brooklyn, Oct. 25.—Hon. Lyman J. Sage, secretary of the treasury, delivered an address before the Young Republican Club tonight, discussing the sixteen to one question. He spoke as follows: Gentlemen of the Young Republican Club:

It is my purpose to speak to you for twenty or thirty minutes. My subject may be stated after this fashion: What is the interest of the wage-earner and stipendiaries of every class in the proposition to open the mints for the free and unlimited coinage of silver at the ratio of 16 to 1? It is the declared purpose of the Democratic party, so called, to do that thing. If done, it will have an enormous effect for weal or woe upon the welfare of every man, woman, and child in the United States. No question is of deeper moment than this question, and you can not act intelligently on it unless you understand it.

Do you really understand it? I thought until lately that by this time the merits or demerits of that proposition must be understood by everyone, but I know better now. A gentleman—a business man of considerable intelligence—only a week since called on a member of Congress and asked him this question: "What does 16 to 1 mean? I am ignorant and I want to know." Now, let me ask that question right here and now. What is 16 to 1? What does the term mean? I have a little granddaughter eleven years old. She visited me a few weeks ago, and while with me asked me that very question. I said to her: "Tell me what you understand it to mean." "Well," she said, "I think it is this way: Gold is worth about thirty-two times as much as silver, but the Democrats want to pass a law to make sixteen ounces of silver worth the same as one ounce of gold. I don't know if that is right, though." "Well, my child," I said, "you have it right down line, and I won't disturb your mind by further explanation."

Sixteen to One Defined But we grown-up folks can probably enlarge the point a little here. What is 16 to 1? It is the ratio which Congress fixed many years ago between gold and silver when coined at the mint—that is to say, it is a relation in weight of metal between silver dollars and gold dollars. Under the law, a given quantity of gold was stamped a dollar, and sixteen times that weight in silver was stamped a dollar. You perceive it is a relation of weight, not a relation of value.

You will ask, then, why was the weight ratio fixed at 16 to 1? The answer is obvious and plain. It was because that relation of weight recognized in the coins minted at the time established the value of the two metals in the markets of the world. Because the commercial value of gold was sixteen times, or thereabout, greater than silver, Congress recognized the fact and established the coins in the same ratio of weight. Make no mistake on this point. The mint ratio never established the value of either gold or silver, nor did it establish the relative value of one to the other. The commercial exchanges of the world fix the value of all things, including gold and silver. The only way on earth to determine the value of gold, either as coin or as bullion, is to find out what it will bring in flour, or clothing, or labor, or other things. The value of gold is measured by the quantity of things for which it will exchange. The same is exactly true as to silver. Now, gold and silver are no more related to each other in any fixed ratio than are wheat and corn. Wheat and corn are good for food, and there is a sort of relation between the two in value, but it is a fluctuating, not a fixed, relation. The same is true of gold and silver. They are both metals used as money, but their relation to each other in exchangeable value has, as history proves, been a variable, not a fixed, relation.

The Mint and the Real Ratio Now, when our coinage laws were passed in 1792 and amended in 1834, 1837, or 1863, silver had about the same power to purchase things in the world as had 1 ounce of gold, and for that reason, and that reason solely, the mint ratio, a ratio of weight, was established in a way that was supposed to correspond to their commercial values in their respective powers to buy things. I can not stop to recite history. Sufficient to say that never in our history did

both metals come to the mint for coinage in any appreciable volume at the same period of time. That metal came for coinage which had at the time the least relative buying power abroad, while the one which enjoyed the greater purchasing power abroad did not come to the mint, but went abroad, where it could make better bargains for the owner of it. But since the years 1792 and 1834 the relative value between gold and silver has radically changed. In the former periods one ounce of gold would exchange for about sixteen ounces of silver. For some years past one ounce of gold has exchanged for thirty-two or thirty-four ounces of silver. It will now exchange in the same ratio, and there is no reason to doubt that it will so continue to exchange for an indefinite time. These are facts.

I shall not stop to discuss how this came about. Whether it was the alleged "crime of '73," or whether it was because silver has become relatively more plentiful than gold, or because the desires of men have changed, or even theory you may adopt, the fact remains unchanged, viz. one ounce of gold is equal in exchangeable power to thirty-two ounces of silver. Yet it is in full view of these facts that a political party, or, rather, a combination of at least three political parties, proposes, if it gets control of the government, to reopen the mints to the free coinage of silver at the old ratio of 16 to 1. Why? Why should it be desirable to open the mints for the free coinage of silver, why not do as our fathers did, to wit, make the ratio as near as possible to the commercial-value ratio? They say it was a crime to close the mints to free coinage of silver in 1873. I deny it; but if it were true, would it cure that crime to commit an egregious folly in 1900?

Bryan's Position Analyzed The Democratic champion still avers that on this question the party stands where it did in 1896. He does not talk about it so much, but when he does talk about it, he uses the same misleading phrases as of old. For instance, he has repeatedly said: "The Republican administration under McKinley is coining silver every day in the month and every month in the year at the ratio of 16 to 1. If that is not the correct ratio, why do they do it?"

Mr. Bryan knows why, but he conceals the reason and allows his hearers to draw erroneous conclusions. The statement, so far as it goes, is true. In 1878 a measure passed Congress directing the Secretary of the Treasury to buy two million ounces per month and coin into "standard dollars." But remember this: The coinage was to be for the government and on government account. The act did not open the mints to the holders of bullion. In 1890 the Sherman law was passed, which directed the Secretary to buy not less than four and one-half million ounces of silver and to coin not less than two million ounces a month. That act also declared it to be the policy of the government to maintain these dollars on a parity with gold. In 1893 the purchasing clause of the Sherman law was repealed. Since that time the mints have in truth been engaged in coining up the purchased bullion. But mark this: Through the law, and by the operation of the Treasury, the dollars have been kept equal to gold. They are paid out only by the government, and against the receipt by the government of an equal amount of gold, or in service rendered, or goods bought. With the government's guarantee of parity, and the quantity limited, it is manifestly an indifferent circumstance whether the ratio were 16 to 1, 20 to 1, or 5 to 1. And yet Mr. Bryan deftly insinuates that this practice justifies free coinage for everybody at a ratio commercially established without any guarantee of equality with gold from anybody.

Let me tell you a story. It illustrates this question of parity and makes it more clear. Four or five years ago I listened to a conversation between a certain judge and a banker. The judge said: "I constantly hear that our silver dollar is worth only sixty cents, and yet you bankers and all dealers are glad to take them for a dollar each. How is that? Are they really worth a dollar, or do you all give forty cents more for each of them than they are worth? My question is an honest one: I want to know." The banker replied: "Well, I will answer you by the kindergarten method." He held up a nickel and asked the judge, "What is that?" Answer: "A nickel—five cents." "What is the metal in the coin worth?" Judge: "I don't know." Banker: "I will tell you. It is worth about six-tenths of one cent. Now, with so small value in itself, how does it come to be worth five cents?" Judge: "Why, the government, having issued it for five cents, and having received five cents for it, will redeem it for five cents in gold, won't it?" Banker: "Yes, you have it exactly. You have described what is perfectly analogous to the truth regarding the silver dollar. The government buys the silver at the market price, now about sixty cents, stamps a certain quantity of it a dollar, gets a dollar for it when it pays one out and redeems it when presented for redemption." Judge: "Does the government redeem it with a gold dollar?" Banker: "No; but it does substantially the same thing. It receives it as the equivalent of a gold dollar in the payment of customs dues. Being as efficient as gold for that purpose, it is now the equal of gold for all purposes. At the same time it does this, it pays gold to every one that wants it who has a claim or demand on the Treasury. Thus the parity is maintained." I have been obliged to say so much by way of explanation or preface to my main question.

The Real Interest of Wage-earners

How would the interests of wage-earners and salary-paid people be affected if the Democratic Bryan proposition should be realized? In the year 1895 I had a conversation with one of the brightest and most capable business men of the West. He was engaged in large affairs—an employer of labor, a bank president, and a man of reputed wealth. He said to me: "I am persuaded that it is for the interest of the people of the United States to open the mints for the free coinage of silver at the ratio of 16 to 1, and to get on to the silver standard as soon as possible." I said to him: "It is surprising to hear such a statement from you. You must have thought it well over; you can, I know, make your thought and reasoning perfectly clear. Explain to me how it will be for the interest of our people to go into this thing, and if I can see it you do I will drop all objection and espouse the cause at once." This was his explanation: "We have come to a time," he said, "when a protective tariff no longer protects. Under the Wilson bill, which, though a Democratic measure, is still protective, our factories are idle, labor is out of employment, and general business languishes. The truth is, we can not compete in manufacturing with the older countries, where labor is cheap. Wages and salaries are too high here. The labor cost of what we manufacture is too great. We must reduce the labor cost. To undertake to reduce wages directly would simply breed strikes, lockouts, disorder, and riots; but can not you see," he continued, "that if we adopt silver as standard money for our domestic use we will, while nominally paying the same wages, have them in a kind of money which will be obtained at a cost, measured in finished products, of not more than one-half the present cost in gold?" Yes, I replied, "I see this clearly. It is strictly true, but you had it for the interests of the people. Don't you recognize the wage-worker and the salaried man as the people? Your proposition is a proposition to blindfold their eyes while you pick their pockets at every step you take. Better strikes, lockouts, and riots than this kind of juggling and cheating through the medium of payment. If protection will not protect which, as you will show, the labor cost be too high if wages must, as you claim, be finally reduced, the grind of competition will determine when and how much. Against such a result, reasonable and just resistance offers itself, while you would surrender the whole question at once without a struggle."

Wages Reduced One-half

Was the gentleman right? Would the free coinage of silver and the consequent adoption of the silver standard in our domestic affairs have the effect he predicted? Would it deprive the wage-earner of one-half his present reward? I have no more doubt of the truth of it than I have doubt that grapes grow grapes or that thistles grow thistles.

You can see it for yourself if you will really try. Give attention now. It is not difficult. It is simple. You work for pay. In what are you paid? You will say, "In money." That is true, but the money is not an immediate end to that in which you are really paid, viz. things that you use and consume. The value of your work is measured finally by what your work will procure for you in the way of dollars per day, gold or its equivalent. Two dollars will buy a sack of flour, a pair of shoes, or a thousand pounds of coal, and so on. The value of your labor is, therefore equal to the value of a sack of flour, a pair of shoes, or a thousand pounds of coal, or what not.

Now, among other things your labor pay will buy is silver. With two dollars of the money in which you are not paid you can buy two ounces of silver bullion. That quantity of silver bullion has its exchangeable value all over the world. In our market 1,600 grains of silver are equal in value to a sack of flour, a pair of shoes, or a thousand pounds of coal. In other words, your labor pay and 1,600 grains of silver are equivalent to each other in their power to command those things that minister to the comfort and happiness of yourselves and your families.

Let us now examine the "free-silver" proposition. It is simply this: Open the mints to everybody. Permit the owners of silver to bring in 371 1/4 grains of silver. Stamp it one dollar and give it back to them. Clothe that dollar with legal-tender quality, so that it may be lawfully used to pay debts. That is all. It is simple enough, isn't it? But we know that one dollar of our present kind of money in which you are paid your salaries and your wages—is worth, not 371 1/4 grains, but more than 800 grains. Would you not rather have the equivalent of 800 grains for your pay than the equivalent of 371 1/4 grains? And yet, if you consent to the free silver programme, if Bryan and his Democratic Populistic Silveristic supporters come into power, that programme will be adopted, and you inevitably get your pay in the new dollars containing 371 1/4 grains of fine silver. Before you vote for this sort of business be wise enough to get a stipulation from your employers that you shall then be paid, as you are now paid, in something equivalent to 800 grains of silver. If you do not do so, you will get the equivalent of only 371 1/4 grains for every dollar paid you. Can you afford it? But they will tell you that these new dollars, containing 371 1/4 grains, will be as valuable then as 800 grains are now. They will tell you that a dollar is a dollar, and that free coinage will bring

the value of the bullion up to its coinage value. So that then 371 1/4 grains will be worth a dollar. Three hundred and seventy-one and one-fourth grains in silver bullion will be indeed worth one of the new silver dollars, because with that number of grains you can get one of the new dollars, and one of the new dollars will be worth 371 1/4 grains of silver, because there are just 371 1/4 grains in it; but the question—the question in which you are interested—is this: What will be the value of that dollar in purchasing power when paid to me in wages, compared with the dollar in which I am now paid? You know the value of your present dollars. Are you prepared to guarantee to yourselves and to your families that these new proposed dollars will be of equal or even of approximate value? No, gentlemen, you can not afford to do so. Take the risk of such an empty chance if you will, but when the hour of your grief and disappointment shall come, as come it surely will, then blame yourselves, but absolve the Republican party from any responsibility for the adversities you will suffer.

The Banking and Business Interest

But the Democratic orators will tell you that what I am saying is the voice of the banker, and that the banker has a special interest in the gold standard; that gold is the rich man's money and silver is the poor man's and other rot of that kind. I want to speak a moment of the banker's position. I want to show you, as I readily can, that the banker, if he had regard only for an immediate and ill-gotten profit, would himself advocate the free-coinage measure of the Democrats. Let's see how he could make it serve his profit. Assume that the free-coinage law would be operative in two years. Knowing this, the banker, having say, \$500,000 in deposits, could buy at the present market price, say, one million Mexican dollars, or an amount of silver equal thereto in bullion, each one a little heavier and a little finer than the proposed silver dollars. The mint being opened, he could take his one million Mexicans to the mint and receive in return

(Continued on page seven.)

A Life and Death Fight

Mr. W. A. Hines of Manchester, Ia., writing of his almost iraculous escape from death, says: "Exposure after measles induced serious lung trouble, which ended in Consumption. I had frequent hemorrhages and coughed night and day. All my doctors said I must soon die. Then I began to use Dr. King's New Discovery for Consumption, which completely cured me. I would not not be without it even if it cost \$5.00 a bottle. Hundreds have used it on my recommendation and all say it never fails to cure Throat, Chest and Lung troubles." Regular size 50c and \$1.00. Trial bottles free at all Druggists.

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