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House

Banking & Currency Committee

The Coinage Act of 1969

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THE COINAGE ACT OF 1969

91-1

HEARINGS

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

FIRST SESSION

ON

H.R. 13252

A BILL TO CARRY OUT THE RECOMMENDATIONS OF THE JOINT COMMISSION ON THE COINAGE, AND FOR OTHER PURPOSES

OCTOBER 1 AND 3, 1969

Printed for the use of the Committee on Banking and Currency

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THE COINAGE ACT OF 1969

WEDNESDAY, OCTOBER 1, 1969

House of Representatives,
Committee on Banking and Currency,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman, Barrett, Sullivan, Reuss, Stephens, St Germain, Gonzalez, Minish, Hanna, Annunzio, Galifianakis, Griffin, Chappell, Widnall, Halpern, Johnson, Stanton, Mize, Blackburn, Brown, Williams, Heckler and Beall.

Chairman Patman. The committee will please come to order. Today the full Committee on Banking and Currency meets to hear testimony on H.R. 13252, a bill to carry out the recommendations of the Joint Committee on the Coinage.

(The text of H.R. 13252 follows:)

[H.R. 13252, 91st Cong., first sess.]

A BILL To carry out the recommendations of the Joint Commission on the Coinage, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act my be cited as the "Coinage Act of 1969."

Sec. 2. The Coinage Act of 1965 is amended as follows:

(1) Subsections (a) and (b) of section 101 (31 U.S.C. 391 (a) and (b)) are amended to read:

"(a) The Secretary may coin and issue one-dollar pieces, half dollars or 50-cent pieces, quarter dollars or 25-cent pieces, and dimes or 10-cent pieces in such quantities as he may determine to be necessary to meet national needs. Any coin minted under authority of this section shall be a clad coin the weight of whose cladding is not less than 30 per centum of the weight of the entire coin, and which meets the following additional specifications:

(1) The dollar shall have—

(A) a diameter of 1.500 inches;

(B) a cladding of an alloy of 75 per centum copper and 25 per centum nickel; and

(C) a core of copper such that the whole coin weighs 22.68 grams.

(2) The half dollar shall have—

(A) a diameter of 1.205 inches;

(B) a cladding of an alloy of 75 per centum copper and 25 per centum nickel; and

(C) a core of copper such that the whole coin weighs 11.34 grams.

(3) The quarter dollar shall have—

(A) a diameter of 0.955 inch;

(B) a cladding of an alloy of 75 per centum copper and 25 per centum nickel; and

(C) a core of copper such that the weight of the whole coin is 5.67 grams.

(4) The dime shall have—

(A) a diameter of 0.705 inch;

(B) a cladding of an alloy of 75 per centum copper and 25 per centum nickel; and

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(C) a core of copper such that the weight of the whole coin is 2.268 grams.
"(b) Half dollars previously provided for by this Act may, in the discretion of the Secretary of the Treasury, continue to be minted until January 1, 1971.
SEC. 3. (a) The Secretary of the Treasury is hereby authorized to transfer, as an accountable advance and at their face value, the approximately three million silver dollars now held in the Treasury to the Administrator of General Services. The Administrator is authorized to offer these coins to the public in the manner recommended by the Joint Commission on the Coinage at its meeting on May 12, 1969. The Administrator shall repay the accountable advance in the amount of that face value out of the proceeds of and at the time of the public sale of the silver dollars and any proceeds received as a result of the public sale in excess of the face value of these coins shall be covered into the Treasury as miscellaneous receipts.
(b) There are authorized to be appropriated, to remain available until expended such amounts as may be necessary to carry out the purposes of this section.
SEC. 4. Section 4 of the Act of June 24, 1967, 81 Stat. 77, is amended by adding at the end thereof the following new sentence: "Out of the proceeds of and at the time of any sale of silver transferred pursuant to this Act, the Treasury Department shall be paid $1.292929292 for each fine troy ounce."

We have as our witnesses today the General Counsel of the Treasury, the Honorable Paul W. Eggers, accompanied by other members of the Treasury Department and General Services Administration. On Friday, we will hear from Congressmen Conte and McClure and then representatives from the American Mining Congress and Silver Users Association.

As indicated in the memorandum of September 25 announcing these hearings, it is hoped that on Friday there will be enough remaining time for the committee to go into executive session to mark up this legislation.

All members have received a summary of this legislation which very briefly provides for (1) the minting of a cupro-nickel clad half dollar coin, (2) the minting of a cupro-nickel clad dollar coin, and (3) the authority for the Treasury to sell the almost 3 million rare silver dollars to the public.

In essence, H.R. 13252 contains recommendations of the Joint Committee on the Coinage of December 5, 1968, as subsequently endorsed by the Commission in May of 1969.

As regards the disposition of the approximately 3 million silver dollars, it was recommended by the Commission—I trust this will be the plan assuming enactment of this legislation—that these coins be offered at a minimum fixed price with an option to the buyer to include an alternate higher bid price which would be considered in the event that the number of coins ordered of any one date exceeds the number available. To assure as wide a distribution in the sale of these coins as possible, only one coin of any one date would be allowed for each purchase. The uniqueness of this plan is simply that not only would it provide for as wide an opportunity for the public as possible, but at the same time it would assure an optimum return on the disposition to the Government.

Mr. Eggers, you may introduce the gentlemen accompanying you, and identify them for the record, please, and proceed in your own way.

Mr. EGGERS. Mr. Tom Wolfe, and Mr. Alan Wolff, and Mr. Tate, all of Treasury.

Chairman PATMAN. Are they all with General Services?

Mr. EGGERS. They are with the Treasury Department.

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Chairman PATMAN. With the Treasury Department. Do you have anybody with General Services?

Mr. EGGERS. Yes, sir. Mr. Brooks, here, from GSA.

Chairman PATMAN. All right, sir. He may take a place over there at the table, too, if he will.

Mr. Eggers, you may proceed, sir. You have a statement, I believe.

Mr. EGGERS. Yes, sir; I do.

STATEMENT OF HON. PAUL W. EGGERS, GENERAL COUNSEL, TREASURY DEPARTMENT; ACCOMPANIED BY FREDERICK W. TATE, DEPUTY DIRECTOR OF THE MINT; THOMAS W. WOLFE, DIRECTOR, OFFICE OF DOMESTIC GOLD AND SILVER OPERATIONS; ALAN W. WOLFF, OFFICE OF GENERAL COUNSEL; AND LOUIS BROOKS, DIRECTOR, MARKET AND TECHNICAL SERVICES DIVISION, GSA

Mr. EGGERS. Mr. Chairman I welcome this opportunity to urge the prompt enactment of H.R. 13252, the Coinage Act of 1969. Before setting forth the reasons why the Treasury Department considers the prompt enactment of this legislation to be strongly in the public interest let me briefly review the procedures under which the administration's coinage legislation was developed.

In March of this year, Secretary Kennedy established a special task force of Treasury officials to review all major silver and coinage issues and recommend appropriate administrative actions and where necessary new legislation. I had the honor to act as chairman of this group. In early May the task force completed its study and presented a report to the Secretary outlining its recommendations.

The recommended program was then reviewed by and received the full approval of the Joint Commission on the Coinage, a nonpartisan body established by law to advise the President and the Congress on silver and coinage matters. As you know, this 24-member Commission includes 12 Members of Congress, the chairman and ranking minority member of the Senate Banking and Currency Committee, four Members of the Senate appointed by the President of the Senate, the chairman and ranking minority member of the House Banking and Currency Committee and four Members of the House of Representatives appointed by the Speaker of the House of Representatives, four members from the executive branch—the Secretaries of the Treasury and Commerce, the Director of the Budget and the Director of the Mint, and eight public members appointed by the President.

The administrative actions endorsed by the Commission were immediately put into effect by Secretary Kennedy. These were a lifting of the coin melting ban and a reduction in the weekly sale of silver through the GSA from 2 to 1½ million ounces. The legislation endorsed by the Commission is now before your committee as H.R. 13252.

Under provisions of this legislation the Secretary of the Treasury would be granted authority to: (1) Mint a nonsilver cupro-silver half dollar; (2) mint a nonsilver cupro-nickel dollar coin, and (3) transfer the approximately 3 million rare silver dollars now held in the Treasury to the Administrator of General Services for sale to the public in the manner recommended by the Joint Commission on the Coinage.

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The administration's request for authority to mint a nonsilver half dollar is based on the conclusion that there is an important commercial need for an adequately circulating half dollar that can only be met through the minting of a nonsilver coin. I think the most convincing argument for granting the Treasury this new authority is the fact that only a very small percentage of roughly 1¼ billion silver half dollars (both 40 percent and 90 percent silver) minted since 1963 are actually circulating.

Well over 200 million ounces of silver have already been used to mint this coin. This is equal to the total amount of silver mined in the United States since 1963. As Secretary Kennedy pointed out in his recent statement to the Coinage Commission the 40 percent silver half dollar on our past experience, is simply a losing proposition. The realistic choice we face is either to abandon this coin altogether or mint it of the same cupro-nickel clad material now used in dimes and quarters. We strongly recommend the latter alternative.

A second major provision of the administration's coinage bill would authorize the Secretary of the Treasury to mint cupro-nickel dollar coins of the same clad material now used in dimes and quarters. Before making this recommendation the Treasury gave very careful consideration to the composition of the new dollar coin which we intend will bear a portrait of President Dwight D. Eisenhower. The principal issue was whether the coin should contain silver or be minted of the cupro-nickel clad material used in other coins. Here are the major reasons why we concluded that a cupro-nickel dollar coin is strongly in the public interest.

1. Only a nonsilver dollar coin would actually circulate to meet commercial needs, which of course, is the basic purpose of coinage production. The experience with the Kennedy half dollar indicates conclusively that silver coins will not freely circulate in significant quantity. The Treasury Task Force on Silver Policy and the Joint Coinage Commission both concluded that there is a commercial need for a circulating dollar coin that can only be met by a nonsilver coin.

2. The nonsilver dollar coin would mean a far greater monetary return to the Federal Government than would be realized by a 40-percent silver coin. One bill now before the Congress which would authorize the minting of 300 million, 40-percent silver dollar coins over a 3-year period would mean a total return through seigniorage of roughly $160 million. By contrast, the monetary gain by producing the same number of nonsilver dollar coins under the administration bill would be about $290 million. In addition, the Treasury could obtain as much as $50 million more in revenue from the continued sale of silver to the GSA, or a total of well over $300 million.

Moreover, if the cupro-nickel dollar coin were authorized the Treasury would not be limited to minting only 300 million of these coins. When production resources are in full gear that number could be minted in a single year, depending upon public demand. The total seigniorage, therefore, over a 3-year period would unquestionably be far greater than if the dollar coin contained silver. And I might add that the seigniorage return to the Government reduces the public borrowing needs by an equivalent amount.

However, it should be emphasized that the major purpose of our coinage system is not to maximize seigniorage but to meet the country's need for an adequate supply of circulating coins. Seigniorage is

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simply the difference between the face value of a coin and the cost of its component materials. Including silver in a coin reduces seigniorage since silver is obviously more costly than copper or nickel. Although those who advocate a silver dollar assert that this would be equivalent to selling the silver for $3.16 per ounce it is no more logical to put a sale price on the copper and nickel in dimes and quarters.

3. Using our surplus silver for dollar coins would significantly increase our balance-of-payments deficit. Current annual domestic silver production is less than 40 million ounces compared with industrial consumption of about 145 million ounces. If weekly GSA silver sales are halted because all our remaining surplus silver is reserved for dollar coins, then silver imports for industrial use will have to increase substantially. We estimate that the resulting adverse effect on the balance of payments in the first year could be as much as $150 million.

4. Using our surplus silver for dollar coins would mean higher prices for important consumer products. Although the Treasury has taken a neutral position with respect to the price of silver, it should be realized that if Treasury silver sales were halted the price of silver would probably rise significantly. The principal industrial uses of silver are for film and electrical products. When the price of silver rose from the fixed $1.29+ per ounce to over $1.80 an ounce in 1967, the major film producers increased their prices substantially. A further increase in the price of silver would very likely mean higher costs to millions of consumers of film products including X-ray film. Similar effects would be felt by users of batteries and electrical products. It should be realized that the ultimate users of silver include virtually the entire American public.

5. The administration bill is consistent with the recommendation made by the Joint Commission on the Coinage. The Joint Commission on the Coinage is a nonpartisan body established by law to advise the President and the Congress on major coinage issues. The Commission carefully considered this matter and overwhelmingly recommended the minting of a nonsilver dollar coin. We think the Commission's recommendation is well-founded and that legislation authorizing cupronickel clad half-dollar and dollar coins is in the best interest of the public as a whole. The portrait of President Eisenhower on a dollar coin would include him among the select group of great Americans honored on other circulating coins.

The enactment of H.R. 13252 in addition to providing the economy with needed circulating coinage would also be a major contribution toward alleviating the unstable conditions that have plagued the silver market for over 2 years. The sharp and largely irrational movements in silver prices both up and down have been stimulated by rumors and uncertainties regarding anticipated government actions. We think the enactment of this bill will end this uncertainty by finally enabling the Treasury to clearly set forth just how much surplus silver it holds and how long and at what rate this silver will continue to be sold through open competitive bids.

As of August 31 the Treasury stock of silver bullion totaled 85 million ounces. Of this total about 40 million ounces was in a form readily available for market sale. In addition we estimate that the Treasury's inventory of silver in coins that will be melted into bars totals about 60 million ounces, a figure we consider reasonably accurate

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within a 10 million ounce range. As of now, reflecting estimated changes in September, the Treasury's total stock of silver, including silver coins, is approximately 135 million ounces. This figure is entirely separate from the 165 million ounces of silver already set aside in the defense stockpile.

The enactment of H.R. 13252 would make surplus virtually all of the Treasury's remaining stock of silver except for the relatively small amount that would be required for minting of half dollars in a transition period. We estimate that the readily available silver surplus of about 100 million ounces is adequate to continue sales through the GSA at the current rate through 1970. In this period of adjustment producers and users of silver will have ample opportunity to year their operations to eventual complete independence from government sources of supply.

Let me now turn to the third major provision of H.R. 13252 which would authorize the transfer of the approximately 3 million rare silver dollars now held in the Treasury to the administration of the General Services for sale to the public in the manner recommended by the Joint Commission on the Coinage. The value of these coins varies from month to month but at the present time we estimate that their numismatic value in the market ranges up to about $170 per coin depending upon the year of issue.

Since the summer of 1967 several silver dollar disposal plans have been discussed at length by the Joint Commission on the Coinage. At the July 15, 1968 meeting an interagency committee with members from the Treasury, the GSA, and the Smithsonian Institution was directed to study all the plans and present for the Commission's consideration, a plan which would (1) insure the public a widespread opportunity to obtain the coins, (2) obtain the maximum return on disposal for the Treasury, and (3) conduct the disposal operation in government rather than private hands.

The Coinage Commission recommended such a plan, and the Treasury Task Force on Silver and Coinage Policy strongly endorsed the plan under which these remaining rare silver dollars would be disposed of by the General Services Administration through a shelf sale at approximately their current numismatic value. A summary of the plan may be found at the end of my statement. The plan limits sales to any one buyer to one coin of each year of issue, or a maximum of 10 coins. The buyer may tender a bid at a price higher than the posted price, and in the event orders for any one year of issue should exceed the supply, these bids will determine who will get the coins.

The major reasons for recommending your approval to go ahead with this plan are (1) after considerable study of many plans it appears to be the most equitable for both the public and the Government, and meets the requirements set forth by the Commission, (2) it has received much publicity and seems to be acceptable to a majority of the public and the numismatic experts with whom the interagency committee consulted prior to its recommendation of the plan to the committee, and (3) the appropriation required by GSA to carry out this plan would be small compared with the probable total receipts to the Treasury.

In summary, the Treasury believes that the prompt enactment of H.R. 13252 would be a major contribution to a more effective coinage

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system, facilitate an orderly transition of the silver market to complete dependence on private sources of supply, and make it possible for us to pay fitting tribute to a great American.

Thank you, Mr. Chairman.

(The summary of the silver dollar disposal plan referred to follows:)

Silver Dollar Disposal Plan Fact Sheet

The following includes all information available at this time, and attempts to answer questions concerning the proposed disposal of the 2.9 million silver dollars being held by the Treasury.

The Joint Commission on the Coinage, an advisory group to the Treasury, the President and the Congress, on December 5, 1968, and on May 12, 1969, approved a plan for the disposal of these rare coins.

An Interagency Committee, designated by the Coinage Commission following its July 15, 1968 meeting, prepared the plan for the disposal of these remaining silver dollars being held in the Treasury. This plan follows the Commission's guidelines to (1) insure the public a widespread opportunity to obtain the coins, (2) get the maximum return on disposal for the Treasury, and (3) conduct the disposal operation in Government rather than private hands.

The Government agency which will actually administer the plan has not been designated. Congressional approval of funds will also be required to carry out the disposal plan. A detailed procedural, management, and organizational study will be necessary prior to implementation of the plan which adresses itself chiefly to the over 2.8 million uncirculated coins minted at Carson City during a ten-year period between 1878 and 1891.

Under the proposed plan these rare silver dollars would be sold at minimum fixed prices with an option to the buyer to include an alternate bid price to be considered in the event the number of coins ordered exceeded the number of coins available in a particular category. There are ten categories of coins. The limit would be one for each category, or a total of ten coins, for any individual bidding. This should make possible a fair and equitable method of distribution of coins if more orders are received for a particular category of coins than the available supply. In that case, those bidding the highest alternative price would be awarded the coin.

The invitations to bid and any other developments will no doubt receive wide publicity in the news media when the details have been worked out. No mailing lists are being compiled of persons interested in the purchase of these coins.

No specific method of disposing of the remaining 100,000 of common dates, mixed circulated silver dollars, has been worked out. This would be accomplished if and when the Congress has approved the necessary funds and designated the agency to implement the disposal plan.

The Treasury announced on May 12, 1969, following the Coinage Commission meeting, that it would present and urge prompt enactment of legislation to authorize an appropriation of funds necessary to carry out this disposal plan. It is obvious, therefore, that much remains to be done before these coins will actually be disposed of by the Government, and that it will be some time before additional information will become available.

Chairman Patman. Thank you, Mr. Eggers.

I shall proceed with the questioning and what time I take, of course, Mr. Widnall will be given the same amount of time in order to develop the case as we feel like it should be developed.

Now, as I understand it, Mr. Eggers, you have recommended here what the Coinage Commission recommended, maybe a deviation of the Eisenhower $1 cartwheel silver dollars, I mean nonsilver dollars.

Mr. Eggers. The Joint Coinage Commission did not specify what the nonsilver dollar should be composed of. In this legislation it is set out specifically.

Chairman Patman. But it is nonsilver.

Mr. Eggers. Yes, sir; nonsilver.

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Chairman PATMAN. It is nonsilver. And the Treasury put in the recommendation about Mr. Eisenhower.

Mr. EGGERS. Sir, this recommendation has not been formally made yet. After this bill is passed, the authority under the statute is vested in the Secretary to make a determination of who shall be on the coin. It is the Secretary's intention to place President Eisenhower's portrait on the coin. However, the House could include this as a provision of its bill.

Chairman PATMAN. No. 1, you expect we will not have any silver dollar, any coins with silver in them. The only silver coin now in existence is the half dollar that has 40 percent silver.

Mr. EGGERS. Yes, sir; that's right.

Chairman PATMAN. That is correct; is it not?

Mr. EGGERS. That's right.

Chairman PATMAN. And we don't propose to have any coin in the future with silver or any metal content of precious metal.

Mr. EGGERS. We will do away with all silver in coins. There will be a short transition period to go from silver to nonsilver half dollars.

Chairman PATMAN. Without objection, I will place in the record such parts of the Coinage Commission recommendations and proceedings to properly bring the information to the attention of the committee and the Members of the House as to what the Coinage Commission had in mind. The Coinage Commission I think, was unanimous in their decision.

Mr. EGGERS. Yes, sir; they were with respect to the nonsilver dollar coins.

Chairman PATMAN. Is that correct?

Mr. EGGERS. Yes, sir.

Chairman PATMAN. Including the 3 million silver dollars.

Mr. EGGERS. That is correct.

(The excerpts referred to from the proceedings of the Joint Coinage Commission on the proposal offered by Mr. Patman for the disposal of the approximately 3 million silver dollars follows:)

EXCERPTS FROM THE TRANSCRIPT OF THE JOINT COMMISSION ON THE COINAGE, DECEMBER 5, 1968

Mr. WALLACE. Let me see if I can restate this for the record to be sure that we have Chairman Patman's concurrence and your concurrence. You would follow the Committee plan that when a buyer wanted a coin he could submit a bid at the minimum price. However, in addition to that, if the person really wants the coin he can bid higher than this price to make sure he gets it.

Mr. HARLAN. And the bid would specify.

Mr. WALLACE. If you don't get more bids than you have coins you would automatically fill them at the listed price, but if you got more, then you would go to the highest bidders.

Representative PATMAN. I am authorized to say that the members of the House are in favor of that.

*   *   *   *   *   *   *

Secretary FOWLER. Gentlemen, we can resume now.

I think in the light of the discussion before our recess that we are all in accord on the elements of the revision and modification of the proposal before us, and I would like to ask for a vote by the members of the Commission who are present today expressing their approval or their dissent on the plan as modified in the course of the discussion.

I put it in those broad general terms since the record speaks for itself rather than having a detailed technical motion in front of us because I think unless there is some objection, we all pretty well understand what we are voting for.

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May I ask for a show of hands? All those in favor.
Representative PATMAN. Would you mind calling the names, Mr. Chairman?
Secretary FOWLER. All right. Who has our roster?
Congressman Patman.
Representative PATMAN. Aye.
Secretary FOWLER. Congressman Widnall.
Representative WINDALL. Aye.
Secretary FOWLER. Congressman Edmondson is absent.
Congressman Giaimo.
Representative GIAIMO. Aye.
Secretary FOWLER. Congressman Conte.
Representative CONTE. Aye.
Secretary FOWLER. Congressman Battin is absent.
Senator Sparkman.
Mr. LOCKLIN. I will vote aye for Senator Sparkman.
Secretary FOWLER. Senator Bennett.
Mr. EVANS. I will vote aye for Senator Bennett.
Secretary FOWLER. Senator Kuchel.
Senator KUCHEL. Aye.
Secretary FOWLER. Mr. Foley.
Mr. FOLEY. Aye.
Secretary FOWLER. Mr. Carter.
Mr. CARTER. Aye.
Secretary FOWLER. Mr. Rainbolt.
Mr. RAINBOLT. Aye.
Secretary FOWLER. Mr. Harrington.
Mr. HARRINGTON. Aye.
Secretary FOWLER. Mr. Chartener.
Mr. CHARTENER. Aye.
Secretary FOWLER. Mr. Zwick. Peter, can you speak for him?
Mr. LEWIS. Aye for him.
Secretary FOWLER. And the Chairman joins in the ayes. Miss Adams?
Miss ADAMS. Aye.
Representative PATMAN. Alternates for Senator Sparkman or anyone else that is absent, couldn't they vote?
Secretary FOWLER. If they are authorized and would like to be registered, why, we would welcome that.
I don't want to get anybody out on a limb who doesn't have his principal's authority.
Mr. MORGAN. I can vote aye for Senator Dominick.
Mr. EVANS. Aye, for Senator Bennett.
Mr. LOCKLIN. Aye, for Senator Sparkman.
Mr. BROWN. Aye, for Congressman Battin.
Mr. FOGARTY. Aye, for Senator Pastore.

EXCERPT FROM THE TRANSCRIPT OF THE JOINT COMMISSIOM ON THE COINAGE, MAY 12, 1969

Chairman KENNEDY. Let us return then to the disposal of the rare silver dollars that we now hold. I hope each of you have had a chance to read the discussion on that. It is not an easy question. It is one that requires a lot of thought and study. Does anyone want to speak to that?
Senator DOMINICK. I frankly have not had a chance to read it. I thought we had a system set up so that each person could buy one of the rare silver dollars. Wasn't that the understanding we had before?
Mr. PATMAN. If he is the highest bidder.
Mr. HARRINGTON. We have been debating this since 1967. While this recommendation has some faults, it was the best one we could come up with, so I would hate to start it all over again.
Chairman KENNEDY. It sounds to me like a very reasonable proposal.
Do I hear a motion on this one?
Mr. HARRINGTON. I move.
Mr. WIDNALL. I second.
Chairman KENNEDY. All in favor say aye.
(Chorus of ayes.)
(No opposed.)

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Chairman PATMAN. You know we finally resolved that we would give everybody in the United States an opportunity to bid on a silver dollar. We did not want to foreclose this opportunity to any citizen of our country. And it was finally agreed that the bidding would be set up in a way that everybody would be allowed to bid, and if they failed to get a silver dollar, it would only be cause somebody outbid them. In other words, it is open to the public, fair and open, everybody has a chance.

Now, I would like to know from GSA the plan they propose—you see, we originally insisted on a trial run on these coins to test the market. But eventually we decided to leave it to GSA on a plan that we felt would suffice and be fair and equitable as possible. Do you want to discuss the GSA plan yourself Mr. Eggers or do you want to call on the GSA?

Mr. EGGERS. I think the GSA could go ahead with it. The one thing I want to say about the plan, I think our task force adopted what the Joint Commission on Coinage recommended. The Commission recommended first an on-the-shelf price. Each person would then have the right to put in an additional bid in case the orders exceeded the coins available. The thing we are trying to do is keep the coins from getting to a few dealers. This is the Treasury idea. We want the type of plan everyone has a chance to get these coins.

Chairman PATMAN. That is wonderful, I think. Now, will you identify yourself for the record.

Mr. BROOKS. Louis Brooks of GSA, Mr. Chairman.

Chairman PATMAN. What position do you hold at GSA?

Mr. BROOKS. Director of Market and Technical Services.

Chairman PATMAN. All right, sir. Now, you are familiar with this plan that we are talking about?

Mr. BROOKS. Yes, sir.

Chairman PATMAN. Now, how do you propose—when do you propose to make these tenders or offers of the sale of these 3 million silver dollars, or approximately 3 million?

Mr. BROOKS. Sir, it would be after having received an appropriation from the Congress to authorize——

Chairman PATMAN. In other words, after the passage of this bill to authorize the Appropriations Committee making a recommendation for the appropriations, passed by Congress and signed by the President, you will get busy immediately on the sale?

Mr. BROOKS. Well, our first step of course as the plan points out would be to make a very thorough, detailed study of the procedural aspects of the disposal problem.

Chairman PATMAN. Now, you have a complete inventory of those silver dollars, don't you?

Mr. BROOKS. Yes, sir; we do.

Chairman PATMAN. To be exact, what is the number of silver dollars? It is a few less than three million, as I understand it?

Mr. BROOKS. The rare Carson City silver dollars total 2,837,894.

Chairman PATMAN. They are considered the most valuable; are they not?

Mr. BROOKS. Yes, sir. In addition to that, there is a relatively small number of nonrare dates and mixed circulated coins which would be dealt with in a different category.

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Chairman PATMAN. Have you made any estimate as to the probable returns on the sale of those silver dollars?

Mr. BROOKS. Yes, sir. These estimates of course are based on——

Chairman PATMAN. The red book?

Mr. BROOKS (continuing). Red book quotations, market values shown in various trade publications; and these are approximations only because markets tend to vary from time to time, and between today and the time when a sale were to actually take place, prices may change further.

Chairman PATMAN. That's right.

Mr. BROOKS. But based on the 1969 levels, when the last estimate was made the total value of the rare dollars would be approximately $90 million.

Chairman PATMAN. It would be aproximately $90 million?

Mr. BROOKS. At current quotations.

Chairman Patman. Yes; your figure is an estimate?

Mr. BROOKS. Exactly.

Chairman Patman. Now, then, I feel like the plan is good, and that it should be a fair way of distribution. I am impressed by the way that the Treasury views this matter to make sure that every citizen in the United States has had an opportunity to bid on these silver dollars, and if they bid high enough why they will get one, depending upon the bids. It will be entirely up to the bids. That is correct; is it not?

Mr. BROOKS. That is consistent with the plan; yes, sir.

Chairman PATMAN. Mr. Widnall.

Mr. WIDNALL. Thank you, Mr. Chairman.

Mr. Eggers, I think in your statement you certainly reported fair what took place during the meetings of the Joint Commission on the Coinage, and as you know both Mr. Patman and I served on that Commission.

I am impressed by the fact that you report there has been general agreement on the manner of disposal of the 2,800,000 coins. Is this recorded in any way, on the record in any way, or is it just word of mouth?

Chairman PATMAN. Mr. Widnall, I think we don't have all the facts about the number. Now, I think he mentioned, the witness from GSA. that—these two million eight that you mentioned were the Carson City dollar; is that right?

Mr. BROOKS. Yes, sir; that is correct.

Chairman PATMAN. Now, how many more so we will have the aggregate, the total amount?

Mr. WIDNALL. I think he said something like a hundred thousand more.

Chairman PATMAN. Oh, he did. I didn't hear that.

Mr. BROOKS. There are approximately 110,000 coins that were——

Chairman PATMAN. That would make how many, a total?

Mr. BROOKS. A total then of 2,947,899 coins.

Chairman PATMAN. 2,947,000.

Mr. BROOKS. Right.

Chairman PATMAN. All right. Fine. Excuse me. Mr. Widnall.

Mr. WIDNALL. Do you have any report on that. Mr. Eggers?

Mr. EGGERS. I have the record from the Joint Coinage Commission on what happened, and I can put this into the record, in connection

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with the disposal plan. Chairman Kennedy stated, talking about the disposal plan that the Joint Commission adopted in 1968, about which the chairman asked:

> It sounds to me like a very reasonable proposal. Do I hear a motion on this?
> Mr. HARRINGTON. I move.
> Mr. WIDNALL. I second.
> Chairman KENNEDY. All in favor say aye.

There was a chorus of ayes, no opposed.

The plan was gone into in detail at the Joint Commission meeting in December of 1968. At our meeting in May we did not go into detail other than stating that we were going back to the plan that was recommended in 1968, and we adopted it.

Mr. WIDNALL. I was particularly referring to page 8 of your testimony where under 2 in the last paragraph you said:

> It has received much publicity and seems to be acceptable to a majority of the public and the numismatic experts with whom the interagency committee consulted prior to its recommendations of the plan.

Do you have anything on the record with respect to the experts consulted with?

Mr. EGGERS. No, we have nothing specific in the record on a vote of the experts. Mr. Widnall, I might say that we have had since the meeting a lot of correspondence in Treasury from different people. We have a summary of this plan that we have been sending throughout the United States. There has been a great interest in this plan.

Mr. WIDNALL. Well, I am pleased that it is all being brought to a head at the present time because it seems we should not let the matter go any further. We should take advantage of the silver that is still in surplus that is being held by the Government, and I would say the quicker we take advantage of that and do what is called for in this bill the better off we will be as far as the country is concerned. And the country certainly can do quite well with the seigniorage that would be involved on both the half dollar and the dollar. As I understand it, it would just in the first year amount to about $200 million, is that right?

Mr. EGGERS. Yes, sir. It could be that or more.

Mr. WIDNALL. And in subsequent years it would run about how much a year?

Mr. EGGERS. It could remain constant. Of course, it is going to depend upon the demand for coins. It could go as high as $300 million.

Mr. WIDNALL. The country can do a lot with that $300 million.

Mr. EGGERS. Yes.

Mr. WIDNALL. I think it has specific advantages in the present plan. I don't have any other questions.

Chairman PATMAN. Mr. Barrett.

Mr. BARRETT. Just an academic question. Of course we know with the scarcity of silver on the market there is less chance of counterfeiting. What chances would there be of increasing counterfeiting with no silver coin?

Mr. EGGERS. Mr. Tate is here from the mint. I want to have him answer that.

Mr. TATE. We have felt that the clad material is a more difficult material to counterfeit, and this is really a protection for the coinage system. It would be easier for a counterfeiter to make a silver dollar of

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silver and copper of a homogenous alloy than it would for him to make one of a nonsilver clad material because it is very difficult for him to obtain the components and clad them together.

Mr. BARRETT. Thank you. That is all, Mr. Chairman.

Chairman PATMAN. Mr. Halpern.

Mr. HALPERN. I have no questions, Mr. Chairman, but I do wish to commend the testimony we heard this morning.

Chairman PATMAN. Thank you, sir. Mrs. Sullivan.

Mrs. SULLIVAN. Thank you, Mr. Chairman.

Mr. Chairman, as chairman of the subcommittee which has handled the mint matters except when handled on a full committee basis, I have of course tried to go into these issues in some depth, so my questioning will probably exceed the time allotted. So I hope that I will have an opportunity to question more fully when the others have had a chance.

Chairman PATMAN. Is there objection? The Chair hears none. Go ahead, Mrs. Sullivan.

Mrs. SULLIVAN. Mr. Eggers, while there is no urgency about this legislation that I can see, I think the Treasury has waited far too long to ask for this legislation to take silver out of coinage. Four years ago when we had before us the legislation that became the Coinage Act of 1965, I felt that we should continue to keep some silver in one of our coins, the half dollar, while converting the quarter and dimes to the cupro-nickel cladding. As you may know or remember, this committee voted at that time to remove the silver from all of the coins and the bill was reported in that form. When it came up in the House, I moved to strike the committee amendment which would have left silver out of the half dollar, and I was successful, and the bill then as it became law provided, therefore, for a 40 percent silver half-dollar. I think those who voted for the legislation felt that with a reduced silver content we could produce enough half dollars to meet the demand for the coin and have them circulate.

But that never did happen really, and the Treasury kept turning them out in the hundreds of millions with no success in getting them out in circulation very widely. And my feeling is that once that became evident, and it became evident several years ago that the half dollars were not circulating, that we should have given it up as a bad job and revised the law as we are being asked to do now. We should turn out enough nonsilver half dollars to flood the country with them so that people will get out of the habit of stashing them away in bureau drawers. However, I think it would be useful to have authority in the Treasury to mint numismatic proof coins with some silver in them for collection purposes to make them look nicer, and I plan to offer an amendment to the bill to authorize the use of some silver in proof coins or, if not silver, then some other bright metal.

But that amendment will provide that before any such proof coins are issued by the Treasury containing silver, that the Treasury devise guidelines which will satisfy it that every coin collector who wants one of these sets will be given an equal opportunity to purchase at least one of them before any other orders are filled or even accepted for multiple sets.

Now, I have got several questions, and the first one is this. Why did the Treasury Department change its position on the question of

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prohibiting the melting or exporting of silver coins, and what were the arguments used in the Joint Commission on the Coinage to convince the Commission to reverse the position they had taken on this the previous December?

Mr. EGGERS. The first coin melting ban that ever existed in our country. I believe was instituted in 1967. It was necessary because dimes and quarters which contained silver were in danger of being melted because of the rising price of silver. Coin melting would have reduced our supply of coins available for circulation. So to keep our coins in circulation the ban was then instituted. When the cupro-nickel dimes and quarters become available in ample quantities the reason for the melting ban no longer existed. In discussing this issue we felt that any coin properly belongs to its owner. It is his property, and if he wants to melt it, he should have the right to melt it.

Mrs. SULLIVAN. Well, don't you feel that the order of the Secretary repealing the ban on melting of silver coins, in fact actually created a windfall for the very people who had been most responsible for the worst part of the coin shortage back in 1964, people who were buying up silver coins and hoarding them and buying them by the bag and by the ton and creating this artificial shortage?

Mr. EGGERS. Some probably profited from it, but we are short of silver in this country and we use more silver than we produce, and therefore, we felt that by lifting the ban, if silver was going back into the marketplace where it is needed, they should be able to make this silver available for use.

In addition to that, our Secret Service is charged with the responsibility on the melting of coin. There was some melting of coin going on during this period but our problem was a shortage of manpower to completely enforce the coin melting ban.

Mrs. SULLIVAN. This was what I was going to ask you. Is it true that these coins were being melted surreptitiously and also were being exported by coin bootleggers.

Mr. EGGERS. We have had some information to that effect. Of course whenever we had the information our Secret Service moved in. But we just could not police it completely. That is our real problem.

Mrs. SULLIVAN. Well, has anyone been prosecuted for melting silver coins?

Mr. EGGERS. A few have been prosecuted.

Mrs. SULLIVAN. How much of the activity in the silver futures market, the speculation in silver futures, has been based on anticipation of silver being used for the coinage of a silver dollar which, like the half dollar we now have, just would not circulate?

Mr. EGGERS. Mrs. Sullivan, I think I would like to first state that we feel there is a sense of urgency in this legislation in that the market price has fluctuated up and down during the past years. The speculators have been trying to second-guess Treasury. The thing we want to emphasize is that we are not in the silver business. When our task force met, we said we are going to give the market some certainty so that both silver buyers and sellers know what we have on hand and what we intend to do.

And that is the thing I think we can accomplish here today by getting this legislation on the books.

Mrs. SULLIVAN. This is what I want to try to develop. As long as the Treasury has been the principal factor in determining the price

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of silver in this country, that is the availability of silver from the Treasury has been that principal factor, has the Treasury Department attempted in any way at all to find a means to cut down on the gambling in silver prices, which has been a very disruptive thing, I think, insofar as our defense industries are concerned and the industries using silver?

Mr. EGGERS. Just since the announcement of our Joint Coinage Commission policy in May of this year, we have watched the silver price go down to under $1.60 an ounce and then quickly rise to around $1.88. We don't think any drastic things have really happened to cause these movements. I think everybody—both the users and producers—right now can see exactly how much silver the Treasury has and when we are going to be out of it. I think the market is reacting very favorably.

Mrs. SULLIVAN. Well, from your knowledge of it do you think that we should have Government controls of any kind, regulation of any kind of the margins or the practices in these future exchange dealings in products or commodities not subject to the Commodity Exchange Act, like silver, copper, zinc? These are completely unregulated markets dealing in the most essential of defense and industrial materials, and nobody regulates them. Should we have any such power?

Mr. EGGERS. As General Counsel I cannot right now state a future policy for Treasury. I would have to sit with heads higher up in Treasury before I could make a statement about what our future policy would be.

Mrs. SULLIVAN. Yes; can you tell me why was the volume of silver offered by the Treasury each week cut down from 2 million to 1½ million ounces after the meeting of the Joint Commission in May? Was this to reduce the supply available to the market so that the price could go up for the silver producers?

Mr. EGGERS. No, ma'am. This reduction was recommended by the task force which I chaired, and we spent quite a bit of time in discussing various proposals. We thought about going to a million ounces a week. We thought about going to 2 million a week for 6 months and then down to a million and a half in a graduated scale. But we finally came up with a million and a half. We were trying to give the market a transition period to adjust to private supply. We reached a million and half rather than some graduated scale because it would be easier to determine when we are going to be out of silver.

Mrs. SULLIVAN. Thank you. I feel that I am taking a great deal of time, Mr. Chairman. I have more questions, but if you wish, I can——

Chairman PATMAN. Well, you have given this a lot of thought and study. I suggest you continue on.

Mrs. SULLIVAN. All right.

Chairman PATMAN. Unless you want to read the questions and have them answer for the record.

Mrs. SULLIVAN. If I may, and then he can enlarge upon the answers in the record.

Chairman PATMAN. That will be all right, with that understanding, Mr. Eggers, Mrs. Sullivan will read the questions and you will answer them when you look over your transcript.

Mr. EGGERS. Yes, sir.

Mrs. SULLIVAN. In more detail.

Mr. EGGERS. Yes, ma'am.

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Mrs. SULLIVAN. When you reduced the volume of silver offered in weekly sales and opened up the bidding to anyone who wanted to bid, not restricting it as you did before only to American industries with a definite history of using silver with proof that they were not hoarding it but were actually using it, when you took that one step which was intended to raise the price of silver was the other step of eliminating or repealing the ban on melting of coins intended to let the silver users take advantage of whatever silver coins they had been able to accumulate? In other words, were you giving the producers a higher price or an opportunity by reducing the volume of the silver put on sale each week and then turning around and saying to the silver users, all right, we are giving the coins miners this hand out or this favor, now you can go ahead and melt coins, any coins you have acquired and it won't be illegal. Was this part of the arrangement?

Mr. EGGERS. I chaired the silver policy task force and we did not sit there and say now what goodies are we going to give to the users now what goodies are we going to give to the producers? I stated as chairman of that committee, let us do that which is the best and the best policy for the public as a whole. And this is the thing we tried to keep in mind. On lifting the melting ban some things that influenced us were, first, there was no longer a shortage of circulating coins and that was the main reason for instituting the ban. Second, we did not feel that we had the authority to keep the ban on indefinitely. There had never been a previous ban on melting coins in the history of the United States. And so we thought it was time for us to lift it, and we were going to lift it and forget about trying to balance what is going to happen in the marketplace, who is going to be unhappy and who is going to be happy. I think we took all of the factors into consideration and we reached the conclusion this was the best policy the Treasury task force could recommend to the Joint Coinage Commission.

Mrs. SULLIVAN. Well, I have been asking these questions about the decision and recommendation of the Joint Commission on Coinage and the activities of the Treasury because up 'til now we have had no report from the Joint Commission on Coinage or explanation for any of their decisions, and the Commission was set up in the 1965 Coinage Act to advise the Secretary of the Treasury and to advise the President and to advise the Congress, but I don't remember seeing any report to the Congress from the Joint Commission on Coinage. And of course only two members of this committee, the chairman and the ranking minority member, are allowed to serve on that Commission. So I think the committee is entitled to a report from the Commission giving its reasons for its recommendation of these changes in our coinage policy. If it is just supposed to be a rubberstamp for the Secretary of the Treasury, taking the position of Mr. Barr in December, and then reversing itself completely for Mr. Kennedy in May, I was just wondering if it served a useful purpose. But I am aware of the fact that the Treasury Department manufactures the coins and then they are transferred to the Federal Reserve Board and distributed by the Federal Reserve, the Treasury does not distribute these coins except for those it sells to its own cash room, but I have been terribly disappointed at the manner in which the half dollars, for instance, have been placed in circulation. We hear all the time that unless you have a

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brother-in-law who is a bank teller or a bank official or you are a coin dealer who has made some sort of business arrangements with the bank, paying a premium I guess for certain favors, you cannot get 50-cent coins.

Does anybody, or does anyone police the banks to see that the method they follow in distributing these coins is the correct one?

Mr. EGGERS. Mrs. Sullivan, I know of no policing in this area at all, and I know the problem you speak of, that if you know someone you can get a half dollar. I think my son now has four of them. Where he got them I don't know, but he is saving them himself. I know even the young people are saving these half dollar coins. And to my knowledge there is no policing of this at all. I do have for your information if you care to have it, a comparison of circulation between quarters and half dollars to show that the Kennedy half dollar is not circulating. I could put that in the record.

Mrs. SULLIVAN. I think it would be helpful if you put that in the record so we do have it, yes.

Mr. EGGERS. It will show that there is just no circulation at all.

(The information referred to follows:)

RATIO OF COINS RETURNED TO COINS ISSUED BY FEDERAL RESERVE BANKS (MILLIONS OF PIECES)

	Halves			Quarters		
Fiscal year	Returns from member banks	Issued to member banks	Ratio returned to issued (percent)	Returns from member banks	Issued to member banks	Ratio returned to issued (percent)
1961	254.4	279.7	91.0	203.7	213.6	95.4
1962	256.3	309.7	82.8	222.5	240.5	92.5
1963	241.9	304.9	79.3	209.9	228.7	91.8
1964	168.1	319.8	52.6	140.2	168.7	83.1
1965	12.6	209.1	6.0	43.1	111.6	38.6
1966	1.5	192.8	.8	104.0	250.9	41.5
1967	1.2	149.3	.8	256.4	307.2	83.5
1968	.9	306.3	.3	249.9	373.2	67.0
1969	1.6	109.7	1.5	319.7	402.5	79.4

Mrs. SULLIVAN. One of the reasons I am in favor of legislation to take silver out of the coins and out of the half dollar is that I think it is time to end this, what I call a racket in bootlegging or the gray marketing of our coins. They are supposed to be for circulation and some of them are designed by coin collectors, or desired, I mean, by coin collectors. But as far as I am concerned, much of the traffic in the new coins and particularly in the half dollars has been nothing more than a racket to enable insiders I think to profiteer. And I don't think that that is the function of the coinage of the United States.

Now, has the administration definitely decided that the $1 coin which it is asking for should be designed to honor the late President Eisenhower?

Mr. EGGERS. Yes, ma'am, we have. Letters have been sent to both the Senate and the House recommending that even though it is not necessary, legislation be proposed within both the House and the Senate putting the Eisenhower portrait on the coin.

Mrs. SULLIVAN. Yes. So that you would really not need legislative authority to do this since the design of the standard silver dollar is more than 25 years old. And I think the Secretary then has full authority to design the new dollar coin.

Mr. EGGERS. That is exactly right.

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Mrs. SULLIVAN. Do you want us to designate in the legislation that the coin should honor President Eisenhower?

Mr. EGGERS. We would gladly accept this, and I think to have this honor come from both the House and the Senate putting the President's portrait on the coin, would be a good thing rather than just having the Secretary make the determination. For the general public to know that this is an expression of the Congress honoring the late President Eisenhower I think would be very fine.

With regard to your earlier statement that you would like to see some silver coins minted only for proof sets to be available to all coin collectors, I want to point out that this could involve tens of millions of applications every year. If there were only one remaining silver coin available only in proof sets we might expect a flood of purchase applications that we could not possibly fill. I think it would be most unwise to retain one silver coin for this purpose and would strongly recommend against it.

Mrs. SULLIVAN. Thank you. One last question. How much thought has been given to resuming the coinage of commemorative coins? The minority leader of the House, Congressman Gerald Ford, has proposed the minting of an Eisenhower commemorative coin, and in view of the increased coinage capacity at the new mint in Philadelphia should we give any serious consideration at all to the minting of commemorative coins of any kind? We have just refused to consider such bills here for the last 6 or 7 years.

Mr. EGGERS. The Treasury policy on this is that right now we think in terms of commemorative medals rather than coins because once you decide to put out a commemorative coin for this event or that event we think you open up the floodgates. Treasury favors the commemorative medal route.

Mrs. SULLIVAN. Thank you. Now, there is only one other thing I would like to ask, Mr. Chairman, and that is the plan that Treasury has offered, or the Commission has offered, has no guarantee that some syndicate will not be able to acquire the rare silver dollars.

Mr. EGGERS. Yes.

Mrs. SULLIVAN. It has no guarantee that some syndicate cannot acquire more of these rare coins than it should. It is limited to 10 coins per person, but that is not going to stop some group that is trying to acquire these from designating certain people to acquire these 10 coins. Have you thought of any way that this could be prevented?

Mr. EGGERS. I think after the plan is once adopted, if you say you are going to sell to the highest bidders, unless you have regulations that if there is an indication of a cartel buying them up, that there is a right to turn down bids on this evidence, there is no protection. This could happen.

Mrs. SULLIVAN. Well, I wish before we get into the details of this you would give this some serious thought, because I know that this committee has felt for a long time that every collector, every person who is interested in this kind of thing, should have a chance, and we don't want it all to get into speculators' hands.

Mr. EGGERS. Mrs. Sullivan, we are in hundred-percent agreement. We want the people to have these coins. We don't want some person to make a lot of money out of this deal, and we certainly will work to that end.

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Mrs. SULLIVAN. Thank you, Mr. Chairman. Thank you for the opportunity of asking the additional questions.

Chairman PATMAN. Mr. Stanton.

Mr. STANTON. Thank you, Mr. Chairman. Just one question Mr. Eggers, or one of you gentlemen. I was not clear on the answer to the chairman's question and also one that Mrs. Sullivan referred to in regards to the timetable for the implementation of this bill. And presuming that this bill, or the Coinage Act of 1969 should become law sometime this fall or the bill should be passed in the first session here of the 91st Congress, what would be the Treasurer's time schedule for the time implementation of the bill in regards to the actual production of the Eisenhower dollar and putting it into implementation?

Mr. BROOKS. Well, speaking for the agency that would have the disposal responsibility, I would say that our current budget which is now in process of preparation for the fiscal year 1971, of course, does not include any estimate of funds to carry out the disposal plan. We could not include such a request as a practical matter until the pending legislation authorizing such an appropriation were carried. The earliest possibility it would appear then might be through the supplemental appropriation route later in the fiscal year. And barring that sort of action, it would seem that the fiscal 1972 budget would be the earliest convenient point to bring in such an appropriation request.

Mr. STANTON. Well, I thank you. You have elaborated a little bit more on your question, but are you talking then of the dollar coins in your opinion in 1971 or 1972 or when?

Mr. BROOKS. Well, the point I was trying to make was that there is a considerable amount of procedural detail which has to be worked out to set up the arrangement for the disposal of these coins. It will take a fair amount of funding simply to organize such a task force and develop these procedures. And it would not be until these procedures, forms and so forth, were all completely designed and laid out that an actual disposal could begin.

Mr. STANTON. Am I right in my interpretation that you really cannot give an answer to that question at this time?

Mr. BROOKS. Not in precise terms, no, sir.

Mr. EGGERS. May I ask one question?

Mr. STANTON. Yes, sure.

Mr. EGGERS. Are you talking about the coins for resale or are you talking about the new dollar coin?

Mr. STANTON. The new dollar coin.

Mr. EGGERS. I think Mr. Brook's remarks were in reference to the rare dollar disposal plan. On the new dollar coin, let me speak to that. We at Treasury have studied the question of when the new coin can be produced. We feel that if this legislation is passed and we can get a supplemental appropriation we could get started in 1970. By the end of 1970 if we had ample funds we could produce 300 million of each coin—300 million half dollars and 300 million dollar coins.

Mr. BROOKS. I am sorry; I misunderstood your question as being addressed to the disposal of rare dollars.

Mr. STANTON. Yes. That is the answer I wanted.

Chairman PATMAN. Mr. Stephens.

Mr. STEPHENS. Thank you, Mr. Chairman.

Mr. Eggers, were you through answering his question?

Mr. EGGERS. Yes.

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Mr. STEPHENS. We know from your statement and from what we have heard before that there is a problem on silver because the United States imports more silver than our United States production. Do you have the figures that would show the comparison as to how much we produce in the United States and what our importation of the silver is, the ratio of it? If you have not got it, it would be all right if you would supply it for the record at this time, the latest figures on that approximately?

Mr. EGGERS. I would rather get those figures and put those in the record.

Mr. STEPHENS. That would be fine. I thought you might have the figures.

Mr. EGGERS. I think our domestic production runs around 40 million ounces a year right now, but bear in mind that at this time Treasury is putting a million and a half ounces more into supply out of our inventory.

Mr. STEPHENS. I would not want that included. I would just like to know what the importation is.

Mr. EGGERS. Yes.

Mr. STEPHENS. And what the amount is that we have.

(The information requested follows:)

SUPPLY AND USE OF SILVER IN THE UNITED STATES[1]

[In millions of ounces]

	1965	1966	1967	1968
Supply:				
Domestic production	40	44	32	35
U.S. Treasury silver[2]	80	142	195	179
Total	120	186	227	214
Use:				
Industrial consumption	137	150	145	145
Net exports	−12	19	15	46
Speculative additions and inventory accumulation	−5	17	67	23
Total	120	186	227	214

[1] Excludes use of silver for coinage.
[2] Includes both GSA sales and silver issued in exchange for silver certificates.

The other question I would like to ask is this, if you recall. Is there a limitation on the number of proof sets that any one person or firm can buy through the mint?

Mr. EGGERS. Mr. Tate is from the mint.

Mr. TATE. We have recently issued a statement on that that we will accept orders for the 1970 proof sets beginning November 1, 1969, with a limitation of five sets per order.

Mr. STEPHENS. Five sets per order.

Mr. TATE. Five sets per order.

Mr. STEPHENS. I have been curious about the collector's value placed on the proof sets. The Treasury has sold them at $5. You cannot buy any proof sets that I have seen in any coin place for less than $10, and they are usually anywhere from $12 to $16. I would agree with Mrs. Sullivan of spreading it around a little bit rather than letting them be concentrated in the hands of some collectors, I mean some commercial group that is selling them to collectors, let the collectors get them themselves, the individual collectors.

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Also, I would like to comment that I have seen in coin places recently and also in talking with individuals where some collectors have a standing offer to anybody that will bring them silver coins of anywhere from 5 to 10 percent above the face value of those coins. I think that has helped take some of these coins off the market. Of course I will acknowledge that if I find one I don't put it back in circulation. I think we all are that way. But it tends then to make me think that although I was in favor of having one prestige coin, which was a 50-cent piece with some silver in it, that maybe we made a mistake because it is not circulating today.

Chairman PATMAN. Commencing today I doubt that they will remain in circulation.

Mr. STEPHENS. Right. Yes, and I think that the 50-cent piece is a highly important coin, and it certainly is inconvenient for the average American man to carry a pocket full of quarters around, and we end up carrying a lot in our pockets.

Mr. EGGERS. Mr. Stephens, we in Treasury feel that our main duty in minting coins is getting them into the marketplace.

Mr. STEPHENS. Yes. The purpose of putting the coins into circulation is to make them a medium of exchange, and if they are not used then we might just as well get something else.

Thank you very much.

Chairman PATMAN. Yes, sir.

Mr. Mize.

Mr. MIZE. Have you considered selling unmelted silver coins rather than silver bars, and do you know what additional profit the Government would realize if it sold unmelted coins rather than silver bars?

Mr. EGGERS. That has been discussed in Treasury prior to my time. Mr. Wolfe, do we have any figures on that? Why don't you speak to that?

Mr. WOLFE. Well, there has been a proposal to the Treasury that—rather than melt down silver coins, it simply sells the silver coins in bags. And the argument is made that the total return to the Tresaury would be greater. There is no conclusive evidence or data that we have that this is in fact true. There are undoubtedly some buyers who would be interested in buying bags of coins rather than the melted coin bars because they feel they could cull through these bags and perhaps get some coins of higher numismatic value. There are other advantages in that with the coins—you get a floor price. If you get four thousand quarters in a bag, it is always going to be worth $1,000 no matter what the price of silver is. Whereas if you melt down the coins, if the price of silver drops to a low level at some future time, you have some risk. We have thought in the Treasury that it is not clearly evident that the sale of silver in coins rather than bars is more profitable. It involves very little cost to the Treasury to melt these coins. And we have felt that it not only is probably as profitable or more profitable to the Treasury to sell the coins in coin bars rather than in bags of coins, but it seems far more appropriate for the Federal Government to sell surplus coin silver than to sell coins at a premium.

Mr. MIZE. Well, as I understand it, the current premium on unmelted coins is in excess of 30 percent. Am I wrong on that?

Mr. WOLFE. There is no official figure. All that you have is a series of offers in various publications to buy coins in bags at various prices.

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There is nothing binding to these offers. Usually the ad says, I pay highest prices, and so on.

The premiums are of course partly governed by the fact that there are not a great many of these coin bags available. If the Treasury, on the other hand, were to offer large amounts of these every week, it is questionable whether the quotes would stay the same.

Mr. MIZE. Well, have you calculated the profit the Treasury realized from coining silver, that is, per ounce and how does this compare to selling the same through the General Services Administration?

Mr. WOLFE. Well, the General Services Administration is selling silver as agent for the Treasury. All of the sales of silver are by the General Services Administration, and the profit to the Federal Government is roughly the difference between $1.38 an ounce, which is the value of the silver in coins, and whatever the price the competitive bids make the price of silver for the week in question. The most recent one, yesterday, was $1.88. So the profit on the sale of silver on that day, yesterday, was about 50 cents an ounce.

Mr. MIZE. One final question. Would you expect a 40 percent silver dollar coin to circulate?

Mr. WOLFE. Well, no; the only evidence we have is that the 40 percent silver half dollar has not circulated, and we would have no more reason to expect a 40 percent silver dollar to circulate than we would a 40 percent silver half dollar—considerably less perhaps because it has more immediate commemorative personal value to most of the collectors.

Mr. MIZE. Well, if not, does this indicate the American people want such a coin minted?

Mr. WOLFE. I don't understand your question. You mean if it does not circulate, does that indicate that they want it?

Mr. MIZE. Yes.

Mr. EGGERS. We think we will be able to flood the market with enough nonsilver dollars, the cupronickel dollar to eventually get them into active circulation.

Mr. MIZE. Well, of course, if the coin is kept as a memento by the people, would this not be an anti-inflationary influence on the economy?

Mr. EGGERS. Definitely. This is definitely anti-inflationary, because when that goes into the sock or wherever it goes, it is not out buying things, and it is anti-inflationary. And it could be, a very big factor in the first year or so. In that period the greater percentage of them will not go into the marketplace.

Mr. MIZE. Thank you, Mr. Chairman.

Chairman PATMAN. What will be the weight of the proposed nonsilver dollar as compared to the present silver dollar?

Mr. EGGERS. The weight of the silver dollar is 412.5 grains and the cupro-nickel one would be 350 grains.

Chairman PATMAN. Well, would it be half as heavy?

Mr. EGGERS. Oh, no. It is 350 compared—350 compared with 412.5 grains.

Chairman PATMAN. About three-fourths as heavy.

Mr. EGGERS. Seventy-five percent as heavy, yes.

Chairman PATMAN. All right, fine.

Mr. Gonzalez.

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Mr. GONZALES. Thank you, Mr. Chairman. I am sure you as a fellow Texan have already welcomed Mr. Eggers, and I will just say that we are delighted to have you, Mr. Eggers.

Mr. EGGERS. Thank you, Mr. Gonzalez.

Mr. GONZALEZ. And we appreciate your testimony. I wish you well in your new job.

In any event, I have just one brief question, and it has to do with the disposal of the old silver dollar that the Treasury has.

Mr. EGGERS. Yes, sir.

Mr. GONZALEZ. I think that unless we have some pretty good clear ideas as to how that will be done, it will create more of an issue than anything else I can foresee, and I would be interested in knowing what procedures would be followed exactly because I am afraid that otherwise it will be a real major issue, because there is a lot of emotionalism involved in this as well as speculation.

The other thing is just a matter of curiosity. I notice that Canada puts out a Canadian silver dollar. Is that correct?

Mr. EGGERS. No longer. They stopped in 1966.

Mr. GONZALEZ. In other words, they are not minting a Canadian silver dollar?

Mr. EGGERS. No, they are not.

Mr. GONZALEZ. Is it true that the United States was about the last large industrial nation that was minting silver coins until 1965? Is that correct?

Mr. EGGERS. It was among the last, yes.

Mr. GONZALEZ. I see.

Thank you very much.

Mr. EGGERS. Mr. Gonzalez, may I say on the rare silver dollar disposal plan that we will work very closely with this committee and try to get you as much detail of the plan as the committee wants. Working out this plan on disposal involved more discussion in the Joint Commission on the Coinage than most other issues.

Mr. GONZALEZ. I would think so. Thank you very much.

Chairman PATMAN. Mr. Blackburn.

Mr. BLACKBURN. Thank you, Mr. Chairman.

I want to welcome you gentlemen before the committee and make this observation. It seems to me that whether we decide to go with silver or not with silver in the coin, I would urge that you move as rapidly as possible, if you do decide to use General Eisenhower's resemblance on the coin.

Mr. EGGERS. Yes, sir.

Mr. BLACKBURN. Now, frankly, I have some reservations about the move of taking all the silver out of the coin for this reason, and it is based partially on the testimony I have heard today. We know as a matter of practical experience that the American people have been holding to a very large degree the Kennedy half dollar. Now, whether this is motivated because of the silver content or the strong regard for the late President or a mixture of the two factors, I don't know, but still we do know that these coins are not in general circulation and they are not out buying things on the open market. Now, if there is any crucial matter now facing this Nation I think it is inflation. I supported the administration in every anti-inflationary move, cutting

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spending, increasing taxes, the monetary policy of the Federal Reserve. I have supported all of this, but I am frankly very disappointed that we have not seen more tangible evidence of success. Now, if you honestly think that by minting this coin we can take more dollars out of circulation, and we know from experience that the 40 percent silver coin that has the Kennedy likeness on it has been kept out of circulation, then I would like to know why you don't promote this based on experience as an anti-inflationary move. And then when we get this thing under control, then take another look at the coinage.

Mr. EGGERS. First, I think that with regard to the cupro-nickel dollar with President Eisenhower's portrait that the greater percent of these will stay out of circulation during the first year.

Second, we are talking about inflation and one way——

Mr. BLACKBURN. Just 1 minute now, it is your belief that they will stay out of circulation, but you have no experience to base that on, whereas you do have experience with the Kennedy half dollar. And I wonder why you can substitute your conviction, no matter how honestly conceived, with the ironclad experience with the Kennedy coin.

Mr. EGGERS. Well, we had the 90-percent Kennedy half dollar, and after it went to 40 percent; it still stayed out of circulation. And of course we don't have experience with a nonsilver half dollar. But, talking in the area of inflation, if we use cupronickel in this dollar instead of silver, it will bring into the Treasury, instead of $160 million on the sale of the silver coin, we will bring in $290 million on seigniorage for each 300 million coins minted.

Mr. BLACKBURN. I follow that.

Mr. EGGERS. And then an additional 50——

Mr. BLACKBURN. But if they are being circulated because people are not holding them, then that anti-inflationary factor is not operating.

Now, let me ask this question, too. Now, the question was rasied earlier about why we don't sell silver coins in their present state for profit, let people bid on them. And one argument was, well, it doesn't cost anything to melt them down into bars anyway. Well, okay, I will buy that. But then the strongest argument that was urged was that it just does not seem to be appropriate for the Treasury to be selling old coins at a profit.

Well, now, are we so committed to losing money in this Government that we can just say that it is not appropriate to make money on a transaction that is possible?

Mr. EGGERS. I always like a profit. I am still from out there where profit is a great motivation, and I still think Treasury should be in the business of trying to make a profit for the taxpayers. If we make profit on coins, I would be for it.

Mr. BLACKBURN. Well, why don't we at least experiment with it? I will grant you that like all commodities as it becomes more available the price begins to depreciate.

Mr. EGGERS. Supply and demand.

Mr. BLACKBURN. But at the same time it impresses me that if we tried it and found we were making a profit, then let us continue it until we are not making a profit. And then let us take another approach at that time.

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Mr. EGGERS. Mr. Blackburn, I would like to state that as chairman of the task force on silver we will very carefully review your suggestion and come back and let you know on this. We have not really done any in-depth study on this.

Mr. BLACKBURN. Is there a shortage of silver at the present time among those industries that require the use of silver?

Mr. EGGERS. No, there is no shortage right now. They can get the silver that they need.

Mr. BLACKBURN. I am frankly wondering what is going to be the effect of this on the silver producers? Is this going to depress the price of silver and have a depressing effect on those States that look to the sale of silver——

Mr. EGGERS. I think the best barometer we have is that the price of silver is now where it was at the time, a little above the price at the time we announced the overall policy in early May of this year.

I think the thing that is happening in the marketplace is that they are no longer tyring to second-guess Treasury actions. They think we mean business and we are going to stay with a certain plan. They now have certainty in the marketplace.

Mr. BLACKBURN. Do any major nations now coin money using silver.

Mr. EGGERS. They have some I think on commemorative coins but no circulating coins in silver that I know of.

Mr. BLACKBURN. I see.

Thank you, Mr. Chairman. I have no further questions.

Chairman PATMAN. Doesn't Mexico have circulating silver coins?

Mr. WOLFE. They have a coin of low silver content. I have no figures on the extent to which it circulates.

Chairman PATMAN. Have you finished, Mr. Blackburn?

Mr. BLACKBURN. Yes, sir; I am finished.

Chairman PATMAN. It occurs to me that there is a serious problem. If commencing today the 40 percent silver coins will be hoarded, there is a hiatus between today and the time you will get the new coin out, the substitute that has no silver in it. Don't you think that Congress should consider, if we agree that we are going to take the silver out, by joint resolution some way for you to go ahead on the 50 cent piece so as to not have that hiatus between the time that they are hoarded and there will be no coins to use and so as to expedite the making of the new ones.

Mr. EGGERS. I think the faster you move, the more certainty you give and the better off you are. Of course the bill does have a transition period where we can continue minting the 40 percent silver half dollars until January 1 of 1971.

Mr. BLACKBURN. Mr. Chairman, I would like to make this observation, that as a father of four children who has to give them quarters every morning to go to school, I sure would like to have some half dollars to hand out for lunch money.

Chairman PATMAN. Mr. Minish.

Mr. MINISH. Thank you, Mr. Chairman.

Mr. Eggers, what in your opinion is the reason for the noncirculation of the half dollar?

Mr. EGGERS. I think a lot of it is just the intrinsic value. I think wherever you go—in or out of this country they like to have a Kennedy

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half dollar. People everywhere are keeping them, and one of the reasons is, they think someday they are going to be worth a lot more. And so people are putting them away in their drawers and so forth.

Mr. MINISH. You don't believe it is because of the silver content, do you?

Mr. EGGERS. Of course in the 90 percent silver coin it definitely was the silver content.

Mr. MINISH. We are talking about the present half dollar, not the 90 percent dollar.

Mr. EGGERS. Present half dollar? The silver content would have to get awfully high before you could melt them down to make much money out of them.

Mr. MINISH. Is the administration continuing to melt the 90 percent half dollar?

Mr. EGGERS. Sir?

Mr. MINISH. Are you continuing to melt them?

Mr. EGGERS. Yes, we are melting the silver dimes and quarters.

Mr. MINISH. Have you increased the production?

Mr. EGGERS. We are producing Kennedy half dollars a hundred million a year right now.

Mr. MINISH. Why don't you increase the production? You have the capability with the new mint.

Mr. EGGERS. The Appropriation Committee last year directed that we mint only a hundred million pieces a year.

Mr. MINISH. A hundred million a year?

Mr. EGGERS. A hundred million a year since July of 1968. But over the past 4 years I think we have minted 1.2 billion of these coins.

Mr. MINISH. 1.2 billion?

Mr. EGGERS. Well, the exact figure is 1,234,172,560 pieces, including the 90 and 40 percent silver Kennedy half dollars. We minted 429,509,450 of the 90 percent silver halves, all dated 1964, and 804,663,110 of the 40 percent silver half dollars, dated 1965–69.

Mr. MINISH. That is more than a hundred million a year, more likely 300 million a year.

Mr. EGGERS. Let me clarify that. We did at one time mint as much as 300 million half dollar coins a year, and it was cut down to 100 million only a year ago.

But then bear in mind right now our surplus supply of silver is only a little over a hundred million ounces.

Mr. MINISH. Well, why don't you come back? Why don't you ask for an increase in the appropriations? You said earlier with the new dollar you would be able to flood the market and the coins would not be hoarded and you would not have a shortage problem. Why don't you do the same with the half dollar?

Mr. EGGERS. Well, first we are limited by appropriations. But regardless of the appropriation I doubt whether we could produce enough Kennedy half dollars to get them into circulation.

Mr. MINISH. So that your reason for not circulating it is that you do not have enough money to manufacture them, to mint them.

Mr. EGGERS. Well, it is not so much the limitation there on money, on dollars. It was a limitation on the number of coins that we could mint, and that was a hundred million coins.

Mr. MINISH. But you said earlier that it was not a hundred million. You were limited by appropriations, if I understood you correctly.

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Mr. EGGERS. Let Mr. Tate here from the mint speak on it. He lives with this problem.

Mr. TATE. When this Coinage Act was first passed we were making along in 1966 and 1967 about 300 million Kennedy half dollars per year. Later the Appropriations Committee included a directive in the House report—I would not have the number of it—limiting our production to 100 million pieces during each fiscal year. This is not necessarily a limitation on funds but more a limitation on the number of pieces. Later the Joint Commission on the Coinage reviewed this and agreed with this limitation. So there was general agreement between the Coinage Commission and the Congress that the production of Kennedy half dollars should be limited to 100 million pieces per year, and this is what we have been following during the past year or so.

Mr. MINISH. That is all, Mr. Chairman. Thank you.

Chairman PATMAN. Yes. Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman. At the outset, Mr. Eggers, let me thank you and your colleagues for provoking a most interesting discussion this morning.

It occurs to me that some consideration might be given to the idea of minting both a 40 percent silver dollar and the cupro-nickel dollar. In this way you would be able to let the hoarders have something to look for and you could flood the market, the marketplace with your cupro-nickel dollar. You have the best of both worlds that way, don't you?

Mr. EGGERS. We took this into consideration, and we discussed this very point.

But one problem we have is to circulate two coins of equal value but of different composition. And there may also be some problems in manufacturing a 40 percent silver dollar. We have never done it. And of course, using the silver for coins would still not be good for our balance of payments or consumer prices.

Mr. BROWN. I would like to address my next question to the gentleman from GSA. I looked over the proposal on the disposal of the rare silver dollars. In disposing of these how do you prevent a collector from getting many others to apply for a set of 10 coins to the ultimate benefit of the collector?

Mr. BROOKS. That is a very difficult problem, Mr. Brown. The interagency committee that developed this plan had that point well in mind and certainly is aware of the great desire to obtain the widest possible distribution of these coins. This is a problem that faces the Treasury Department today in the distribution of its proof coins. We intend to build in reasonable safeguards to at least minimize this type of thing from happening. At this moment I could not tell you in detail exactly how this might be done. But the agency is well aware of the problem and will do what it can to minimize it.

Mr. BROWN. But there is no ironclad way to prevent it.

Mr. BROOKS. I don't know of any, sir.

Mr. BROWN. Does the Post Office Department have the same problem with respect to first issues?

Mr. BROOKS. I suspect they do, but I do not have any firsthand knowledge of it.

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Mr. BROWN. I don't have any other questions, but I would like to commend the chairman because I concur with his concern about the hiatus which could occur in the interim period because of the hoarding of existing 40 percent silver half dollars. But it occurs to me that we could move this bill out of committee and to the floor as quickly as we could act on a joint resolution. The fact that the chairman has scheduled an executive session for markup of the bill on Friday shows the speed that could be used on the bill and I commend the chairman's position.

Chairman PATMAN. I think it is possible.

Mr. BROWN. Thank you, gentlemen.

Chairman PATMAN. Yes, sir.

Mr. Galifianakis.

Mr. GALIFIANAKIS. Thank you very much, Mr. Chairman.

Welcome to you Mr. Eggers, and to your associates. What is the form and the amounts of the salable silver if this legislation were enacted?

Mr. EGGERS. We have in silver now, available right now, in bullion——

Mr. GALIFIANAKIS. What is the composition? You have bullion——

Mr. EGGERS. Bullion and coins that we are melting.

Mr. GALIFIANAKIS. Are those the only two forms that would be available for the market?

Mr. EGGERS. Yes, those are the only two. We have approximately 60 million ounces of silver in coins and we have about 40 million ounces in bullion.

Mr. GALIFIANAKIS. So you are just talking about two commodities then, the bullion and the coin.

Mr. EGGERS. Yes, that's right. But it is all silver.

Mr. GALIFIANAKIS. Another matter that has already been alluded to is the Kennedy half dollar. Is it Kennedy or silver that attracts and causes the hoarding of this coin? I guess there is a lesson to be learned there and I would assume that it is a combination of these factors. I was wondering what the Commission's findings were relative to the prospective hoarding of the proposed Eisenhower dollar. It would seem to me that based on the experience of the Kennedy half dollar the results might be the same as to the proposed Eisenhower dollar. Were there specific findings and recommendations as to this point. Someone referred to the fact that, you can take care of the public desire to honor great Presidents like Eisenhower by putting out the commemorative medal and satisfy that demand. If your main purpose is to keep the coins circulating, are you not going to impede circulation by continuing the same procedure of the Kennedy half dollar to the Eisenhower dollar.

Mr. EGGERS. I think the difference would be that here we are going to use a cupro-nickel dollar and we can supply the market with almost unlimited quantities of the cupro-nickel dollar. Where with silver, of course, we have a real limitation on the amount of silver we have available.

Mr. GALIFIANAKIS. Well, if you start over-producing and flooding to take care of the people who desire to retain the coins, are you not back in the same place so far as the increased costs involved in flooding, or have you gotten that far in your computations?

Mr. EGGERS. These are nonsilver coins.

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Mr. GALIFIANAKIS. What is the cost of the overproduction to insure nonhoarding?

Mr. EGGERS. This is nonsilver and bear in mind our seigniorage on 300 million nonsilver dollars would be $290 million, about $290 million. There is a lot——

Mr. GALIFIANAKIS. Don't you anticipate a real increase in cost if you have to flood the market to insure——

Mr. EGGERS. No, we do not.

Mr. GALIFIANAKIS. You don't. The other question that I have is, if the legislation should pass, what will be the public psychological reaction. Will we be getting to a point that the dollar is not worth a nickel?

Mr. EGGERS. I think we are to that point right now.

Mr. GALIFIANAKIS. You know we had a comparable allegation when we removed tne gold——

Mr. EGGERS. That's right.

Mr. GALIFIANAKIS (continuing). The gold cover from the dollar. You know there were great accusations that the solidarity of the American dollar was being challenged. Do you anticipate a similar challenge as to coins because of the removal of its solidarity, silver?

Mr. EGGERS. I do not because first of all the only coins that most people see are dimes and quarters. And those are cupro-nickel. And there was some mild reaction, at first, on the cupro-nickel dimes and quarters but that didn't last long and the people don't even think about it anymore.

Mr. BROWN. Will the gentleman yield?

Mr. GALIFIANAKIS. Yes, I would be delighted to.

Mr. BROWN. I might suggest that it has also been suggested that the paper dollar isn't worth a nickel.

Mr. GALIFIANAKIS. Well, I kind of like this idea of nickels.

Chairman PATMAN. Will the gentleman yield?

Mr. GALIFIANAKIS. Certainly.

Chairman PATMAN. You know we have a trillion, six hundred billion dollars of debts in this country, public and private, and every piece of money is good for all debts, public and private; it is legal tender. That means that you can use this money one hundred cents on the dollar for the payment of all debts and taxes. And if a creditor refuses to take this tendered money, legal tender, the debt is paid. What better money could we have than that one hundred cents on the dollar?

Mr. GALIFIANAKIS. That is the old common law, Mr. Chairman. I might add facetiously, if I might be pardoned for a personal note, I like the idea of nickel being in because in my campaign we used, "nickels for Nick," so instead of getting nickels I will be getting dollars, so I am looking for this great step forward.

Mr. EGGERS. You are a victim of circumstances.

Mr. GALIFIANAKIS. I make my reservation because I haven't heard my colleague, Congressman McClure, yet.

Chairman PATMAN. Fine. Let us try to get through. We have several left.

Mr. Williams, you are next.

Mr. WILLIAMS. I yield to Mr. Brown.

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Mr. BROWN. Mr. Chairman, I only want to comment in view of your remarks that there is a court, there was a court in Minnesota that did not so hold with respect to Federal Reserve notes.

Chairman PATMAN. Well, was it a court of record?

Mr. WILLIAMS. I would like to suggest we leave that matter to the courts.

Chairman PATMAN. That must have been a kangaroo court.

Mr. WILLIAMS. Mr. Eggers, I do want to thank you, gentlemen, incidentally, for some very interesting and informative material here this morning. I see in this bill that we are going to be using a cladding of an alloy of 75 percent copper and 25 percent nickel, and I have in my hand here a quarter dollar which I believe is a cupro-nickel clad quarter dollar.

Mr. EGGERS. That's right.

Mr. WILLIAMS. Quite frankly, this coin does not look too good to me. The serrated edge, the copper is showing through, and some of the printing on the one side of the coin is very indistinct, especially on this particular coin where it says quarter dollar. Isn't there a better alloy that you can find for using on our coins?

Mr. EGGERS. I will turn that to the expert from the mint. That is not my department.

Mr. TATE. Mr. Williams, before the Coinage Act of 1965 was enacted, there was a considerable study made both within the Treasury and outside of the Treasury. We employed the Battel Memorial Institute to make an intensive study of all of the materials available for coinage hoping to come up with something that would be just as attractive as silver, but also we had the problem of the operation of all of the millions of vending machines that are in use in the country.

So the clad material that you refer to was the result of all of this effort, and it does operate in the vending machines and in other respects it has been highly successful.

Mr. WILLIAMS. In other words, this is the best alloy you have been able to find?

Mr. TATE. It was the best we were able to come up with, yes, sir.

Mr. WILLIAMS. Now, under this bill the Treasury Department is going to be paid $1.29 plus for each fine troy ounce of silver, and of course under the manner in which this silver is going to be disposed of, are you certain that the additional money over the dollar and 29 cents that is going to accrue to the benefit of the Treasury is going to be at least the full market value of this silver?

Mr. EGGERS. I am certain that it will be.

Mr. WILLIAMS. In other words, the Administrator of General Services is going to sell the silver. They will pay immediately to the Treasury Department the $1.29 plus, mentioned on page 4, for each fine troy ounce of silver? And then under section 3 also accruing to the benefit of the Treasury will be anything else over that figure of a $1.29 which is obtained for the silver?

Mr. WOLFE. You are talking I think about the disposal of the rare silver dollars.

Mr. WILLIAMS. Right. In other words, are you going to sell this in a way that will assure the Treasury Department and the U.S. Government that they will get the full market value of this silver?

Mr. WOLFE. You are referring to a surplus stock of silver.

Mr. WILLIAMS. Right.

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Mr. EGGERS. Yes. The law now provides that the Secretary of the Treasury has authority to sell the silver in anyway he wishes.

Mr. WOLFE. As long as the price is not lower than a $1.29 an ounce.

Mr. WILLIAMS. Yes, but that is a rather foolish provision because we have heard that silver has been down to $1.54 an ounce. It has been up as high as $1.79. And to talk about $1.29 seems to me to be rather redundant.

Mr. WOLFE. Well, the way in which the silver is sold we believe assures—it is a bidding process that is open to all—assures that the price on the day of sale will accurately reflect the market price of silver on that day. For example, yesterday, the average price at which the Treasury silver was sold in melted coin bars was $1.88 an ounce. The price on the commodity exchanges on the same day for commercial grade silver was about the same.

Mr. WILLIAMS. Will you answer my question. My question is you are following a procedure that assures that the Government will receive full market value of the silver?

Mr. WOLFE. Yes, sir.

Mr. WILLIAMS. Incidentally, I would like to make a statement concerning the procedure of the Treasury in making a million and a half ounces available and selling it to the highest bidder. It seems to me what was accomplished by that procedure was assuring the Treasury of getting the highest possible price for the silver which was being sold.

Now, Mr. Eggers, you made a statement relative to bills that have been introduced I believe into the House and Senate which would provide for carrying General Eisenhower's portrait on the cupro-nickel dollars. Did I understand you correctly, that there have been bills introduced into both the House and Senate providing for this?

Mr. EGGERS. There have been bills introduced in the House and the Senate for the portrait of President Eisenhower on both silver and nonsilver dollar coins.

Mr. WILLIAMS. Oh, Mrs. Dwyer has introduced a bill which would provide for a nonsilver dollar bearing the portrait of General Eisenhower.

Mr. EGGERS. Yes.

Mr. WILLIAMS. Fine.

What this bill is really going to do in effect is take the Treasury Department out of the silver business.

Mr. EGGERS. That is right.

Mr. WILLIAMS. Now, if the Treasury Department gets out of the silver business, then how is the production of silver going to compare with the demand for silver?

Mr. EGGERS. We will be out by the end of 1970——

Mr. WILLIAMS. Yes, but after that. How is the production going to compare with the demand?

Mr. EGGERS. We expect that the demand for silver—and I think probably the producers are more qualified to testify on this, that the demand will increase because there has been an increase through the years in various products using silver.

Mr. WILLIAMS. You cannot tell me how the production is going to compare with the demand once the U.S. Government or Treasury Department gets out of the silver business.

Mr. EGGERS. No, we cannot.

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Mr. WILLIAMS. I suppose we will have some witnesses before us tomorrow to develop that point.

Thank you, Mr. Chairman.

Mrs. SULLIVAN (presiding). Mr. Reuss.

Mr. REUSS. Thank you, Madam Chairman, Mr. Eggers, and gentlemen.

I would like to run through the arithmetic with you, Mr. Eggers, of the savings through seigniorage to the Treasury, and thus the taxpayers, as a result of this legislation. Let us start with the $1 proposal. I gather the biggest use of the $1 nonsilver coin will be in the vending machine industry, is that correct?

Mr. EGGERS. Now, we think the demand would be mostly in the Western States, the vending machines, and then of course in Las Vegas where they are using tokens now that are the size of the dollar.

Mr. REUSS. What is a liberal high estimate of what the demand for these new dollars might be over an annual period once it gets going based on Las Vegas, the western predilection, and vending machines.

Mr. EGGERS. The figure we have is up to about 300 million coins annually, but it could dwindle down from that. We are not really certain.

Mr. REUSS. Yes. Well, I wanted the top figure. And let us take it over a 3-year period. That would be 900 million coins, if that top figure is realized, and the seigniorage over a silver dollar comes to, I believe, $95 million per hundred million, is that correct?

Mr. EGGERS. That is correct.

Mr. REUSS. So that would be $850 million——

Mr. EGGERS. That's right.

Mr. REUSS (continuing). For a 3-year period.

Mr. EGGERS. That is correct.

Mr. REUSS. Let us turn then to the half dollars. There I suppose the proper thing to do is to look at the saving between the present 40 percent silver and zero silver half dollar, is it not?

Mr. EGGERS. That's right.

Mr. REUSS. What is a good liberal estimate of the number of half dollars that might shortly be needed each year if we mint them according to this bill?

Mr. EGGERS. Our figures that we have are around 800 or 900 million over a 3-year period.

Mr. REUSS. A year?

Mr. EGGERS. 3 years.

Mr. WOLFE. That would be the amount that you would need to get into circulation to have them fully used. You would reach that point over a period of time.

Mr. REUSS. Right. Eight or nine hundred million. you say?

Mr. EGGERS. You would have to reach that point in production to finally get that coin and really get it out into circulation in the market.

Mr. REUSS. And is that 8 or 9 hundred million half dollars or 8 to 9 hundred million dollars worth of half dollars?

Mr. EGGERS. That is in numbers, pieces, 8 hundred to 9 hundred million pieces.

Mr. REUSS. So that would be up to $450 million worth——

Mr. EGGERS. Yes, sir.

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Mr. REUSS (continuing). Per year. And of that $450 million worth how much would be the seigniorage involved in having a zero silver coin as opposed to a 40 percent silver coin.

Mr. EGGERS. It would be the same ratio as the dollar. That would be——

Mr. REUSS. Well, but $450 million worth of half dollars a year—once the thing gets into full production, how much seigniorage would there be in making those with zero silver rather than with 40 percent silver.

Mr. EGGERS. It would be about——

Mr. REUSS. Well, would it not be about——

Mr. EGGERS. 425 million over a 3-year period.

Mr. REUSS. Four hundred twenty-five million. Oh, that sounds high.

Mr. WOLFE. Well, the ration of seigniorage is the same, just cut it in half for the half dollar as compared with the dollar.

Mr. REUSS. Well, all I want you to do is to validate my arithmetic. Mr. Eggers has testified that you will when you get into high gear be producing $450 million a year of 50 cent pieces.

Mr. WOLFE. I don't think that we could produce $450 million in half dollars a year, but that we estimate that the total amount of half dollars that might eventually be needed by the economy in active circulation would be in the area of eight hundred to nine hundred million pieces.

Mr. REUSS. Well, then, we will have to start again because what I want to know is the total disappearance projection and the resulting savings. So would you now tell me—and I guess that we have not been communicating—would you tell me the number of 50 cent pieces containing zero silver that you estimate you will have to produce every year once you get into high gear? How many pieces will that be a year?

Mrs. SULLIVAN. Since the time is so limited would it be all right to supply for the record when they look over the transcript?

Mr. EGGERS. What I would like to do if we could have these questions is get together with our people and get the figures together and we will be glad to submit all these figures.

Mr. REUSS. If you will——

Mr. EGGERS. We will be glad to.

Mr. REUSS (continuing). Give me, just to make sure——

Mr. EGGERS. I understand.

Mr. REUSS. Well, let me finish because I was just starting on this. I would like the figures—let us make them on an annual basis rather than for 3 years—on an annual basis giving me the high most liberal estimates of the demand for these coins for the new nonsilver dollar, the new nonsilver 50 cent pieces, and then I will want the seigniorage or profit on those on an annual basis. In the case of the dollar, the difference between all silver and no silver. And the case of the 50 cent piece, the difference between 40 percent silver and no silver.

Mr. EGGERS. Right.

Mr. REUSS. And then also give me the seigniorage on these 3 million rare silver dollars. You say they go up to $170 in value? I don't find that anywhere.

Mr. EGGERS. We had that testimony earlier around $90 million.

Mr. REUSS. If you will include it in your testimony, and also the seigniorage on that.

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Mr. EGGERS. Yes, fine. All right.

Mr. REUSS. And then if you will also include the seigniorage or profits on your sales from stockpile. I think they are in your testimony someplace, but I would like that, too.

Obviously, if I may just conclude, Mr. Chairman. This seigniorage or savings to the Treasury, the taxpayer, the budget, and everything else will be a large sum, in the billions of dollars over a 3-year period.

Mr. EGGERS. On both coins, yes, sir; that's right.

Mr. REUSS. Yes. Which is very fine. Now, this seigniorage idea was started under the Democrats. Would you be willing to let us apply that against some of the dreadful budget deficits we had when we were in power?

Mr. EGGERS. Sir, I want to be a winner, and whatever you want to do in applying it to the budget deficits go right ahead. I just want to get this legislation passed.

Mr. REUSS. Anyway, I think it is a good bill and we welcome your comments.

Mr. EGGERS. Yes, sir.

(The following letter was received by the committee:)

THE GENERAL COUNSEL OF THE TREASURY,
Washington, D.C., October 1, 1969.

Hon. HENRY S. REUSS,
House of Representatives
Washington, D.C.

DEAR MR. REUSS: At today's banking and currency hearings, you asked what effect H.R. 13252 would have on the total seigniorage and revenue from silver to the Federal Government. It is difficult to assess annual public demand for the cupro-nickel half dollar and the dollar coins. A fair assumption might be that the public could annually absorb 300 million nonsilver pieces of each denomination at least in the first few years.

Based upon this assumption, and with adequate appropriations, the seigniorage would be as follows:

300 million cupro-nickel dollars, approximately $290 million.

300 million cupro-nickel half dollars, approximately $145 million.

Total seigniorage, approximately $435 million.

Based upon production of 100 million 40 percent silver half dollars, seigniorage would amount to approximately $28 million. Assuming that 40 per cent silver clad dollars could be manufactured at the rate of 100 million pieces per year, seigniorage could be estimated at $56 million, which is based on the seigniorage shown for the silver half dollars above.

At the present time we are limited to minting 100 million 40 percent silver half dollars. We also have the additional limitation of having only 100 million ounces of silver in inventory for the manufacture of any type of silver coins, 60 million ounces of which is in the form of coins which must be sorted and melted.

The continued sale of surplus silver at the present rate of 1.5 million ounces a week, or 78 million ounces on an annual rate, would yield a profit of about $40 million at the price of the latest weekly sale conducted by GSA.

If the rare silver dollars were all sold, we estimate under the present market prices the gross profit would be about $90 million and, after paying the U.S. Treasury $3 million for the coins and deducting the cost of distribution together with a discount factor on the market price as listed, the net profit could be approximately $80 million.

In projecting annual figures over a 3-year period and taking into account that there could be some decline in coinage production in later years, it appears that enactment of H.R. 13252 would result in over $1 billion seigniorage and miscellaneous revenue to the Treasury during this period.

If I can be of any further assistance, please advise.

Sincerely,

PAUL W. EGGERS,
General Counsel.

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Chairman PATMAN. Let us see, now. We have two others, Mrs. Heckler and Mr. Johnson. If you will divide the time it will be appreciated so we can get through here. If you desire to ask further questions, do it in writing, and you will answer them when you look over your transcript.

Mr. EGGERS. Yes, sir, Mr. Chairman. I will be glad to.

Chairman PATMAN. And Mr. St Germain, yes. There are three of us.

Mrs. HECKLER. In the interest of time, I shall limit my questions and provide some in writing. I also want to commend you, Mr. Eggers, and your colleagues for your informative presentation this morning.

First of all, what is the seigniorage per dollar on the 40 percent silver half dollar and the half dollar with the cupro-nickel? Do you have that readily available? If not, you may submit it later.

Mr. EGGERS. We have a table here that we could submit.

Mrs. HECKLER. Fine.

Chairman PATMAN. You may insert the table in the record, if you desire.

Mr. EGGERS. Yes, I would like to insert the table. That shows the difference.

Chairman PATMAN. Without objection, so ordered.

(The table referred to follows:)

ESTIMATED COSTS AND NET RETURN TO GOVERNMENT PRODUCTION OF $1 (FACE VALUE)

Denomination	Weight (grams)	Face value	Manufacturing cost [1]	Fabrication of strip and metal cost [2]	Total cost	Profit
$1 (40 percent silver)	24.592	$1	$0.0075	[3] $0.4556	$0.4631	$0.5369
Do	24.592	1	.0075	[4] .4829	.4904	.5096
$1 (Cu Ni clad)	22.688	1	.0075	.0420	.0495	.9505
50 cents (40 percent silver)	11.50	1	.0070	[3] .4430	.4500	.5500
Do	11.50	1	.0070	[4] .4706	.4776	.5224
50 cents (Cu Ni clad)	11.34	1	.0070	.0410	.0480	.9520

[1] Based on fiscal year 1969 costs.
[2] Based on fiscal year 1969 average cost for metal and fabrication of strip.
[3] Silver at $1.292929292 per fine ounce.
[4] Silver at $1.382408847 per fine ounce.

Mrs. HECKLER. Mr. Blackburn commented that he would welcome a more available, readily accessible half dollar because he gives his children quarters regularly. He questioned the inflationary potential of changing to the cupro-nickel half dollar because the silver half dollar is obviously being hoarded. It would seem to me, Mr. Eggers, that in using quarters instead of the half dollar, Mr. Blackburn is spending the same amount of money. The presence or existence of the half dollar coin is of dubious value in the fight against inflation. I would believe that item No. 4 on page 5 of your testimony——

Mr. EGGERS. Balance of payments?

Mrs. HECKLER (continuing). Which indicates that using our surplus silver for dollar coins would mean higher prices for important con-

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sumer products, and you cite Kodak, or film, and other costs, would it not appear that the use of silver in the coins and the scarcity of silver, considering our ratio of consumption over production, that this in itself if we continue to put silver in coins will increase the inflationary spiral by increasing the cost of consumer goods.

Mr. EGGERS. That is absolutely correct. In addition to that, it would take silver out of the market and would affect our balance of payments. And over the 3-year period, if we used our surplus of silver for coins, we estimate approximately a hundred and forty-five million dollar added deficit in the balance of payments. So there is a double-edged sword there when we use the silver in our coins.

Mrs. HECKLER. Thank you very much, Mr. Eggers.

In the interest of time, Mr. Chairman, I shall submit my other questions in writing.

Mr. EGGERS. Thank you.

Chairman PATMAN. Thank you. Mr. St Germain.

Mr. ST GERMAIN. Thank you, Mr. Chairman. I am happy to hear from your testimony that the administration, Mr. Eggers, is now recommending that if there be a one dollar coin, that it be without any silver whatsoever, because I am sure we would have hit the same problem there, and I think probably one of the reasons the administration recommends this, as we hit with the Kennedy half dollar. And that is that 1 billion, or approximately a billion of them were coined and minted and the question is where are they? Who has them?

Just one question for the record. From time to time we hear that there are vast quantities of 90-percent silver being used by banks either to fulfill their reserve requirements or taken in as collateral for loans to borrowers. Now, I understand there is authority, that you already have the authority to end this practice. In view of the shortage of silver, the consumption as against production that we are all seeing, wouldn't it be wise at this time to invoke that clause and put an end to the practice of using silver collateral and for the reserves in the banks, the reserve requirements.

Mr. EGGERS. Mr. St Germain, I cannot right now answer that question on the 1965 act. This was discretionary. And all I can say is that I can take your statement back to the Treasury and say this is one of the things we should consider, and I will definitely bring your remarks to the attention of officials in Treasury and see that a policy decision is made in that area.

Mr. ST GERMAIN. Fine. Thank you.

Chairman PATMAN. Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman. And I, too, want to welcome you experts here this morning. I just want to say that when the bill first hit us 2 or 3 years ago to take silver out of our coins, to me it was, oh, so shocking that I didn't vote for it, honestly and here we are faced with a bill wherein we are going to go all the way, take the silver out of our half dollar and then make a silver coin without any silver in it. I don't know, I suppose we have reached the inevitable and it is probably something that we must do.

Now, I notice in your testimony that you have issued one and a fourth billion 50 cent coins with 40 percent silver and that has taken 200 million ounces of silver or a 6-year production. And I am just wondering—you probably should mint another 250 million of these

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half dollars, and if this bill passes to issue 300 million silver dollars, I am just wondering where would you get the silver if you have taken the 6-year production of silver to make the Kennedy half dollars which you have already made.

Mr. EGGERS. We have only approximately a hundred million ounces of surplus silver, so if we mint a dollar with silver in it and also a Kennedy half dollar, we would have to go into the marketplace and purchase silver. We are therefore proposing that nonsilver coins be minted.

Mr. JOHNSON. So you don't actually have the silver available to do it. You would have to try and procure it someplace?

Mr. EGGERS. No, sir. We have around a hundred million ounces of surplus silver. We do have 165 million ounces that is in the defense stockpile but that is not available for use in coins.

Mr. JOHNSON. That is a defense stockpile I think you said.

Mr. EGGERS. Yes, sir. That is right. There is a distinction.

Mr. JOHNSON. Now, if this bill should pass, then you gradually divest yourselves of all the silver except the defense stockpile, is that correct?

Mr. EGGERS. We plan to be out, if the bill passes, out of the silver marketplace approximately by the end of 1970 or the early part of 1971 under this plan.

Mr. JOHNSON. Now, we are going to hear from the silver people from out west, the miners and the producers. I suppose perhaps the reason that they might be against this bill is that if you take silver out of the market to make these silver dollars and continue to make the Kennedy half dollars with 40 percent silver in it, it will materially increase the price of silver at the mines, would it? So it would be to their advantage financially to mint these silver dollars and Kennedy half dollars with 40 percent silver in them. Isn't that the real reason that they would perhaps be against this bill?

Mr. EGGERS. I am not going to say that is the real reason. I am going to permit them to state their case. They came before us, our task force, and presented their case. I think some of them have a very emotional attachment to the idea that we ought to have a coin with silver. It is a combination of the two. They talk about the emotional aspect of having a coin of the realm with silver in it, but of course they are aware that if we continue producing silver coins, the silver price will rise and there will be more profits to the producers. It is as simple as that.

Mr. JOHNSON. Thank you, the bell has rung.

Mr. BROWN. Mr. Chairman, could I ask one more question?

Chairman PATMAN. Thank you, gentlemen. We thank you for your testimony. Go ahead, Mr. Brown.

Mr. BROWN. One final question. Would you want to express an opinion as to whether or not authority, not direction, should be given to Treasury to mint 40 percent silver dollars in a limited amount per year.

Mr. EGGERS. No, we would rather have just one coin and not two coins, and we do not want silver in the coin, definitely not.

Mr. BROWN. But would that be your decision if you only have the authority? You would not be directed to do it.

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Mr. EGGERS. That's right. I would rather we did not even have the authority because when we have the authority we will have the pressures.

Mr. BROWN. Thank you.

Thank you, Mr. Chairman.

Mr. EGGERS. Thank you, Mr. Chairman.

Chairman PATMAN. Mr. Eggers, that is the reason that the New York banks wanted the prime rate very high, so high that they would not have the pressures. They did not want their good customers to come in to them and to ask them for loans.

Anyway, Mr. Eggers, I repeat that the committee is grateful to you for your testimony. We appreciate it very much. And also the gentlemen accompanying you.

Mr. EGGERS. Mr. Chairman, it's been our privilege to be here.

Chairman PATMAN. We don't anticipate that we will need you back, but if we do, we will feel free to call on you.

Mr. EGGERS. Yes, sir.

Chairman PATMAN. Fine. Thank you very much.

Mr. EGGERS. You are welcome.

(Whereupon, at 12:05, the committee recessed to 10 a.m., Friday, October 3, 1969.)

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THE COINAGE ACT OF 1969

FRIDAY, OCTOBER 3, 1969

House of Representatives,
Committee on Banking and Currency,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. William A. Barrett, presiding.

Present: Representatives Patman, Barrett, Reuss, St Germain, Hanna, Rees, Galifianakis, Griffin, Hanley, Chappell, Dwyer, Halpern, Blackburn, Stanton, Brown, Williams, Wylie, Heckler, and Beall.

Mr. Barrett. The committee will please come to order. The committee must move expeditiously this morning. This morning the committee is honored to hear from our very distinguished colleague, Congressman Silvio O. Conte, of Massachusetts, and Congressman James A. McClure, of Idaho. Following their testimony, we will have the panel witnesses including Mr. Strauss, of the American Mining Congress, Mr. Stevens, of the Silver Users Association, Mr. Morris, of the Association of Photographic Engineers, and Mr. Krause, of the Numismatic News.

As we all know, the House will meet today at 11. It will be impossible for this committee to sit past that time. Therefore, it will be greatly appreciated if all the witnesses will summarize their statements as briefly as possible so that the members may have time to ask questions.

I have just been informed that Congressman McClure has had a bad case of flu. His statement will be read by his assistant, Mr. Thompson.

And Mr. Stevens, I am also informed, will not be available for the silver users. We will be happy to have Mr. Giaimo, one of our most outstanding Members of the House, make a short statement this morning for Mr. Stevens. The members will also find before them a statement of our colleague Howard Pollock of Alaska, and the National Automatic Merchandising Association. These statements are being submitted for the record.

Now, will this great and highly respected Congressman—and as one said not too long ago, to know Silvio Conte is but to love him—will this very distinguished Congressman from Massachusetts come up and we will certainly be glad to hear his testimony.

STATEMENT OF HON. SILVIO O. CONTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. Conte. Mr. Chairman and members of the committee, at the outset let me tell you how much I appreciate this opportunity to be able to testify with Congressman Barrett in the chair. I have had the

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pleasure of serving with you for 11 years now and you certainly have been a force for good in the Congress of the United States. And it was my great pleasure and privilege only recently to join with you in the dedication of that outstanding mint in Philadelphia, the greatest mint, I think, in the whole entire world.

Mr. BARRETT. I wonder if I may interpose at this point, and I am happy to say and I would say this off the top of the dome of the Capitol, without your very arduous and consistent assistance in this, I don't think the mint would have been dedicated in Philadelphia.

Mr. CONTE. Thank you very much.

Mr. BARRETT. I am grateful for your support.

Mr. CONTE. Mr. Chairman. It is where it belongs and it will be there for time immemorial. We are really proud of that mint and we are proud of the part that you played in helping make this new mint a realty. I know that you spoke to me and Congressman Steed many times when we were considering it in the committee on appropriations.

I certainly appreciate the opportunity to testify on H.R. 13252, which the chairman and the ranking minority member of your committee, Mr. Widnall, introduced July 31.

Section 2 of the chairman's bill would authorize the minting of a nonsilver half dollar and nonsilver dollar. I have long advocated this, and I would like at this time to explain why I support this bill.

On May 12, of this year, the Joint Commission on the Coinage held a very important meeting that was chaired by Secretary of the Treasury David Kennedy. As you know, this bipartisan Commission has the responsibility of giving advice on silver and coinage problems to the President, the Secretary of the Treasury, and the Congress.

I am currently a member of it, and have been since its inception several years ago. The Commission is indeed fortunate to also number as its members the distinguished chairman of the committee, Mr. Patman, and the distinguished ranking minority member, Mr. Widnall. As a result of this position, I have studied the problems of silver and coinage very closely, as I know both Mr. Patman and Mr. Widnall have.

At this meeting, the Joint Commission on the Coinage recommended, among other things, that silver be taken out of the half dollar and that it be replaced by a nonsilver half dollar and a nonsilver one dollar coin. As a result of this recommendation, the Treasury Department urged prompt enactment of legislation to that effect.

I might add at this point, Mr. Chairman, that these recommendations were not arrived at overnight. They were the result of more than 2 years' work, during which time the silver situation was studied with a fine-tooth comb. Every aspect of the problem was looked into. No table was left unturned.

The result is the bill before us today—H.R. 13252. It has the support of the Joint Commission on the Coinage and the Treasury Department. It embodies recommendations which were reached, as I have said, after long and careful study. And, in view of the silver crisis we are facing, it represents the only sensible and realistic approach to the minting of our coinage.

Mr. Chairman, to call the 40 percent half dollar a losing proposition is to state the case mildly. The point is—and I have said this over and over again both on and off the floor of the House—we are wasting

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our precious supplies of silver on a coin that does not even circulate, while our domestic industry desperately needs the metal.

I might interject at this point, Mr. Chairman, that on May 19 I introduced legislation in this area. My bill, H.R. 11404, provided for the minting of a nonsilver one dollar coin bearing the likeness of our late President, Dwight David Eisenhower. This was 1 week after the Joint Coinage Commission meeting.

Several weeks later, my colleague from Idaho, Mr. McClure and 145 cosponsors, introduced legislation calling for an Eisenhower silver dollar. I opposed this measure then, and in a speech on the floor on July 15, I explained why I did. I still oppose this measure today, and for the same reasons. That is why I am speaking today in support of H.R. 13252.

I might interject here, Mr. Chairman and members of the committee, that after I had learned that Congressman McClure had filed this bill along with 145 cosponsors, I wrote to some of those cosponsors to explain how their action would only hurt the consumer. In that letter I pointed out several reasons for opposing the use of silver in currency including the Joint Coinage Commission recommendations, desperate need for silver by domestic industry, limited supplies of silver in the Treasury, inflationary effect on price of silver, and detrimental impact on balance of payments. You can imagine how happy I was after that to have many of my colleagues come up to me on the floor to indicate that after they had learned all the facts of the case, they agreed with me and were not for the McClure bill they had originally gone along with. They were for a dollar coin with the likeness of the late Presikent. Dwight D. Eisenhower, but not with silver in it.

As you will recall, it was Congress that originally authorized taking silver out of our currency. Under Public Law 89–91, which passed on July 23, 1965, silver was taken out of the dime and the quarter. Unfortunately, it was not taken completely out of the half dollar. My good friend, Congressman Reuss and I fought this battle side by side at that time but unfortunately we lost.

This distinguished committee had overruled the President during the hearings and called for the complete removal of silver from all coins. The bill as finally enacted, however, only reduced the silver content from 90 percent to 40 percent.

The reason for this action by Congress was clear, and I should know. Congress recognized that silver was much too precious and its supplies much too limited to waste on currency.

This situation has not changed today. In fact, if anything, it has gotten worse. Silver is even more precious and its supplies even more limited to waste on currency today.

A few figures should put what I am saying in the proper perspective.

For example, since 1964, 276 million ounces of silver have been used in the minting of more than one billion half dollars. This amount of silver alone would have been enough to fill the gap between domestic production and consumption for a period of more than 2½ years.

Or to put it another way, the United States used 60 percent more silver in minting the half dollar than the rest of the entire world consumed during 1968 for this purpose.

The fact that the coin would not circulate even at the annual production rate of 300 million coins should be proof that, so long as silver is used, it will not serve as a medium of exchange.

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And the mint reduced the production of the 40 percent half dollar to 100 million a year last July. Even at this reduced rate—15 million ounces of silver per year—more silver is consumed in 1 year than is consumed by the domestic photographic industry in 4 months.

In addition, U.S. industry uses about four times the amount of silver produced in this country. Thus, foreign silver must be purchased to fill the gap. At 1968–69 prices, this could mean a $155 to $256 million per year balance-of-payments deficit. You can well imagine the impact of this deficit upon an already unfavorable balance of payments.

Mr. Chairman, simply stated, a new silver coin would not serve the purpose for which it was intended. It just would not circulate. On the other hand, the clad coins called for by your bill would circulate and would work in our economy. But there are even more reasons that Congress should act favorably on the chairman's bill.

For example, the Government would make more money on seigniorage by minting nonsilver coins. Seigniorage, as you know, is the difference between the face value and the intrinsic value of a coin. I would like to clarify this point a little more because there may be some confusion over whether the nonsilver dollar is in fact more profitable than the silver dollar.

The proponents of a 40 percent silver dollar argue that its silver would be worth $3.16 an ounce. They arrive at this figure by saying that you would have to melt 3.16 dollars to get an ounce of silver because each coin would contain .316 ounces.

Now I have followed the silver situation a long time, and I have never computed the value of silver like this. For purposes of discussion, however, I will assume that we do in fact get $3.16 an ounce.

Thus, it is argued, more money can be made doing this.

This, however, is not the case because it ignores what it costs the Government to mint coins. For example, it would cost 48 cents to mint the 40-percent silver dollar. This means the Treasury would make 52 cents per coin or $52 million on 100 million coins.

On the other hand, it would cost 5 cents to mint a nonsilver clad dollar. This would give a seigniorage figure of 95 cents per coin or $95 million on 100 million coins. In addition to that, it would release silver for sale to industry. In fiscal 1968, the profit to the government from the sale of 98 million ounces was $55 million.

This would give us a total profit of $150 million compared to only $52 million with a silver dollar. I think it is quite clear that the Federal Treasury comes out better with a nonsilver coin.

And finally, we should not overlook the fact that there are only 100 million ounces of silver left in the Treasury reserves.

On July 7, the Chicago Tribune editorialized about the Treasury recommendations embodied in H.R. 13252. They said, and I quote:

> Mr. Kennedy's plan is sensible and timely. * * * (it) would give us half dollars we can use, and the vending machines are starved for them. It might give us back the old cartwheel, * * * even minus its silver. It would increase the profit * * * which the Mint makes on its coinage. And nobody can complain that he will be seriously hurt by the proposal * * *.

At this time, Mr. Chairman, I also would like to submit to the committee two other fine editorials, one in the Philadelphia Inquirer, the home of the Mint, and one in the Denver Post, the home of the Denver Mint, also endorsing the chairman's proposal.

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Mr. BARRETT. That may be done without objection and so ordered.
Mr. CONTE. Thank you, Mr. Chairman.
(The editorials referred to follow:)

[From the Denver Post, May 15, 1969]

WRONG TIME FOR SILVER ORATORY

In response to a recommendation this week of the U.S. Treasury Department that Congress authorize production of non-silver half dollars and dollars, Sen. Peter Dominick has voiced sterling opposition.

A ready champion of the dwindled but hopeful silver mining industry in Colorado, Dominick not only attacked the decision of the Treasury and Joint Commission on Coinage (of which he is a member) to seek minting of the cheap-metal coins but suggested revival of a modified silver dollar. He said he plans to introduce legislation calling for continued production of the 40 per cent silver bimetallic John F. Kennedy half dollars and similarly constituted dollars honoring the late President Dwight D. Eisenhower.

We would favor the idea of striking a dollar coin as one of many memorial tributes to the fallen general and statesman, but we would point out that the chances of keeping a 40-percent silver dollar of the type asked by Dominick in circulation and out of the hands of collectors and silver speculators would be remote.

As noted in an article by Edwin L. Dale Jr. of the New York Times, such is the public's thirst for even the bimetallic half dollars still being minted at the rate of 100 million a year that they are continuing "to disappear from circulation almost as soon as they are issued."

This is going on despite the fact that the 15/100 of an ounce of silver in each half dollar has an intrinsic value of a little less than 27 cents at the current price of silver.

Thus it would appear that about the only way to thwart the accumulative habit of the coin hoarders, who have just been encouraged again by the lifting of the ban on melting money, is either to issue no more coins of silver or to reduce the already lowered percentage of silver to such a level as to eliminate any practical possibility of profit-taking.

We agree with Dominick that a silver-bearing coin is esthetically, historically, even monetarily, more desirable than a non-silver coin, but we aren't persuaded that the present ratio of silver is small enough to keep the coins in service.

[From the Philadelphia Inquirer, May 18, 1969]

TAKING THE SILVER OUT OF COINS

The U.S. Treasury's plan to produce non-silver half dollars and dollars has been a long time in coming and ought to be approved by Congress without much ado. Under the present rules, half dollar and dollar coins for all practical purposes have gone out of circulation.

Many a teenager has never seen a half dollar, except as a collector's item or as a keepsake or charm on key ring or watch chain. The half dollar particularly once served a useful role in commerce all over the country and ought to be restored to its former functions and made available for new uses being opened up by modern conditions.

A lighter, non-silver half dollar would simplify a lot of change-making problems and serve in many coin machines now overburdened by coins of smaller denominations. Even the dollar coin might find wider circulation owing to coin machines and rising prices, if it were less weighty and cumbersome than the old silver favorite of Western gambling casinos. In any event, the present situation in which these useful coins no longer circulate at all ought to be ended.

Perhaps the Kennedy half dollars should continue to be minted as long as there is a demand for them, but another half dollar coin less likely to be stashed away or melted down and more likely to serve the purpose for which it was minted ought to be put in circulation. As for silver itself the Treasury has the right idea in suggesting that it no longer be used for coinage. Other metals serve more efficiently in this role and are less, or possibly never, likely to be melted down for their metallic content.

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The Treasury is right also in asking for authority to auction off to the highest bidders the silver dollars it still holds in its vaults. The profit on these coins would serve in a small way to lighten the burden on the taxpayer and should by all means be realized by the Government.

Mr. CONTE. Before concluding, I think there is something else we should also keep in mind. The dollar coins in question would bear most likely the likeness of our late President, Dwight David Eisenhower. I am sure that my colleagues would agree with me that this is a fitting tribute to one of our greatest leaders. It would indeed be unfortunate if we failed or even delayed to commemorate him in this manner.

Therefore, I would hope for and urge speedy action on H.R. 13252 not only because the silver situation is critical but also because it could provide an appropriate way to commemorate our late president.

Mr. Chairman, I hope that I have made my position clear. I support the chairman's bill, and I want to thank you and the members of the committee so much for allowing me to appear before you today. I will be glad to answer any questions.

Mr. BARRETT. Thank you, Congressman, for your very edifying statement. It is very helpful. I am sure it will benefit the members here in the marking up of this bill. Thanks very much. You did a splendid job as always.

Mrs. DWYER. Mr. Chairman, may I just comment?

Mr. BARRETT. Mrs. Dwyer.

Mrs. DWYER. Mr. Chairman, I, too, want to compliment you on your very constructive statement. I take it that in the legislation before us it does not designate President Eisenhower. I know you have a bill in, and so do I, an amendment to the committee bill which would designate President Eisenhower on the coin. Do you agree with this position?

Mr. CONTE. Yes, I do. And I understand also in speaking with Secretary Kennedy that he would favor this.

Mrs. DWYER. He would prefer congressional action rather than an action from the White House, is this correct?

Mr. CONTE. I would seem to think so. We discussed it in our Joint Coinage Commission meeting. I might add here in the way of background, I think that Senator Mansfield, coming from Montana, was a great soldier in this whole fight of taking silver out of the coins. Not only that, but losing the cartwheel was a tremendous blow to the State of Montana and some of the Western States. I said right at the outset 2 years ago that I made a promise and a pledge that I would do everything humanly possible to see that the mint someday produced a new cartwheel. Unfortunately, the silver situation is so bad that you just can't even consider putting silver in this coin. I think they will be happy—in the long run they will be more than happy—to have a dollar cartwheel that they can use out there and that they are accustomed to.

I might also make a very interesting observation here. At one time—and I think Congressman Reuss is familiar with this—we had about 300 million silver dollars in the Treasury. They were taking up storage space and they were bothersome. So the mint took those silver dollars, transported them by rail to the west coast, and paid off all Federal workers in silver dollars hoping they could get them out of their hair. Within a period of time, they were all back in the Treasury here in Washington, D.C. So you know they are not used here on the east

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coast, but they are needed and wanted in the Western States of Nevada, Wyoming, Idaho, Montana, and Colorado and others. And I think in the long run a nonsilver cartwheel will serve that purpose.

Mrs. DWYER. Well, would you agree if Eisenhower's name was on a silver dollar, that the silver people would exploit it and it would not be widely circulated as we would want President Eisenhower's coin circulated?

Mr. CONTE. It would be just like throwing corn down a rathole. You just would not be able to mint enough of them in a million years to keep them in circulation for the public. The people that you are trying to help—the Western States—would not get these coins because everybody would be holding them and putting them away as they have done with the 300 million silver dollars that are outstanding at the present time. Someone has them. They are not in circulation.

I might make one other observation. I understand that the committee may be giving consideration to making a proof set or a mint set of the cartwheel or half dollar with silver in it. I certainly hope that this does not happen because it would defeat the whole purpose of trying to mint a nonsilver half dollar and dollar.

Mrs. DWYER. Thank you, Mr. Chairman.

Mr. BARRETT. Mr. Reuss.

Mr. REUSS. Thank you, Mr. Chairman. I will be very brief.

I want to commend Congressman Conte for the breath of fresh air which he has brought us, as he always does.

You point out in your testimony that because the advice of this committee was not taken 4 or 5 years ago when we suggested that the silver be taken out of the half dollar, there has been a minting of some 1 billion half dollars containing 40 percent silver. How much have we lost in seigniorage as a result of that? Something like $200 million?

Mr. CONTE. I think this is a very important thing to know, and I hope my colleagues will take careful note of it.

The fact is that since 1965, we have minted 790 million 40 percent half dollars. It costs 22 cents to mint this coin which means the Government comes out with a 28-cent profit on each one.

It only costs 3 cents to mint a clad coin, so we get a profit of 47 cents per coin.

This means that the Government would make 19 cents more per clad coin than it does on the 40 percent silver coin. Thus, we have lost over $150 million on the 790 million 40 percent silver half dollars minted since 1965.

I repeat—over $150 million over a 4-year period.

In addition to that, this would have released enough silver to bring in a profit of $66 million to the Government. So we are talking about a total loss of some $215 million.

Mr. REUSS. And it is a fact, is it not, that the $215 million has had to be made up by the sweat and energies of the average American taxpayer, the truckdriver who works hard for his money and pays an income tax to Uncle Sam? Is that not a fact?

Mr. CONTE. You are absolutely correct. Furthermore, would it not be nice to have that $215 million next week and put it on the antiwater pollution amendment?

Mr. REUSS. It is a fact, is it not, that had we used this $215 million to reduce taxes, to reduce water pollution, air pollution, and increase

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education, health funds, we could have made life easier for the entire taxpaying population of the United States, and furthermore, there would have been enough left over to pay a life annuity to every silver miner in the United States so that he could have had a happy life and not be mining silver to go into coins where it was unnecessary—is that not true?

Mr. CONTE. The gentleman is absolutely right. And there is one other point. Had we done that, today half dollars would be in circulation. The vending machine owners who are crying for half dollars would have half dollars. Instead of minting 1 billion, we could have minted 2 or 3 billion or whatever the need was in the United States. And these half dollars would be in circulation today.

Mr. REUSS. Thank you, Mr. Chairman.

Mr. BARRETT. Thank you, Mr. Reuss. I just wanted to say too, we are in a state of austerity here on time. Some of these people have come from long distances, but we want to recognize the committee but take as little time as we possibly can in questioning.

Mr. Wylie.

Mr. WYLIE. Mr. Chairman, I am sorry; I was not able to be here on Wednesday, but I would like to ask just a couple questions of Mr. Conte. Since he is on the Joint Commission on Coinage——

Mr. BARRETT. Will the gentleman yield back just a second to me so I can make a further explanation.

Mr. WYLIE. Yes, sir.

Mr. BARRETT. We are hoping that the members who desire to ask questions who were not able to be here at the other meetings would ask them in writing and I am sure those to whom they want to put a question would be glad to answer it in that way.

Mr. Wylie, you may continue.

Mr. WYLIE. All right. During the discussions of the Joint Commission on the Coinage, was it brought out as to how much silver we export?

We are exporting some silver to other countries at $1.29 an ounce? Did you know that?

Maybe some other witness can clear that up.

Mr. CONTE. Yes. We did have a ban on the exporting of coins, but not a ban on exporting of silver.

Mr. WYLIE. That was my understanding, yes.

Mr. CONTE. Yes.

Mr. WYLIE. We might take a look at that. As I understand it, last year we sold to the Mexican Government some 15 million ounces of silver for a coin which was distributed at their Olympic games, we sold it at $1.29 an ounce and they minted it and sold it for $4 on each coin and they made a profit of some $40 million. Is there an explanation for that?

Mr. CONTE. Let me explain that. I was opposed to that on the Commission, but the contract took place before the deadline—before the removal of the $1.29 an ounce price for silver and the free sale of silver.

Mr. WYLIE. Just one more question.

If silver is in such critical shortage, and as I understand it, you are in favor of H.R. 13252, why are we continuing to mint Kennedy half dollars for another year and a half?

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Mr. CONTE. Well, that is a good point. We got it cut down, you know, from 300 million a year to 100 million a year. I fought for that until I was blue in the face. Unfortunately, what we need now is legislation to take the silver, the 40 percent silver, out of the half dollar, and that is part of this proposal here.

Mr. WYLIE. Would you be in favor of deleting that section of the bill?

Mr. CONTE. Deleting?

Mr. WYLIE. Deleting?

Mr. CONTE. No, I would not. I want to take the 40 percent silver out of the half dollar.

Mr. WYLIE. That is my point. On page 3 of section B it says half dollars previously provided by this act may at the discretion of the Secretary of the Treasury continue to be minted until January 1, 1971.

Mr. CONTE. That's right. That is just a deadline so that you can have a transition period. That is because we have material with 40 percent silver in stock to take us through that period of time.

Mr. WYLIE. We are minting sandwich half dollars.

Mr. CONTE. Forty percent.

Mr. WYLIE. All of our half dollars are 40 percent?

Mr. CONTE. That's right.

Mr. WYLIE. There are no sandwich half dollars?

Mr. CONTE. It all depends on your interpretation of sandwich. They are a clad half dollar with 40 percent silver in them.

Mr. WYLIE. I see. I thought there were some half dollars that did not have——

Mr. CONTE. Prior to the legislation we had 90 percent silver in a half dollar.

Mr. WYLIE. All right. Thank you.

Mr. BARRETT. Thank you, Mr. Wylie.

Mr. Stanton.

Mr. STANTON. Thank you, Mr. Chairman.

Mr. BARRETT. Mr. Stanton, may I again just emphasize the House is meeting at 11 o'clock and we want to give these witnesses who are coming from a long distance an opportunity.

Now, Mr. St Germain, we will recognize you first and then we will go back to Mr. Stanton.

Mr. ST GERMAIN. If I might reply to my colleague on the committee who was asking questions on the half dollar, actually what happened was when we removed the silver from the 10-cent piece and from the 25-cent piece, during the floor fight those of us who were proponents of removing the silver did lose the fight on the half dollar. In other words, that was reduced to 40 percent. That is what it boils down to and that is why this legislation today.

Mr. CONTE. It was knocked down from 90 to 40.

Mr. ST GERMAIN. And as the gentleman—I want to commend the gentleman from Massachusetts for his statement because he and I have felt the same way. We are in an area that contains a great many silver users as does the gentleman from Connecticut who will testify very shortly. And I can recall that the gentleman from Massachusetts was very helpful in the fight a few years back when we removed the silver and cut the amount from 90 to 40 percent.

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But as I stated to my colleague, we could not go all the way. And I am hopeful in line with your testimony that we can finish the job today because we have got to recognize the facts. These are the facts of life and we have to recognize them. Nothing further, Mr. Chairman.

Mr. BARRETT. Thank you, Mr. Stanton.

Mr. STANTON. Thank you, Mr. Chairman. Just one quick question and I ask the witness today not in his capacity here this morning, but as we all know, Mr. Chairman, the witness is the ranking minority member on the Select Committee on Small Business which I have the pleasure to serve with him, and he is an outstanding member, of course, of this committee and one of the great consumer protectors that we have here in Congress. I was interested in a remark that you made because this probably will be the only amendment that I know coming up on the bill, and that is from the great protector of consumers, Mrs. Sullivan. And according to our transcript—you referred to this and it was not clear to me. Mrs. Sullivan said the other day, that she will "ask the Treasury for authorization to mint numismatic proof coins with some silver in them for collection purposes. And I plan to offer an amendment to the bill to authorize the use of some silver in proof coins." This was her remark. Did I gather that you are strongly opposed to this amendment?

Mr. CONTE. Yes; because the proof coins would be sought by everyone. Thus we would be defeating the purpose of this legislation which is to try to preserve the silver we have—only about 100 million ounces at the present time—for the consumer and for industry. And what would happen here is that you would completely deplete this supply. It is a question of supply and demand. The silver is not there any longer. The price will go up greatly. And they are going to pass this off to the consumer. So I think if we are interested in the consumer, the best thing to do is just go along with this bill as it is.

Mr. STANTON. Well, the gentleman is certainly an authority on that subject and I appreciate his comments. Thank you, Mr. Chairman.

Mr. BARRETT. Thank you, Mr. Stanton.

Now, we have another distinguished Member of the House who comes from almost a contiguous area to the gentleman who just testified, and that is the great and knowledgeable Congressman from Connecticut, Robert N. Giaimo.

Congressman, won't you come up here? And I understand that you want to make a statement relative to Mr. Stevens' testimony here this morning. We are glad to have you and this committee is always glad to have this great gentleman from Connecticut.

STATEMENT OF HON. ROBERT N. GIAIMO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. GIAIMO. Thank you, Mr. Chairman and members of the committee. I wish to express my gratitude for your cooperation in affording me this opportunity to speak today.

In the interest of time, I myself will not make a statement. I will merely say that I concur in everything which Congressman Conte has presented to the committee.

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I am pleased to appear before this committee as a member of the Joint Commission on the Coinage, and I am deeply interested in the enactment of your legislation, H.R. 13252. As you know, Mr. John Stevens, the president of the International Silver Co., in Meriden, Conn., was to have testified, and he asked me to express to the committee his regrets for not being here to testify in person. I am sure you are aware that he was scheduled to testify yesterday. When the hearings were postponed, he was unable to remain for the hearings today because of prior commitments. Therefore, I would like to ask your permission, Mr. Chairman, to introduce at this time Mr. Walter Frankland, Jr., the executive director of the Silver Users Association, who will present Mr. Stevens' testimony .

Mr. BARRETT. Thank you.

Mr. GIAIMO. Mr. Frankland.

Mr. BARRETT. Congressman, while you were talking just briefly——

Mr. GIAIMO. I asked for permission to have Mr. Frankland the executive director of the Silver Users Association, present Mr. Stevens' testimony.

Mr. BARRETT. Mr. Frankland, we will take you after we take Mr. Thompson——

Mr. FRANKLAND. Fine, very good, sir.

Mr. BARRETT (continuing). who is going to read Mr. McClure's statement and then we shall be glad to return to you.

Is Mr. Thompson here? Come on up, Mr. Thompson.

Mr. Thompson, probably you don't know the policy of this committee, but we would like you to know it before you start. We want you to feel at home here and feel as if you are ensconced in your easy chair looking at the television. So the committee will do everything to help you make yourself comfortable.

STATEMENT OF HON. JAMES A. McCLURE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO, AS PRESENTED BY RICHARD K. THOMPSON

Mr. THOMPSON. I have worked on the Hill for 14 years, sir. I am familiar with it. I am speaking for Mr. McClure now.

Mr. Chairman, I am deeply honored by the opportunity to appear before your committee today and to offer my views on the coinage matters before you. As Mr. Eggers commented Wednesday regardless of the decisions you arrive at, we are finally resolving once and for all, for good or for bad, the disposition of problems that have plagued us for many years.

I suppose that some would dismiss my testimony as biased in favor of silver producers merely because I am from Idaho. Well, Mr Chairman, it is true that once the Government is out of the silver business, prices will go up, thereby benefiting the miners of northern Idaho. We are not afraid of profits out there and will gladly accept any benefit which enhances the area economically and brings it up on a par with the other States. Regardless of what this committee does, silver prices, inevitably, will go up.

However, our motives are not purely selfish ones. We are not so provincial that we put consideration of our mines ahead of the needs of silver users—one quite obviously depends on the other. Nor are we

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so greedy that we would sacrifice the well-being of the American economy for an extra dollar in our billfolds—what affects the Nation as a whole will most certainly affect Idaho miners as well.

In any event, the transfer from a Government controlled silver market to one of supply and demand is at hand. It is the obligation of Congress to make certain that the shift is as painless as possible for all parties involved.

For me there are several compelling reasons why we should authorize a coin dollar containing metal of intrinsic value.

The first is my personal belief that our monetary system must bear some relationship to precious metal backing. Admittedly, this is not a view shared by many of you on this panel. Yet I must mention it, if only to explain why I feel so deeply about it. Mr. Eggers said that the function of the Treasury is to provide coins for the marketplace. So long as the cost of producing those coins is less than the value of the coins themselves, the taxpayer is not being hurt. A 40 percent silver dollar monetizes at $3.16 per ounce. For the 50-cent piece, the figure is $3.38 an ounce. Is anybody in the Treasury willing to tell us that in the life of these coins the price will reach those levels?

We can—and should—buy silver at any price up to $3.16 for coinage purposes. The only possible argument against this is that you can make more money by turning out cheap coins. But this is precisely the same argument for printing press currency.

Another reason why I support the silver dollar is my belief that our country should have a prestige coin. I think most Americans agree that Dwight D. Eisenhower's record of unmatched service to his country deserves to be commemorated. And it is only natural that the new dollar serve as the vehicle for this tribute. Likewise, it follows that the coin honoring our late President should be as prestigious as the man himself. It should be of the highest quality—just as Congress in its wisdom chose to remember John F. Kennedy.

Mr. Eisenhower often said that he wanted to be remembered primarily for his efforts in behalf of world peace. So, I further suggest that the design for the obverse side be taken from the design authorized in 1921 in commemoration of peace, since known as the Peace Dollar.

And, as Secretary Fowler said in testimony before this committee in 1965, there is a need for "maintaining at least one prestige coin as a part of our tradition."

But if you cannot accept the argument that our monetary system should relate to precious metal—and if you cannot accept the argument that we should mint a prestige coin, there is still a third reason that is the most persuasive of all. It concerns that much abused word "seigniorate." If you can ignore the rest of my arguments, you simply cannot ignore the fact that you get a better return to the taxpayer by using the silver in coins.

The sale of our Treasury's silver asset in the best possible way should be of prime concern today. At the present rate of $1.88 per ounce, the profit to the Government—if that rate were maintained—would be only $46 million if the remaining 100 million ounces were disposed of through the GSA sales.

Used to mint the Eisenhower silver dollar, the profit would increase an additional $128 million. To those who claim that this is not a

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profit, I can only ask why it is that other governments—Mexico's for instance—make a profit from buying silver at market prices and selling it for $4 per ounce as they did last year?

The Treasury said Wednesday that more money is derived by minting cupro-nickel dollars. But the profit obtained by using silver in coins is additional because it supplies an additional demand. And what is more, as the Treasury admitted Wednesday, the use of silver in coins is anti-inflationary. Since they will not circulate—at least to some extent—the silver dollar not only meets an additional benefit as well. Don't be afraid of profits and don't be afraid of higher silver prices, for they are not in themselves inflationary. Silver prices, unhampered by Government regulation will follow the tried and tested economic laws and will bring supply and demand into balance. Treasury's selling silver into the market can only delay and obstruct a balance between supply and demand.

For those who say our economy is so strong that the monetary system need bear no relationship to gold and silver, what better way to show its strength than by minting our largest coin in such a fashion as to illustrate our abundance? To run to a cupro-nickel coin is a confession of weakness used by other nations only in a time of economic distress.

The bills (H.R. 12744 to 12749, H.R. 12766 and 13214) to mint a silver dollar were cosponsored by 159 Members of the House. Many other congressmen declined to add their names for one reason or another, but nevertheless called to give me their personal assurance that the proposal had their support—a sufficient number, I might add, that the total in favor constitutes over half of this body. In the Senate, Senator Dominick's bill has a host of cosponsors which include the majority leader, Senator Mansfield, and the late Senate minority leader, Senator Dirksen. In view of this I am at a loss to explain why some of those who oppose my bill insist that the cosponsors have been lured into adding their names. Are we to believe that so many responsible Members of Congress add their names, willy nilly, to a bill without considering its consequences? Will not such charges come back to haunt them in the next election?

The truth is that the facts surrounding Treasury silver are so beclouded that it has grown increasingly difficult to separate fact from fiction. I would like to set the record straight at this time as best I can in this limited time.

It is fiction to say that there is a shortage of silver at the present time. The facts were well stated by Handy and Harman in their year-end review last December. They said: "We have continually emphasized that there will be no shortage of silver for future industrial needs, and this has been confirmed by events."

Paradoxically, it is also fiction to say that today's surplus will continue indefinitely. The fact is that until the silver market is released from the artificail depression of government control, the mining industry will not find exploration for mines economically feasible.

It is fiction to say that the legislation I propose should not be adopted because it affects the balance of payments situation through prospective imports of silver. The fact is that the cupro-nickel dollar will have the same kind of results. In 1967, we imported 143,000

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short tons of nickel and exported 31,537 tons. Thus, the net import figure for that year was 111,463 tons. In 1968, imports of copper exceeded exports by 315,564 short tons.

It is fiction to say that a prestige coin will not circulate. Under the proper circumstances and with sufficient support, it will. The Kennedy half was not given a fair chance, because it was not minted in sufficient numbers. The Treasury minted 300 million annually for 2 years and just as these coins were beginning to circulate, the authorization was reduced to 100 million to perpetuate the shortage. Mr. Tate admitted as much Wednesday when he said it would take 300 million annually to circulate the cupro-nickel halves they now propose. Furthermore, only 800 million 40 percent silver half dollars have been minted to replace the 1.2 billion 90 percent halves minted previously—and at a time of increasing demands in the marketplace.

It is fiction to tell us that the 100 million limitation on half dollars was imposed by the Coinage Act of 1965. That decision is made annually by the Treasury Appropriations Subcommittee, on which the gentleman from Massachusetts (Mr. Conte) is the ranking Republican.

It is likewise pure fiction for the Treasury to say that a cupro-nickel half is expected to circulate, while a cupro-nickel dollar will not. The fact is, as any reliable coin collector will tell you, any change in either the composition or facing of a coin will not circulate when issued in limited quantities. It makes no difference whether the coin is made of silver or glass beads, it will not circulate at first if only a limited number are minted.

It is fiction to say that all members of the Coinage Commission endorsed unanimously the proposals before you, as you were erroneously told Wednesday. I am now a member of the Commission and attended that meeting in May. Most assuredly the recommendations on the half and the dollar were not unanimous. I might add at this point that I have, however, supported the agreement on disposition of the Carson City dollars and have introduced legislation to implement the plan (H.R. 13451).

It is also fiction to say that the Coinage Commission insisted on a cupro-nickel dollar. The fact is that no recommendation whatsoever was made as to the composition of the proposed dollar, that decision being left to Congress.

As you can see, the inescapable conclusion is that the Treasury came before this committee to promote a point of view—not to respond to questions and supply facts upon which you could decide.

Mr. St Germain asked about a shortage of silver. Well, the silver users themselves have said repeatedly there is no shortage of silver.

Mr. Reuss elicited from the Treasury representatives that 300 million halves will need to be minted annually to meet the demands of the marketplace, and yet Treasury tried to pretend that the Kennedy half would not circulate even though a supposedly sufficient number had been coined. The implication was left that it was because it contains silver and the truth is that the coin was sabotaged.

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Treasury would have us believe that turning out 100 million coin dollars of relatively little value brings in a huge profit. Well, the home-builders in this country are in Washington this week asking for $10 billion. Perhaps the solution to our problems is to just turn on the printing presses and turn out enough money that every proposal before Congress can be funded and still keep the budget in balance. Why is it that we will defend the peace with silver in the stockpile but we will not defend our monetary system with it?

Mr. Eggers said Wednesday that the demand for a coin dollar lies primarily in the West. I wish to assure him that in the West the demand is for a silver dollar.

The truth is that throughout the world people want prestige coins. How else can the Treasury explain the popularity of the Kennedy half? How else can you explain the fact that in the past decade more than 370 million such coins have been issued by 47 different countries. The actual figures are not available in all cases, so the total figure is considerably higher, and I ask that a table of these coins be printed at the conclusion of my testimony. The tables show that throughout the free world there is no more reluctance to issue a commemorative coin than there is to issue a commemorative stamp. Why should we be any different?

Since introducing my bills to mint an Eisenhower silver dollar, I have had countless letters from people in all walks of life and in every section of the country. All favor the proposal. Perhaps none of these letters illustrates this feeling more than one particular note which came from a gracious lady in Pennsylvania. I would like to share it with you. It reads:

> Thank you for your letter and the copies of the bills introduced on the minting of a silver dollar bearing the likeness of my husband.
>
> I am particularly pleased that the Members of Congress chose this way of commemorating my husband, as I recall he often used silver dollars as a little momento to give to children and young people who visited his office after he left the Presidency. He made a special effort to secure some minted in the year of his birth, and I still have some that he kept in his desk drawer.

That letter is signed, of course, Mamie Doud Eisenhower. It seems that even the man we propose to honor recognized the silver dollar as a symbol of the economic strength of this Nation. We cannot escape the fact that the overwhelming majority everywhere feel the same as Mrs. Eisenhower.

If, in the judgment of this committee, it makes more sense to mint 300 million in 1 year rather than spreading it out over 3 years, that is acceptable to me. We cannot lose by placing silver in our coins. What the Treasury gains, the people gain. The people will buy the silver dollar gladly and pay $3.16 an ounce for it. We know that the Eisenhower silver dollar will be a keepsake because it is a quality coin. We have the silver and I can think of no finer use for the benefit of more people than in the dollar.

I urge the committee to retain the silver in our coinage and to mint an Eisenhower silver dollar.

(The tables referred to by Mr. McClure in his statement follow:)

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NUMBER OF SILVER BEARING COMMEMORATIVE COINS MINTED BY COUNTRIES BY YEAR

[In thousands]

Country	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Total
Philippines			200		100	100			100		100	600
Czechoslovakia							65	120	65	62	60	372
Austria	4,901	1,601	1,401	2,401	5,015			3,500				18,819
Belgium		500										500
Hungary			60					22				82
Mexico		1,000								27,182		28,182
Nepal										1,000		1,000
Swaziland										10		10
Denmark		410				350			500	297		1,557
Germany						500		2,000	2,000	8,000		12,500
East Germany								200	200			400
Paraguay							150	150				300
Egypt	500	250				1,500						2,250
Bahrein												(1)
Chile												(1)
Canada						7,297			122,973			130,270
Union of South Africa		425							2,000			2,425
Finland		201							1,000			1,201
Haiti												(1)
Bhutan								11				11
Botswana								40				40
Lesotho		--						28				28
Monaco								25				25
Portugal		1,200						2,000				3,200
Israel	32	39	24	16	11	16	33	43	323	71	80	688
Sweden	850			256				1,000				2,106
Formosa							1,000					1,000
Ghana							1					1
Yemen							6					6
Andorra		4			5	7	5					21
Italy							5,000					5,000
Japan						105,000						105,000
Sarjah						43						43
Sierra Leone						10						10
Bulgaria					15	30						45
Greece					3,000	2,000						5,000
Norway						1,300						1,300
Luxembourg					75							75
Dominican Republic					6,720							6,720
Siam					2,000							2,000

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Switzerland					623							623
Vatican City				60								60
Uruguay			3,000									3,000
Turkey	8,000											8,000
Bermuda	100											100
Iraq	500											500
Spain								25,000				25,000
Total	14,883	5,630	4,684	2,733	17,564	118,153	6,260	34,139	129,161	36,622	240	370,070

[1] Unknown.

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SILVER-BEARING COMMEMORATIVE COINS MINTED IN 1969

Country	Coin	Number minted
Israel	5 pounds (kof Shalom)	80,000
Philippines	1 peso (Aguinaldo)	100,000
Czechoslovakia	25 korona (Purkyne)	60,000

COUNTRIES MINTING SILVER COIN (NUMBER OF COINS NOT KNOWN)

Austria	25 schilling (Rosegger).
Hungary	50 forint (Bela Kun). 100 forint (Bela Kun).

SILVER-BEARING COMMEMORATIVE COINS MINTED IN 1968

Country	Coin	Number minted
Israel	5 pound (Jerusalem)	70,501
Mexico	25 peso (type I Olympic)	27,181,500
Do	25 peso (type II Olympic)	
Do	25 peso (type III Olympic)	
Nepal	10 rupees (FAO)	1,000,000
Swaziland	(5-coin set)	10,000
Czechoslovakia	50 korona (Republic)	62,000
Denmark	10 kroner (Benedikte)	295,760
Germany	5 marks (G-Gutenberg)	4,000,000
Do	5 marks (J-Raiffeisen)	4,000,000

COUNTRIES MINTING SILVER COIN (NUMBER OF COINS NOT KNOWN)

East Germany	5 marks (Gutenberg).
Czechoslovakia	25 korona (Museum).
Do	10 korona (Theater).
Austria	50 schilling (50th Anniversary).
Do	25 schilling (Hilderbrant).
Philippines	1 peso (FAO).
Paraguay	300 guaranies (Centennia).
Egypt	1 pound (Aswan).
Bahrain	500 fils (Isa Town).
Chile	5 pesos (Naval School).
Do	10 pesos (Sesquicen.).
East Germany	20 marks (Marx).
Germany	5 marks (Pettenkofer).
Hungary	50 forint (Semmelweis).
Do	100 forint (Semmelweis).
Portugal	5 edcudos (Cabral).
Vatican City	500 lire (FAO).

SILVER-BEARING COMMEMORATIVE COINS MINTED IN 1967

Country	Coin	Number minted
Canada	10 cents (Centennial)	62,998,215
Do	25 cents (Centennial	48,855,500
Do	50 cents (Centennial)	4,211,659
Do	1 dollar (Centennial)	6,909,237
Israel	5 pounds (Eilat)	38,005
Do	10 pounds (Victory)	285,088
Philippines	1 peso (Bataan)	100,000
Union of South Africa	Rand (Verwoerd AF)	1,000,000
Do	Rand (Verwoerd Eng.)	1,000,000
Czechoslovakia	10 korona (Bratislava)	65,000
Denmark	10 kroner (Margrethe)	500,000
East Germany	5 marks (Kollwitz)	100,000
Do	20 marks (Humboldt)	100,000
Finland	10 markkaa (50th Anniversary)	1,000,000
Germany BRD	5 marks (Humboldt)	2,000,000

COUNTRIES MINTING SILVER COIN (NUMBER OF COINS NOT KNOWN)

Austria	50 schilling (Danube).
Do	25 schilling (Maria T.).
Haiti	25 gourdes (10th Anniversary).
Do	10 gourdes (10th Anniversary).
Do	5 gourdes (10th Anniversary).

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SILVER-BEARING COMMEMORATIVE COINS MINTED IN 1966

Country	Coin	Number minted
Bhutan	3 rupees (accession)	10,826
Botswana	50 cent (Indepen.)	40,200
Israel	5 pounds (Life)	43,000
Lesotho	50 licente (A Indep.)	17,500
Do	20 licente (A Indep.)	3,500
Do	10 licente (A Indep.)	3,500
Do	5 licente (A Indep.)	3,500
Paraguay	20 soles (Callao)	150,000
Austria	25 schilling (Raimund)	2,000,000
Do	50 schilling (bank)	1,500,000
Czechoslovakia	10 korona (Morovia)	120,000
East Germany	5 marks (Schinkel)	100,000
Do	20 marks (Liebniz)	100,000
Germany BRD	5 marks (Liebniz)	2,000,000
Hungary	25 forint (Zrinyi)	11,000
Do	50 forint (Zrinyi)	11,000
Monaco	10 francs (10th Anniversary)	25,000
Portugal	20 escudos (Bridge)	2,000,000
Spain	100 pesetas (30th Anniversary)	25,000,000
Sweden	2 kronor (Reform.)	1,000,000

COUNTRIES MINTING SILVER COIN—NUMBER OF COINS NOT KNOWN

Poland	100 zlotych (Anniversary).
Monaco	10 francs (Charles III).

SILVER-BEARING COMMEMORATIVE COINS MINTED IN 1965

Country	Coin	Number minted
Formosa	50 dollars (Sun Yat Sen)	500,000
Do	100 dollars (Sun Yat Sen)	500,000
Ghana	10 shillings (OAU)	1,000
Israel	5 pounds (Knesset)	32,912
Paraguay	20 soles (Lima Mint)	150,000
Yemen	1 riyal (A-Churchill)	6,000
Andorra	25 diners (Parliament)	1,800
Do	50 diners (Parliament)	3,150
Czechoslovakia	5 korona (Huss)	65,000
Italy	500 lire (R Dante)	5,000,000

COUNTRIES MINTING SILVER COIN (NUMBER OF COINS NOT KNOWN)

Czechoslovakia	25 korona (War II).
Austria	25 schilling (School).
Do	50 schilling (Vienna U.).

SILVER-BEARING COMMEMORATIVE COINS MINTED IN 1964

Country	Coin	Number minted
Canada	1 dollar (Conferen)	7,296,832
Egypt	5 piastres (Aswan)	500,000
Do	10 piastres (Aswan)	500,000
Do	25 piastres (Aswan)	250,000
Do	50 piastres (Aswan)	250,000
Israel	5 pounds (Museum)	15,600
Japan	100 yen (Olympics)	90,000,000
Do	1,000 yen (Olympics)	15,000,000
Philippines	50 centavos (Mabini)	100,000
Sharjah	5 rupees (A Kennedy)	43,000
Sierra Leone	1 leone (Indepen.)	10,000
Andorra	25 diners (Napoleon)	2,200
Do	50 diners (Napoleon)	5,000
Bulgaria	2 leva (Dimitrov)	20,000
Do	5 leva (Dimitrov)	10,000
Denmark	5 kroner (Anne-Marie)	350,000
Germany (BRD)	5 marks (J Fichte)	500,000
Greece	20 drachma (wedding)	2,000,000
Norway	10 kroner (Constit.)	1,300,000

COUNTRIES MINTING SILVER COIN (NUMBER OF COINS NOT KNOWN)

Luxembourg	100 francs (Duke).
Austria	25 schilling (Grillpar.).
Do	50 schilling (Olympics).
Czechoslovakia	5 korona (Uprising).

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SILVER-BEARING COMMEMORATIVE COINS MINTED IN 1963

Country	Coin	Number minted
Dominican Republic	10 centavo (Restorat)	4,000,000
Do	25 centavo (Restorat)	2,400,000
Do	½ peso (Restorat)	300,000
Do	1 peso (Restorat)	20,000
Israel	5 pound (Seafaring)	10,490
Philippines	1 peso (Bonifacio)	100,000
Siam	20 baht (Birthday)	2,000,000
Austria	2 schilling (Eugene)	2,005,931
Do	50 schilling (Tyrol)	3,010,400
Bulgaria	2 leva (Cyrillic)	10,000
Do	5 leva (Cyrillic)	5,000
Greece	20 drachmai (Monarchy)	3,000,000
Luxembourg	100 franc (Millen)	50,000
Do	Medallic crown (Millen)	10,000
Do	250 francs (Millen)	15,000
Switzerland	5 francs (B-Red Cross)	623,000
Andorra	25 diners (Benlloch)	1,350
Do	50 diners (Benlloch)	3,500

SILVER-BEARING COMMEMORATIVE COINS MINTED IN 1962

Country	Coin	Number minted
Israel	5 pounds (Negev)	15,500
Austria	2 schilling (Bruckner)	2.401,000
Sweden	5 kronor (Birthday)	256,100
Vatican City	500 lire (Ecumen)	60,000

SILVER-BEARING COMMEMORATIVE COINS MINTED IN 1961

Country	Coin	Number minted
Israel	5 pounds (Mitzvah)	24,102
Philippines	½ peso (Rizal)	100,000
Do	1 peso (Rizal)	100,000
Uruguay	10 pesos (Gaucho)	3,000,000
Austria	2 schilling (Burgenland)	1,401,000
Hungary	25 forint (Liszt)	15,000
Do	25 forint (Bartok)	15,000
Do	50 forint (Liszt)	15,000
Do	50 forint (Bartok)	15,000

COUNTRIES MINTING SILVER COIN (NUMBER OF COINS NOT KNOWN)

Italy .... 20 lire (R-Unific.).

SILVER-BEARING COMMEMORATIVE COINS MINTED IN 1960

Country	Coin	Number minted
Egypt	25 piastres (Assembly)	250,000
Israel	5 pounds (Herzl)	39,395
Mexico	10 pesos (Indep.)	1,000,000
Union of South Africa	5 schilling (Union)	425,084
Turkey	10 lira (Revolt)	8,000,000
Austria	25 schilling (Carinthia)	1,601,000
Belgium	50 francs (Marriage)	500,000
Denmark	5 kroner (Anniversary)	403,838
Finland	1,000 markkaa (Currency)	201,000
Portugal	5 escudos (Henry)	800,000
Do	10 escudos (Henry)	200,000
Do	20 escudos (Henry)	200,000
Andorra	25 diners (Charles)	1,350
Do	50 diners (Charles)	3,100

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SILVER-BEARING COMMEMORATIVE COINS MINTED IN 1959

Country	Coin	Number minted
Bermuda	Crown (Founding)	100,282
Egypt	Piastres (Union)	500,000
Iraq	Medallie double crown (Revolt)	500,000
Israel	5 peunds (Exiles)	32,041
Austria	2 schilling (Johann)	1,901,000
Do	50 schilling (Hofer)	3,000,000
Sweden	2 kronor (Constit.)	850,000

Mr. THOMPSON. Mr. Chairman, Mr. Krause who is supposed to testify this morning was unable to be here and asked that we submit his prepared statement.

Mr. BARRETT. That may be done without objection and so ordered.

(The statement referred to follows:)

PREPARED STATEMENT OF CHESTER L. KRAUSE, PUBLISHER OF NUMISMATIC NEWS, COINS MAGAZINE, COIN COLLECTOR AND SHOPPER, COIN PRICES

Mr. Chairman and members of the committee: I appreciate the opportunity to appear before you today to offer an opinion in behalf of the coin collecting fraternity on the pending legislation calling for the issue of an Eisenhower dollar coin, and to respectfully venture the opinion that it should be struck of a silver composition.

As one of the major publishers of numismatic periodicals I am certain I speak not only for our thousands of subscribers, but also for the entire coin collecting fraternity in urging that a dollar size coin bearing the likeness of the late Dwight D. Eisenhower be introduced at this time, it to serve as the keystone for reestablishing a dollar coin in the U.S. coinage system.

We in the coin collecting fraternity never lose sight of the fact that the primary function of our currency, both coins and paper money, is its service to the nation as a medium of exchange. It also provides an extremely important secondary service, however, as a projector of our national image.

There is hardly a day in the lives of our 200 million people when the individual does not handle at least one coin or piece of paper money. In this day of social turbulence, it is vital that we not overlook a single opportunity to recall the greatness of our nation's heritage—and those who forged it—to the present generation.

Mr. Chairman, I am firmly convinced that circulating currencies have no equal as influential mediums in selling and reselling our great country to its citizenry. When the individual pauses to contemplate for even a second, he cannot help but be humbled by the image projected by a Washington, Lincoln, Jefferson, Roosevelt, Kennedy, Hamilton, Jackson, Grant or Franklin.

As a molder of American traditions, Ike was certainly no less an artisan. He is remembered and revered by all Americans, regardless of their political leanings. His service to his country was truly above politics, as was that of another great American military leader and President, George Washington. Though two centuries apart in time, they both devoted themselves to building a bigger and better United States.

Certainly the addition of an Eisenhower dollar coin to our coinage system at this time would do much to amplify the patriotic projection service rendered therein.

Being mindful of the fact that the future will provide other personages and events of comparable stature, we in the hobby would leave the longevity of the Ike design to the discretion of the Joint Commission on the Coinage. That is, we would like to have the new dollar coin exempted from provisions of present laws which require that the design of any U.S. coin may not be changed until 25 years have passed following introduction.

We would like to see the design of the dollar coin changed from time to time as other subjects develop. In the years since our nation's commemorative half dollar series was halted, many fully worthy national events and personages have passed into history unrecognized on coin of the realm. This abandoned tradition should be restored, this time to a circulating coin.

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While collectors throughout the nation are looking forward to an Eisenhower dollar for 1970, a silver Eisenhower dollar would certainly be more favorably received, not only by the collector, but also by the man on the street. A non-silver dollar just would not do the job of image building that a silver one would.

At this point, Mr. Chairman, I would like to draw to your attention a comparable situation. Canada began minting a silver dollar in 1935—the same year that we minted our last silver dollars to the old .900 fine standard—and continued through 1967. She used the coin as a projector of national image, and incorporated a number of appropriate special commemoratives in the series.

In 1968, the content of Canada's dollar coin was changed to pure nickel. In the two years since its appearance as a non-silver coin, the Canadian dollar has been receiving only a fraction of the exposure the old silver piece enjoyed. It has, therefore, been projecting little of the image it formerly did.

Thus, Mr. Chairman, as a member of that segment of society which not only benefits from the primary function of a circulating currency, but also as a numismatist who enjoys coins for their aesthetic, historic and image building appeal, I am here to strongly urge the minting of an Eisenhower dollar coin in 1970.

All other factors being equal, it would be most desirable to have this coin make its appearance as a silver piece. In this form the coin would be best suited to achieve its secondary objective—the evoking of patriotic impulse and national pride.

Mr. THOMPSON. One other thing, sir. Senator Mansfield sent a letter, a brief letter that he asked to be read at this hearing. Would you want me to read it or a portion of it at this time?

Mr. BARRETT. Well, it would be pretty hard to say no to that request, but if you would read it in part and then we could put it in the record.

Mr. THOMPSON. Perhaps I could read one paragraph from it and then submit it.

Mr. BARRETT. Yes.

Mr. THOMPSON. "While I have no quarrel"—this is Senator Mansfield.

While I have no quarrel as to the design of this new coin, I think it is very important that it contain silver content of approximately 40 percent. I recognize that old silver dollar cannot be reproduced in large quantities, but I would not like to see a complete abandonment of the silver content. In the eyes of my constituents nothing could be worse than a large round coin made of a variety of alloys. People of the West do not want a phony dollar. They want one with a proper amount of silver.

I think that was the gist of the statement.

Mr. BARRETT. That may be done. That may be submitted in the record without objection and so ordered.

(The letter referred to follows:)

U.S. SENATE,
OFFICE OF THE MAJORITY LEADER,
Washington, D.C., October 2, 1969.

Hon. WRIGHT PATMAN,
Chairman, Committee on Banking and Currency,
House of Representatives.

DEAR MR. CHAIRMAN: The United States coinage system has undergone a certain amount of change in recent years in which we have permitted an increased use of alloy metals.

During these years, perhaps the most unfortunate situation has been the disappearance of the silver dollar. The silver sollar has a special meaing to the people of Montana and the West. It was a very popular medium of exchange. Unfortunately, with the reduced minting of the silver dollar coin, dealers and promoters have been hoarding and charging exorbitant prices for the cartwheels. I think it is time that the U.S. Treasury issued a silver dollar. I believe it would be a very popular move. I am pleased that your committee, the House Committee on Banking and Currency, has scheduled these hearings on coinage recommendations. I am a cosponsor of the Dominick proposal in the Senate, which would

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provide for the minting of the new Eisenhower silver dollar. I am certain that we all agree that this would be an appropriate tribute to our late President, who was held in such high regard by the people of our Nation.

While I have no quarrel as to the design of this new coin, I think it is very important that it contain at least a reasonably high silver content of approximately forty per cent. I recognize that the old silver dollar cannot be reproduced in large quantities, but I would not like to see a complete abandonment of the silver content. In the eyes of my constituents nothing could be worse than a large round coin made up of a variety of alloys. People of the West do not want a phony dollar. They want one with a proper amount of silver.

My schedule prevents my making a personal appearance before your Committee, but I did want you to know that the people of Montana are extremely interested in this legislation, and I strongly recommend that the Treasury Department be given the authority to mint large quantities of silver dollars. To do otherwise would merely contribute to the hoarding of coins.

Thank you for this opportunity to express my views.

With best personal wishes, I am

Sincerely,

MIKE MANSFIELD.

Mr. BARRETT. Mr. Williams.

Mr. WILLIAMS. Mr. Chairman, I have one question, the answer to which I tried to develop day before yesterday when Mr. Eggers of the Treasury Department was here. I realize our shortness of time so I will make my question brief.

Mr. THOMPSON. If you have a question, sir, could I ask——

Mr. BARRETT. I was going to suggest, Mr. Williams, we will bring the panel here and I think they will be more qualified to answer most any question.

Mr. WILLIAMS. Very fine.

Mr. BARRETT. That is why I would like to bring them up as quickly as possible.

Mr. WILLIAMS. Fine. Thank you, Mr. Chairman.

Mr. BARRETT. Thank you for your very fine presentation this morning, Mr. Thompson.

We are certainly going to come back to Mr. Frankland for that short statement he is going to make I think relative to Mr. Stevens' statement.

While we are having Mr. Frankland here, I wonder if Mr. Morris and Mr. Krause and Mr. Strauss would come up and members and associates that they have who desire to join them come to the head table.

Now, gentlemen, I do not wish to hurry you too greatly, but the time is running on us, and we will ask you if you can submit your statements for the record and give the members an opportunity to ask some of you questions.

Now, you may continue, Mr. Frankland.

STATEMENT OF JOHN B. STEVENS, PRESIDENT, SILVER USERS ASSOCIATION, AS PRESENTED BY WALTER L. FRANKLAND, JR., EXECUTIVE DIRECTOR

Mr. FRANKLAND. Mr. Chairman, and members of the committee, I am Walter Frankland, Jr., the executive director of the Silver Users Association. It is a privilege for me to appear in support of H.R. 13252. I would like to submit for the record the entire statement which would have been presented by Mr. Stevens.

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Mr. BARRETT. That may be done without objection, and so ordered.

Mr. FRANKLAND. I would then be pleased to answer questions after just a short summary of the position that the Silver Users Association does take.

The Silver Users Association urges prompt enactment of H.R. 13252 so as to stop the use of silver in coins as soon as possible. The association opposes any amendment which calls for the use of silver in the half dollar, the dollar or any other coins. The rationale for this position is as follows:

1. There is no longer sufficient silver in the world to continue the minting of silver-content coins for use in commerce.

2. Silver used in coins is needed for U.S. industry in making consumer products such as photographic materials, electronic instruments, electric appliances, batteries, silverware, and medical supplies. Annually, domestic industry consumes approximately 100 million ounces more silver than this country produces.

3. A coin containing silver will not circulate. Major countries of the world have substituted other metals for silver in circulating coins for commerce.

4. Cupro-nickel clad coins have proven to be satisfactory to conduct commerce in this country. They are cheaper to mint than those with silver and thus increase the seigniorage profit to the Government. As an example, the 40-percent silver dollar would cost about 48 cents each and the cupro-nickel clad coin approximately 5 cents each. Thus, in the minting of cupro-nickel clad $1 coins, the profit to the Government is $95 million per 100 million coins.

5. The silver sales conducted by the General Services Administration bring additional profit to the Government. During fiscal year 1968, this profit amounted to $55 million; and in fiscal year 1969, it was $56 million.

6. The cupro-nickel clad half dollar and dollar will circulate. They can be minted in sufficient quantities to provide the average citizen a coin which he can use or retain as a President Kennedy or Eisenhower memento.

7. Since the United States uses more silver than it produces, the availability to industry of silver in Treasury stocks helps reduce the amount of silver needed to be imported. Tying up silver in future coinage would have an adverse effect on the U.S. balance-of-payments situation.

8. The further use of silver in U.S. coins would deny to the market a large quantity of silver and thus force the price of silver up unnecessarily and prematurely. This inflation in silver prices would be contrary to Government attempts to bring the overheated economy under control.

(The prepared statement of Mr. Stevens follows:)

PREPARED STATEMENT OF JOHN B. STEVENS, ON BEHALF OF THE SILVER USERS ASSOCIATION

Mr. Chairman and members of the committee: I am John B. Stevens, president of the International Silver Company, the largest user of silver in the silverware industry. I am also President of the Silver Users Association which represents the interests of corporations that make, distribute, and sell products in which silver forms an essential part.

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Association membership today includes representatives from the photographic, electronic, chemical, and silverware and jewelry industries; dental suppliers, producers of fabricated and industrial products; and mirror manufacturers.

A major purpose of the Association is to keep its members and the public informed on the pertinent developments in the field of silver; such as, production, consumption, availability, uses, prices, legislation, and other matters.

The applications of silver are highly diversified and range from photography to missiles; from computers to sterling jewelry. An approximate breakdown of the silver usage in the United States according to the Bureau of Mines shows these percentages:

	Percent
Photography	29
Electrical and electronics	23
Sterling ware and jewelry	21
Brazing alloys	11
Electroplated ware	10
All others	6
Total	100

The Association estimates that its members account for approximately 75 percent of all the silver consumed in the United States. In terms of economic size, members range from Eastman Kodak to a small manufacturer of brazing alloys. More than 80,000 men and women work for Association members who are heavily dependent upon silver for manufacturing. In addition, there are some 700 firms of the Manufacturing Jewelers and Silversmiths of America and their 60,000 to 70,000 employees, the 6,000 members of the Retail Jewelers of America and their personnel, and the 18 members of the National Association of Mirror Manufacturers and their employees.

I welcome the opportunity to appear again before this committee and to testify in support of H.R. 13252 which would implement the recommendations of the Joint Commission on the Coinage. My last appearance was during the hearings on the Coinage Act of 1965. The committee at that time recommended, and we believe correctly so, that silver be removed from all coinage. Unfortunately, this decision was later changed during floor action; and the final bill autorized the minting of a 40 percent silver half dollar in lieu of a cupro-nickel clad coin similar to the quarters and dimes. This reversal is, in part, responsible for our appearance here today.

Since 1966 when the 40 percent silver half dollar was first minted, more than 120 million ounces of silver have been consumed for this operation which has never succeeded in providing a sufficient number of coins to circulate in commerce. As predicted by many on this committee during those earlier hearings, this coin has been a collector's item rather than a medium of exchange. Even with production at a peak rate in excess of 300 million coins per year, reached early in 1968, few are found in circulation.

In a recent survey of 13 countries which formerly used silver in their coinage systems, it is clear that the United States is not alone in this problem. The experience appears to be worldwide—coins made of silver just will not circulate. Five of these 13 countries—Austria, France, Germany, the Republic of South Africa, and Sweden—are the only countries minting any silver coins. Later unofficial reports have indicated that France is going to cease using silver altogether. The quantity of silver coins in these countries is quite small. The reason given by the countries which no longer use silver has been that the metal is too valuable for use in a circulating coin. In turn, the reason for the higher value for silver has been that for the white metal there are more important uses including national defense items.

The use of silver in coinage by countries other than the United States has decreased from 64 million in 1964 to less than 23 million ounces in 1968. The figure for 1969 is expected to be possibly as low as 15 million ounces including commemorative issues.

Many people do not realize the very large amounts of silver which have been used in the minting of the 40 percent silver half dollars. Since 1966, this one coin alone has used the equivalent of total United States new mine production. Furthermore, last year, this country used 60 percent more silver in minting one coin than the rest of the world consumed in coinage.

We submit that there is no longer sufficient silver in the world to continue the minting of silver-content coins for use in commerce. The silver used in coins is

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needed for U.S. industry in making consumer products such as photographic materials, electronic instruments, electric appliances, batteries, silverware, and medical supplies. Annually, domestic industry consumes approximately 100 million ounces more silver than this country produces.

The further use of silver in U.S. coins would deny to the market a large quantity of silver and thus force the price of silver up unnecessarily and prematurely. This inflation in silver prices would be contrary to Government attempts to bring the overheated economy under control.

Last year domestic industry used 145 million ounces of silver while new production in this country was only 33 million ounces. Since the United States uses more silver than it produces, the availability to industry of silver in Treasury stocks helps reduce the amount of silver needed to be imported. Tying up silver in future coinage would have an adverse effect on the U.S. balance-of-payments situation.

The legislation under consideration, H.R. 13252, provides for the minting of a cupro-nickel clad half dollar. It also provides for the discontinuance of the minting of the presently authorized 40 percent silver half dollar by January 1, 1971.

A second important element of H.R. 13252 is the authority to resume the minting of a dollar coin, specifically a cupro-nickel clad coin using the same alloy as for the quarters and dimes and which would be authorized by this act for the half dollar.

Cupro-nickel clad coins have proven satisfactory for the conduct of commerce in this country. They are cheaper to mint than those with silver and thus they increase the seigniorage profit to the Government.

The Silver Users Association takes no position on whether or not there is any need for a dollar coin. Should a dollar coin be authorized, however, we do strongly urge that the cupro-nickel clad dollar coin as specified by H.R. 13252 be adopted.

Those who have proposed that silver be used in the dollar coin argue that the white metal is needed to honor the individual whose likeness appears on the coin and that by using silver in the coin, the taxpayer receives higher benefits from the Government's disposal of the silver.

To the first point, I should like to say that coins designed to pay tribute to an individual do not require silver as a measure of the esteem in which the individual is held by his country. For example, coins now in circulation bear the likeness of Presidents George Washington, Thomas Jefferson, Abraham Lincoln and Franklin Roosevelt. This should be adequate precedent for providing a cupro-nickel clad coin to honor Presidents Kennedy and/or Eisenhower.

Concerning the second point—benefits to the taxpayer—I would like to refer again to the comparative profit to the Government in the production of silver versus non-silver coins.

A dollar coin containing 40 percent silver as proposed by Congressman McClure would cost the Government approximately 48 cents each to produce. Cost for the cupro-nickel clad coin authorized by H.R. 13252 would be 5 cents each. When distributed at face value, the seigniorage profit to the Government would be 52 cents for the silver coin and 95 cents for the cupro-nickel clad coin.

If we extend these figures to include the production of 300 million coins as called for by the McClure bill, the seigniorage profit for the silver coin is $156 million and $285 million for the cupro-nickel clad coin. Or, $129 million more profit if the cupro-nickel clad material is used for the dollar coin.

In the latter case, the approximately 100 million ounces of silver saved and retained by the Treasury would be available for sale to industry, again, at a profit. If we use the figures for fiscal year 1968 or 1969, the profit from the GSA sales of nearly 100 million ounces would be $55 million. (As the market price for silver increases, of course, this profit would be more.) The total profit, then, to the Government and thus to the taxpayer would be $129 million plus $55 million or $184 million through a combination of minting cupro-nickel clad dollar coins and selling the silver by GSA as compared with minting coins with silver.

Considering the above cost and profit comparison, it is evident that by using cupro-nickel clad metals, the Government is in effect selling copper and nickel at the same price it would be selling silver because each of the coins will be distributed at face value. In addition, using the cupro-nickel clad metal assures that the coin will circulate because sufficient quantities can be minted. Furthermore,

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the use of the latter coin releases silver for sale to U.S. industries which can put it to more effective uses. This sale of the silver, in turn, brings the Government profit, the amount of which depends upon the market price. Its use in consumer goods produces for the Government further income through tax revenues both personal and corporate, whereas use of the silver in coins creates no secondary income.

It would appear that the purpose of the proposal for silver in the new dollar coin is to tie up the remaining Treasury silver stocks so that sales would have to be halted immediately. Such action would disrupt the transition from the previously Government-dominated market to one free of governmental restrictions and controls. It would also disrupt the Treasury sales program outlined in the recommendations of the Coinage Commission and announced after the May 12, 1969, meeting. The result would be an immediate and drastic rise in the price of silver at the expense of the taxpaying consumer. In addition, the silver so consumed would not be available for useful purposes and even the coin itself would fail to serve its basic purpose as a medium of exchange.

In closing, Mr. Chairman, I would like to urge the approval by the committee of H.R. 13252 in its present form. The problems concerning silver during most of the past century have resulted from a surplus of the raw material. The problem of the future will be to maintain the availability of enough silver for the needs of industry. Solutions to past problems were sought through various silver purchase laws designed to provide Government price support. Such special considerations for silver are no longer needed or appropriate.

On the contrary, Governmental policies in the future should be designed to bring about an orderly transition to a free market and should encourage, not impede, the free flow of silver to the market from all available sources, including, most importantly, the silver remaining in United States Treasury stocks.

For the Treasury to be removed entirely from the silver market, legislation as proposed in H.R. 13252 must be enacted as soon as possible, so as to provide cupro-nickel clad material for the future coinage of half dollars and dollars. Such action would be in the best interests of the nation's economy.

It should be noted that when the present sales program has been completed, the U.S. Government will still have ample silver stocks in its possession. A National Strategic Stockpile of 165 million ounces was established in the Silver Certificate legislation in June, 1967.

(A fact sheet on H.R. 13252 by the Silver Users Association follows:)

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FACT SHEET

Subject: Proposed Legislation to Implement Recommendations of the Joint Commission on the Coinage

INTRODUCTION

Purpose: This fact sheet contains a summary of the major factors involved in the proposed legislation H.R. 13252 to implement the recommendations of the Joint Commission on the Coinage. This bill calls for:

1. Authority for the Government to mint a non-silver dollar and half dollar.
2. Authority for the Government to sell the three million silver dollars currently held by the Treasury.

Providing background on the silver situation, coinage program and activities of the Joint Commission on the Coinage, this fact sheet also explains the rationale for the support of SUA for H.R. 13252.

Prepared By: Silver Users Association September 26, 1969

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Legislative Requirement: Current Government policies permit the sale of silver through the General Services Administration on a sealed-bid basis. At the present rate of sale of $1\frac{1}{2}$ million ounces per week, there is sufficient silver available to last only until January, 1971. Treasury stocks could be exhausted sooner if additional silver were committed to the coinage program.

Congress has authorized the minting of a 40 percent silver half dollar for FY 1970 in the amount of 100 million coins (15 million ounces of silver). To terminate the use of silver in the half dollar and thus release silver for public sale, Congress must authorize a non-silver material for use in minting the half dollar.

The subject legislation would provide authority for a cupro-nickel clad half dollar, leaving to the discretion of the Secretary of the Treasury the authority to end the use of silver in all coins by no later than January 1, 1971.

The subject legislation also authorizes a cupro-nickel clad material for the minting of a metal dollar. It leaves to the discretion of the Secretary of the Treasury the authority to approve the design for any such coin. (Note: Separate bills have been introduced dealing with the specific design of a metal dollar; they are--and should be--unrelated to subject legislation.)

This legislation would authorize GSA to sell the remaining three million silver dollars in Treasury stocks. This sales procedure would require an appropriation in the form of an accountable advance to be repaid into the Treasury as miscellaneous receipts upon the sale of the silver dollars.

Silver Users Association Position: The Silver Users Association urges prompt enactment of the identical bills so as to stop the use of silver in coins as soon as possible. The Association opposes any ammendment which calls for the use of silver in these or any other coins. The rationale for this position is summarized below. Further background information concerning the silver situation is covered in the remainder of this paper.

Rationale for the SUA Position:

1. There is no longer sufficient silver in the world to continue the minting of silver-content coins for use in commerce.

2. Silver used in coins is needed for U.S. industry in making consumer products such as photographic materials, electronic instruments, electric appliances, batteries, silverware, and medical supplies. Annually, domestic industry consumes approximately 100 million ounces more silver than this country produces.

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3. A coin containing silver will not circulate. Major countries of the world have substituted other metals for silver in circulating coins for commerce.

4. Cupro-nickel clad coins have proven to be satisfactory to conduct commerce in this country. They are cheaper to mint than those with silver and thus increase the seigniorage profit to the Government. As an example, the 40 percent silver dollar would cost about 48 cents each and the cupro-nickel clad coin approximately 5 cents each. Thus, in the minting of cupro-nickel clad $1 coins, the profit to the Government is $95 million per 100 million coins.

5. The silver sales conducted by the General Services Administration bring additional profit to the Government. During FY 1968, this profit amounted to $55 million; and in FY 1969, it was $56 million.

6. The cupro-nickel clad half dollar and dollar will circulate. They can be minted in sufficient quantities to provide the average citizen a coin which he can use or retain as a President Kennedy or Eisenhower memento.

7. Since the U. S. uses more silver than it produces, the availability to industry of silver in Treasury stocks helps reduce the amount of silver needed to be imported. Tying up silver in future coinage would have an adverse effect on the U. S. balance-of-payments situation.

8. The further use of silver in U. S. coins would deny to the market a large quantity of silver and thus force the price of silver up unnecessarily and prematurely. This inflation in silver prices would be contrary to Government attempts to bring the overheated economy under control.

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BACKGROUND

Silver, today, is an industrial commodity; silver, a hundred years ago, was a monetary metal. This is the fundamental fact which explains the past history of silver and which will dictate its future. The transition has not been smooth, but it has been inevitable. The technological demands of the twentieth century have forced the abandonment of the last remnants of the monetary traditions of the nineteenth century.

From December, 1933, until November, 1961, the U. S. Government by various purchase laws removed from the market (at higher than market prices) three billion ounces of silver. Only 597 million ounces of this silver have been sold through August, 1969; and an additional 553 million ounces were used to redeem silver certificates. In neither manner of disposal has all of the silver found its way to industry. Hoarders, investors, and speculators have secured an important part of this silver. The remaining two billion ounces were placed in coins, more than 800 million ounces of which were used during the period from 1960 through 1965. This coinage silver, today, is an important source of a scarce raw material.

The dominating influence of the United States Treasury in the silver market for the past thirty-six years has partially obscured the fundamental change that has taken place in the economics of silver. Until the mid-1950's, world silver production regularly exceeded world industrial consumption by considerable amounts. The situation at present is just the opposite. Industrial consumption alone, without including coinage demand, has been exceeding new production by wider margins; and it seems likely that this deficit will continue to get bigger in the years to come. Table I shows a breakdown of world silver consumption and sources of supply over the past five years.

In 1965, the cupro-nickel clad coin was authorized as a replacement for the .900 fine silver subsidiary coins, except for the half dollar which contains 40 percent silver. During the transition from the silver coins to the clad coins, the Government continued its sale of silver to the public at $1.29 per ounce. Maintenance of this price was deemed essential by the Government in order to avoid a coin shortage.

On July 14, 1967, the Treasury announced there were then sufficient clad coins to meet the needs of commerce and the danger of a shortage had passed. At the same time, the Government stopped selling its silver to domestic industry at $1.29 per ounce and continued the ban against the private melting of silver coins which had been initially imposed on May 18, 1967. The effect was immediate and drastic; the price of this raw material jumped 40 percent overnight. Consequently, manufacturers of products containing silver--such as photographic materials, dental and medical supplies, silverware, brazing alloys, batteries, and other electric components--were forced to increase their prices. As a result

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of more intense and widespread speculation in the metal coupled with the strike of base metal refiners, the devaluation of the pound sterling, and the French unrest, silver prices rose further to a record high in June, 1968, of $2.565 per ounce.

The losers in this near 100 percent increase in the price for silver were the taxpaying consumers and industries which depend heavily on silver, such as the silverware manufacturers. The winners were a handful of domestic producers and a vast number of speculators, both foreign and domestic. Between June, 1968, and July, 1969, the price of silver drifted downward. Recently, the price has begun to rise again. The market remains unpredictable, providing an extremely difficult background for the conduct of business where silver is involved.

The basic problem involving silver, now that it is no longer a monetary metal and the Treasury stocks are gradually being depleted, is to maintain a Government policy on silver which will help provide an orderly transition from a Government-dominated market in which monetary considerations were of primary concern to a market completely free of Government controls with silver recognized only as a commodity. Government policies with regard to the silver sales conducted by GSA and the future coinage programs are essential elements of the problem.

The disposal by the Government of silver surplus to its needs has contributed to stability in the silver market. The continuation of this program until all supplies are exhausted will be important during the transition period. A more complete discussion of the GSA sales program is contained in the supplemental material at Tab C.

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U. S. COINAGE PROGRAMS

To complete the transition to a free market, future U. S. coinage programs must completely eliminate the use of silver as a coinage metal. In minting coins, the U. S. Mint has as its basic purpose the provision of useful coins in the quantities and specifications to meet the needs of commerce. As experienced by the major countries which no longer use silver in circulating coinage, the coins containing silver disappear and cannot serve the purpose for which they were intended. Coins designed to pay tribute to individuals do not require silver as a measure of the esteem in which the individual is held by his country. For example, coins now in circulation bear the likeness of Presidents George Washington, Thomas Jefferson, Abraham Lincoln, and Franklin Roosevelt. This should be adequate precedent for providing a cupro-nickel clad coin to honor Presidents Kennedy and/or Eisenhower.

Profit to the Government: The Government, through seigniorage, profits more by using cupro-nickel clad metals rather than silver in coins. For specifics see the chart below.

		COSTS		PROFIT	
DENOMINATION	QUANTITY (in Millions)	PER COIN (Cents)	TOTAL (Million Dollars)	PER COIN (Cents)	TOTAL (Dollars)
50¢ (40% Silver)	100	22	22	28	28 million
50¢ (Cupro-Nickel Clad)	100	3	3	47	47 million
$1 (40% Silver)	100	48	48	52	52 million
$1 (Cupro-Nickel Clad)	100	5	5	95	95 million

Considering the above cost and profit comparison, it is evident that by using cupro-nickel clad metals, the Government is in effect selling copper and nickel at the same price it would be selling silver because each of the coins will be distributed at face value. In addition, using the cupro-nickel clad metal assures that the coin will circulate because sufficient quantities can be minted. Furthermore, the use of the latter coin releases silver for sale to U. S. industries which can put it to more effective uses. This sale of Government silver, in turn, brings to the Government profit, the amount of which depends upon the market price. Its use in consumer goods produces for the Government further income through tax revenues both personal and corporate, whereas use of the silver in coins creates no secondary income.

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Half-Dollar Coin: Since 1964, 276 million ounces of silver (thru August, 1969) have been used in the minting of more than a billion half dollars, a coin which does not serve the purpose for which it was designed; namely, as a medium of exchange. This amount of silver alone would have been enough to fill the gap between domestic production and consumption for a period of more than $2\frac{1}{2}$ years.

The U. S. used 60 percent more silver in minting the one coin than the rest of the entire world consumed in coinage during 1968. The fact that this coin would not circulate even at the annual production rate of 300 million coins should be ample proof that, as long as silver is used in this coin, it will not serve as a medium of exchange.

The Mint, beginning on July 1, 1968, reduced the production of its 40 percent silver half dollars to an annual rate of 100 million coins prescribed by the Congress. Even at this reduced rate of 100 million coins (15 million ounces of silver) per year, this operation consumes in one year the silver requirements of the domestic photographic industry for four months or of the electronic industry for five months.

It seems more and more obvious that, despite the vast quantities already produced, a coin containing silver will not circulate. If the production of more than a billion coins is insufficient for them to circulate, should an additional 100 million annual production with mint marks and new dates help bring this coin back into circulation? Whether it circulated or not, to continue the use of silver in this manner would be wasteful.

Dollar Coin: The dollar coin containing 90 percent silver, last minted in 1935, is referred to as the "Peace" dollar. These coins were last issued by the Treasury in 1964. The Treasury still has three million silver dollars on hand which it would sell in accordance with provisions contained in S. 2822 and H.R. 13252.

By the Coinage Act of 1965, the Treasury was prohibited from minting any additional silver dollars until June, 1970. Subject legislation would authorize the minting of a coin made of a cupro-nickel clad material-- the same alloy used in the current minting of the quarter and dime.

The legislation as recommended by the Joint Commission on the Coinage and the Secretary of the Treasury does not specify any design for this coin. The decision on the design is left to the discretion of the Treasury for coins which have been in circulation more than twenty-five years. Congress must authorize a change in design only if the coin has been minted less than twenty-five years. Treasury officials have stated that the coin, if authorized, would bear the likeness of the late President Eisenhower.

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Joint Commission on the Coinage: Following a meeting of the Joint Commission on the Coinage, chaired by Secretary of the Treasury David Kennedy, on May 12, 1969, the Treasury Department announced that it would reduce the weekly amount of silver offered for sale through the General Services Administration from 2 million ounces to $1\frac{1}{2}$ million ounces and maintain this level until the surplus of about 150 million ounces was exhausted. A set-aside for small businesses was to be continued. Effective May 27, 1969, GSA weekly silver sales were opened to all competitive bidders without restriction on the use of the silver purchased. The existing administrative ban on the melting and exporting of silver coins was ended immediately.

The Treasury also announced that it would present and urge prompt enactment of legislation to authorize the minting of a non-silver half dollar, the minting of a non-silver dollar coin, and under a plan recommended by the Joint Commission, sale through GSA of the 3 million rare silver dollars still held by the Treasury.

The recommendations of the Joint Commission on the Coinage regarding a non-silver half dollar and dollar were incorporated by the Treasury in a draft of proposed legislation sent to the Congress on July 28. On August 11 in the Senate and July 31 in the House, the chairmen and ranking Republican members of both Banking and Currency Committees introduced the bills requested by the Secretary of the Treasury. The numbers are S. 2822 and H.R. 13252.

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SUMMARY

The problems concerning silver during most of the past century have resulted from a surplus of the raw material. The problem of the future will be to maintain the availability of enough silver for the needs of industry. Solutions to past problems were sought through various silver purchase laws designed to provide Government price support. Such special considerations for silver are no longer needed or appropriate. On the contrary, Governmental policies in the future should be designed to bring about an orderly transition to a free market and should encourage, not impede, the free flow of silver to the market from all available sources, including, most importantly, the silver remaining in United States Treasury stocks. For the Treasury to be removed entirely from the silver market, legislation as proposed in H.R. 13252 must be enacted as soon as possible, so as to provide cupro-nickel clad material for the future coinage of half dollars and dollars.

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Supplemental Material to Fact Sheet on S. 2822 and H.R. 13252
Prepared by the Silver Users Association

QUESTIONS and ANSWERS

Regarding bills S. 2822 and H.R. 13252

Q. What are the major provisions of S. 2822 and H.R. 13252?

A. These identical bills, proposed by the Secretary of the Treasury, would implement the recommendations of the Joint Commission on the Coinage. The major recommendations are:

1. Authority for the government to mint a non-silver dollar and half dollar.

2. Authority for the government to sell the 3 million silver dollars currently held by the Treasury.

Q. Why is this legislation necessary?

A. The Treasury is now minting 40% half dollars. As the silver in Treasury stocks becomes depleted, the Congress must authorize a substitute material for the half dollar in order to continue the minting of a coin in this denomination. With regard to the dollar coin, Congress must authorize the minting of a dollar if such a coin is to be made available to satisfy the request from certain sections of the country. The Treasury currently has on hand 3 million silver dollars which it desires to release to the public. As recommended by the Coinage Commission, such disposal will be through a sales procedure administered by GSA. An appropriation would be required in the form of an accountable advance to be repaid into the Treasury as miscellaneous receipts upon the sale of the silver dollars.

Q. What is the Silver Users Association's position regarding S. 2822 and H.R. 13252?

A. The Silver Users Association urges prompt passage of these bills so as to stop the use of silver in coins as soon as possible. The Association opposes any amendment which calls for the use of silver in these or any other coins. There are many reasons for this position; however, the major ones are:

1. There is no longer sufficient silver in the world to continue the minting of silver-content coins for use in commerce.

2. Silver used in coins is needed for U.S. industry in making consumer products such as photographic materials, electronic instruments, electric appliances, batteries, silverware and medical supplies. Annually, domestic industry consumes approximately 100 million ounces more silver than this country produces.

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3. Since the U.S. uses more silver than it produces, the availability to industry of silver in Treasury stocks helps reduce the amount of silver needed to be imported. Tying up silver in future coinage would have an adverse effect on the U.S. balance-of-payments situation.

4. The further use of silver in U.S. coins would deny to the market a large quantity of silver and thus force the price of silver up unnecessarily and prematurely. This inflation in silver prices would be contrary to government attempts to bring the overheated economy under control.

5. A coin containing silver will not circulate. Major countries of the world have substituted other metals for silver in circulating coins for commerce.

6. The cupro-nickel clad half dollar and dollar will circulate. They can be minted in sufficient quantities to provide the average citizen a coin which he can use or retain as a memento of Presidents Kennedy and/or Eisenhower.

7. Cupro-nickel clad coins have proven to be satisfactory to conduct commerce in this country. They are cheaper to mint than those with silver and thus increase the seigniorage profit to the government.

Q. Does the Silver Users Association favor an Eisenhower dollar coin?

A. The Silver Users Association does not oppose the minting of a dollar coin with the likeness of the late President Eisenhower so long as the material used in the coin does not contain silver. Coins designed to pay tribute to individuals do not require silver as a measure of the esteem in which the individual is held by his country. For example, coins of copper and nickel now in circulation bear the likeness of Presidents George Washington, Thomas Jefferson, Abraham Lincoln and Franklin Roosevelt. This should be adequate precedent for providing similar coins in honor of Presidents Kennedy and Eisenhower.

Q. Would the use of silver in the half dollar and dollar have any adverse effect on the nation's economy?

A. The further use of silver in U.S. coins would deny to the market a large quantity of silver and thus contribute to an inflated price for the white metal. In addition, it would cause an increase in the importation of silver since the U.S. produces annually approximately 100 million ounces less silver than domestic industry uses. Since the silver coin would not circulate, those areas of the economy needing the half dollar and dollar coin would be deprived of these denominations.

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Q. If silver were to be used in the minting of the Eisenhower dollar, how many coins could be produced by the Mint?

A. The Dominick-Mc Clure proposal is for a 40% silver dollar containing .316 troy ounces per coin. The amount of silver remaining in Treasury stocks (as of August 31, 1969) available for the minting of this coin would permit a maximum of 300 million coins to be produced. The Dominick-Mc Clure proposal calls for the minting of 100 million dollar coins for three years. If enacted such a proposal would consume approximately 95 million ounces of silver.

Q. What would be the monetary value of the silver contained in a 40% silver dollar? In the 40% silver half dollar?

A. The monetary value of the silver contained in the 40% silver dollar in the Dominick-Mc Clure proposals would be $3.16 per ounce. The monetary value of the 40% silver half dollar is $3.38 per ounce.

Q. The claim is made by those advocating the continued use of silver in the coinage system that the government makes more profit in the 40% silver coins than by sales of silver to industry? Is this claim correct?

A. This claim is incorrect because it disregards the cost to the government of production of coins containing silver as opposed to the relatively inexpensive cost to the government of making coins from less expensive metals. As an example, in minting 100 million 40% silver dollars, the government's seigniorage profit would be $52 million. However, if the coin contains no silver and is made instead of cupro-nickel clad material, the profit to the government is $95 million. The silver thus freed is then available for sale to industry. In FY 1968 the profit to the government from the sale of 98 million ounces was $55 million. It is evident, then, that the best combination for minting 300 million dollar coins and disposing of silver is to authorize a cupro-nickel clad material for the dollar and release the silver for sale to industry. In addition to the immediate silver sales profit to the government, the silver so disposed contributes tax revenue to the government since the silver in question is consumed in the manufacture of useful goods such as photographic products, electronic instruments, electrical appliances, batteries, silverware and medical supplies.

Q. How much silver does the government use in minting coins?

A. The only coin containing silver currently in the U.S. monetary system is the 40% silver half dollar. The quantities of this coin which have been minted and the silver consumed in this operation are shown on the next page.

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	Denomination	Coinage: Pieces (Million)	Coinage: Silver Consumed (Million Ounces)
1966	40% Silver Half Dollar	175	26
1967	" " " "	293	45
1968	" " " "	250	38
1969 (est.)	" " " "	100	15

By the Coinage Act of 1965, a cupro-nickel clad material was authorized for the minting of the quarter and the dime. It was the intention of the government at that time to use the same material for the half dollar; however, as a compromise for the producers who desired some silver in the coinage system, the 40% silver clad material for the half dollar was authorized by Congress. It soon became evident that it would be impossible to continue minting this coin in sufficient quantities for it to function in the role for which it was designed--as a medium of exchange.

It is interesting to note that during 1968 the U.S. consumed 60% more silver in minting the one coin than the rest of the world consumed during the same period for coinage. The U.S. consumed more silver for this coinage than the new domestic production for 1968. The amount of silver used in the half dollar was more than that consumed by the electrical and electronic industries in this country for that year. Even at the reduced rate of 15 million ounces of silver per year, this operation consumes in one year the silver requirements of the domestic photographic industry for 4 months or of the electronic industry for 5 months.

Q. Is there a shortage of silver?

A. There is no immediate shortage of silver; however, there is an annual deficit in the amount of approximately 100 million ounces between U.S. new production of silver and U.S. consumption of the white metal. In the past this gap has been filled by silver from secondary sources such as U.S. Treasury stocks, scrap recovery, other government stocks and demonetized coins. In the future the gap is expected to be filled by silver from scrap material and silver from demonetized coins, especially the 90% U.S. coins.

Q. Who can purchase silver from the government?

A. Under the present sales procedure administered by the General Services Administration, any individual or business concern may bid for silver being offered for sale. There are no restrictions on the use or the exportation of this silver.

Q. Does the government purchase silver?

A. The government no longer purchases silver. The silver purchase acts were repealed in 1963; however, as a protection to the domestic producers of silver, the Coinage Act of 1965 requires that the government purchase all domestically produced silver offered to it at $1.25 per ounce.

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Q. Is there any major country in the world today which still uses silver in its coinage system?

A. No major country continues to mint coins containing silver for use in commerce. Some countries still mint coins in small quantities as commemorative issues which consume very little silver. The experience of the countries which formerly used silver in their coinage has shown that any coin containing silver will fail to circulate and thus disturb commerce transactions.

Q. At the present rate of sale, how long will government stocks last?

A. The government has a strategic stockpile of 165 million ounces which is not available for sale. Over and above this stockpile as of August 31, 1969, the government had 100 million ounces which could be made available for sale. At the 1.5 million ounce-per-week rate, the entire stocks would be depleted by January, 1971, so long as no additional silver is used in coinage.

Q. What has been the influence of the GSA sales program?

A. Between August, 1967, and May 20, 1969, the GSA awarded approximately 2 million ounces of silver per week. Since May 27, 1969, GSA has been awarding silver at approximately 1½ million ounces per week. This program has helped bring stability to the market. It must continue uninterrupted in order to help maintain a stable market. In the early weeks of these sales, while GSA and bidders, as well, were gaining experience with the new system, GSA rejected important bids placing an upward pressure on the price. Recently, GSA has indicated an awareness of the speculative influences in the market and has sold nearly all of each weekly offering. As a result of these actions, the manufacturers in the silver-using industries have gained confidence in the program. They look to this source of silver as a counter to the speculative influence which can cause violent fluctuations in the price for silver to the detriment of the taxpaying consumer.

Q. Has the government made a profit on the silver sold through GSA?

A. Yes. GSA has awarded silver at what it has determined to be the market value for silver each week. This price has, to date, been less than the price quoted in New York for the following reasons:

1. The silver sold by the government is not readily available. There is a delay of usually three to four weeks, whereas the price in New York is quoted for spot silver of commercial .999 fineness.

2. Since January, 1969, GSA has made no awards of .999 fine silver and the silver sold has been of lesser fineness requiring additional refining to bring it up to commercial grade. Since June of this year, the difference between the GSA cut-off price for .900 fine silver and the New York price for .999

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fine silver has been less than the refining charges quoted for upgrading the coin silver. Therefore, the government is actually obtaining a premium price for its silver.

3. Transportation charges become a major factor in bidding by Eastern users for government silver located in Denver and San Francisco and in bidding by Western users for silver in Philadelphia and New York.

Q. Is the United States an importer or exporter of silver?

A. Historically, the United States has been an importer of silver and under normal circumstances would continue to be a net importer because consumption is approximately four times the domestic mine production. This makes it of even greater importance that this country's policy on silver permit as low a price as is possible.

Q. What are the objectives and purposes of the Silver Users Association?

A. The Silver Users Association, established in 1947, represents the interests of corporations that make, distribute and sell products in which silver forms an essential part. Association membership today includes representatives from the photographic, electronic, chemical, and silverware and jewelry industries; dental suppliers; producers of fabricated and industrial products; and mirror manufacturers.

A major purpose of the Association is to keep its members and the public informed on the pertinent developments in the field of silver; such as, production, consumption, availability, uses, prices and legislation.

The applications of silver are highly diversified and range from photography to missiles; from computers to sterling jewelry. An approximate breakdown of the silver usage in the U.S. shows these percentages: photography, 29%; electrical and electronics, 23%; sterling ware and jewelry, 21%; brazing alloys, 11%; electroplated ware, 10%; all others, such as corrosive-resistant vessels, mirrors, dental and medical supplies, rockets, and missiles, 6%.

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The Association estimates that its members account for approximately 75% of all silver consumed in the United States. In terms of economic size, members range from Eastman Kodak to a small manufacturer of brazing alloys. More than 80,000 men and women work for Association members who are heavily dependent upon silver for manufacturing. In addition, there are some 700 firms of the Manufacturing Jewelers and Silversmiths of America, and their 60-70,000 employees; the 6,000 members of the Retail Jewelers of America and their personnel; and the 18 members of the National Association of Mirror Manufacturers and their employees.

The current members of SUA are:

Photographic Materials	Eastman Kodak Company - Rochester, New York GAF Corporation - New York, New York Kilborn Photo Products, Inc. - Cedar Rapids, Iowa Minnesota Mining & Manufacturing Company - St. Paul, Minnesota Powers Chemco, Inc. - Glen Cove, New York Xerox Corporation - Rochester, New York
Silverware	Gorham (Division of Textron, Inc.) - Providence, Rhode Island International Silver Co. (Subsidiary of INSILCO Corp.) - Meriden, Conn. Samuel Kirk & Son, Inc. - Baltimore, Maryland Lunt Silversmiths - Greenfield, Massachusetts Oneida Limited - Oneida, New York Reed & Barton Silversmiths - Taunton, Massachusetts The Stieff Company - Baltimore, Maryland Tiffany & Company - New York, New York Towle Manufacturing Company - Newburyport, Massachusetts Wallace Silversmiths - Wallingford, Connecticut (Subsidiary of Hamilton Watch Company - Lancaster, Pennsylvania
Fabricated and Industrial Products	Dixie Bronze Company - Birmingham, Alabama Engelhard Industries, Inc. (Division of Engelhard Minerals & Chemicals Corporation) - Newark, New Jersey The Franklin Mint, Inc. - Yeadon, Pennsylvania Handy & Harman - New York, New York Midland Processing, Inc. - North White Plains, New York Precision Metallurgical Corporation - Millis, Massachusetts
Chemicals	The M. Ames Chemical Works, Inc. - Glens Falls, New York National Lead Company - Goldsmith Precious Metals Division - Chicago, Ill.
Dental Supplies	The L. D. Caulk Company - Milford, Delaware
Associations	Manufacturing Jewelers & Silversmiths of America, Inc. National Association of Mirror Manufacturers Retail Jewelers of America, Inc.

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WORLD SILVER CONSUMPTION AND SUPPLIES*

(In Millions of Ounces)

	1968	1967	1966	1965	1964
CONSUMPTION					
Industrial Uses:					
United States	145.0	145.0	150.0	137.0	123.0
Other Countries	202.3	203.6	205.1	199.6	176.2
Coinage Uses:					
United States	36.8	43.8	53.6	320.3	203.0
Other Countries	22.7	45.3	76.8	60.8	64.1
Total Consumption	406.8	437.7	485.5	717.7	566.3
SUPPLIES					
New Production	238.2	216.8	224.7	218.4	210.7
U.S. Treasury Silver	216.3	239.0	196.1	400.7	354.0
Other Supplies	122.3	101.9	104.7	98.6	76.6
Total Supplies	576.8	557.7	525.5	717.7	641.3
Less Speculative Buying	170.0	120.0	40.0	-----	75.0
Available for Consumption	406.8	437.7	485.5	717.7	566.3

*Data compiled by Handy & Harman

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GOVERNMENT SILVER SALES POLICIES

On July 14, 1967, the government ceased selling silver at $1.29 per ounce and resumed selling on a sealed-bid basis through GSA beginning August 4, 1967. In its silver sales program, the government is faced with conditions which exist in no other commodity currently being sold by the government:

1. There is a basic and substantial shortage between industrial consumption and new production in the United States as well as in the rest of the world; therefore, there are built-in inflationary pressures.

2. There exists a non-industrial, monetary-oriented speculative psychology which is variously tied to gold, the dollar, and even foreign currencies.

3. Because of the excess domestic industrial demand, the U.S. is historically a substantial net importer of silver, an important raw material.

Thus, the sales of government silver fulfill a special role different from other materials and are in need of different guidelines in order to:

1. Protect domestic industry from speculative pressures and control;

2. Protect the consumer against undue inflation; and

3. Assist in reducing the balance-of-payments deficit by minimizing imports of this raw material.

Profit to the U.S.? -- In addition to the above, the government is faced with the awesome task of balancing the budget which might impel it to derive maximum funds from all of its income-producing programs such as the sale of excess commodities. Thus, the problem for the government in the case of silver is to reconcile a desire to reap as much profit from the sale as possible, while insuring that the sales program does not, in turn, contribute to inflation, to trade deficits, and to decreases in employment and corporate tax revenues. During the transition period from a government-controlled market in silver which has existed for many years to one which will permit the free flow of silver as a commodity uninhibited by government restrictions, the U.S. Government should have as its main objective the selling of all its surplus stock in a planned, orderly manner in amounts sufficient to fulfill the multi-faceted role mentioned in the preceding paragraph.

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Inflationary pressures -- We have already seen the first important casualty of skyrocketing prices -- that of silver coinage. In addition, there are silver-using industries which cannot afford prices as high as they were in 1968. In fact, in the case of the silverware manufacturers, the bite has already been seriously felt. The number of units sold has decreased; this can only mean a reduction in the silver consumed. The resulting smaller production will mean less employment and perhaps the near destruction of one of the oldest industries in this country--one steeped in tradition and contributing substantially to the economy of the nation. Every industry should plan realistically for the long run when supplies may be in jeopardy; however, the government should never be in the position of hastening conditions adverse to the environment for a particular industry. Withholding the remaining Treasury silver from the market and placing it, instead, in coins will cause a serious and premature disruption in the silver-using industries. The alternative to a stable market will be chaotic market conditions and further inflated prices.

It might be argued that the higher prices for the silver would increase the production of the raw material and thus bring a balance between supply and demand. Rather than increase the supplies from new production, however, the higher prices will more than likely further reduce the demand for silver. There is nothing in the recent history of silver which can substantiate the thesis that a higher price for the metal will materially increase new production.

Domestic production in 1950 was 42.3 million ounces; thereafter, production dropped and did not reach that figure again until 1966 and for one year only. During the 19-year period, 1950 to the present, the world market price has increased approximately 100 percent, yet the mine production has not increased accordingly. More than two-thirds of the annual production of silver is a by-product of base metal mining operations. It is, then, the production of the base metals and not the price of silver which determines the production of silver.

A chaotic market is detrimental to the consumers, the government, the users, and the producers because of the uncertainties of prices, tax revenue, and employment. It is advantageous only to the speculator who is able to profit from the huge swings in the price for the commodity.

By continuing its sales and providing cupro-nickel clad material for the half-dollar and dollar, the government will help promote a stable market for silver, fight inflation, and defeat the speculator while withdrawing from its dominant role in this market. Such a smooth transition is in the best interests of the government and the economy as a whole.

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THE EFFECT IN THE MARKETPLACE OF GOVERNMENT POLICIES AND THE DWINDLING STOCKS OF TREASURY SILVER

As the supply of silver in Treasury stocks is exhausted, most observers believe that market conditions will be chaotic unless the government plans and manages the disposal of its remaining stocks in an orderly manner. Otherwise, control of the market would revert to speculators as it did during most of 1968.

According to reports issued by the Treasury as of August 31, 1969, the government had at least 100 million ounces of silver available for sale. At the 1½ million ounce-per-week rate, there is sufficient silver for sales to last a maximum of 66 weeks. By January, 1971, at the latest, the government will be out of silver. Any coinage using silver after December, 1970, would deplete the stocks even quicker.

Why a stable market? -- The need for a relatively stable market requires little justification since that type of market is fundamental to the government's basic economic philosophy, as expressed in recent utterances of government officials and in government publications. A stable market might be defined as one where the prices fluctuate within narrow limits and changes in overall price levels are gradual.

The rationale for a strong government role in accomplishing stable conditions during the transition from the government-dominated market to the free market can be discussed under two general headings:

1. Historic government role and

2. Inflationary pressures.

Historic government role -- For years now, the government has been the major influence in the silver market; to end this influence abruptly would cause disruptions to a degree unhealthy to the economy. Because of the silver it has in its stocks, the government is still a dominating influence today. This is not an uncommon role for the government.

For 30 years following the passage of the first of the Silver Purchase Laws, the government bought silver as a support to the silver producers. From 1951 through November of 1961, sales to all comers by the U.S. Treasury brought stability to the silver market. Again in 1963 and until May, 1967, through the government sales at $1.29 per ounce, stability returned to the market. The current sales program has also contributed to better conditions in the marketplace.

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During the first full year of operation of the GSA sales program, the government reported a profit of $55 million. Because of the higher, inflated price for silver during this period, the raw material costs to industry were approximately $120 million higher than 1966, the last year of the $1.29 price. By the time this cost factor has been converted into consumer selling prices, the inflationary impact on the economy undoubtedly increases several times the costs of the raw material.

Rate of sale -- From the first sale on August 4, 1967, through May 20, 1969, GSA awarded silver at approximately a two million ounce-per-week rate in response to domestic bidders, so that this important raw material would be consumed by American industry. The two million ounces per week offering rate was approved by the Joint Commission on the Coinage in order to fill the gap between domestic industrial demand and new production. Since May 27, 1969, the offering rate has been 1½ million ounces per week. This sales program can have a neutral effect on the price only when the entire offering is sold and only if the silver is sufficient to fill the gap. To sell less than the previously determined amount would tend to place an inflationary pressure on the price. Users and producers of silver consider the annual deficit to be approximately one hundred million ounces. Many observers, however, contend that the deficit is much greater as supported by the following factors:

1. The loss in domestic production in 1967 and 1968 when annual production was estimated to be off ten million ounces each year.

2. The halt in silver certificate redemption terminated another important source of silver to the market after averaging seven million ounces per month for a year or an amount nearly equal to the government sales program during the same period.

3. The action taken by some producers to withhold silver from the market until the price levels move higher. (It is interesting to note that production in the U.S. for June, 1968, latest government figure available was only 3.0 million ounces. This is approximately 20 percent lower than the high production month for 1966 when the price of silver was $1.29.)

Speculative influences -- Those who call for a reduction in the amount of silver sold by GSA or an elimination of these sales desire an even higher, inflated price for silver and wish to place further pressure on supplies in a market where demand is increasing and supplies have already decreased. Any action to reduce GSA sales, which have never completely filled the gap, will force industrial users further into the speculative market to the detriment of U.S. industry and consumers. Domestic producers have been able to sell their silver on the Commodity Exchange, thus taking advantage of the higher prices. Silver on deposit with the Exchange

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has increased 106 million ounces since May 18, 1967. (These deposits emphasize the magnitude of the speculator's influence in the present market.)

Balance of payments -- Today, U.S. industry uses approximately 4 times the amount of silver produced in this country; therefore, without the sale of sufficient government silver, the gap between domestic new production and industrial consumption would have to be filled by foreign production and silver from secondary sources such as world government stocks, demonetized coins and scrap. At 1968 - 1969 prices, this could mean a $155-256 million per year deficit. Sales through GSA keep imports to a minimum as long as the silver is available.

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Mr. BARRETT. Thank you, Mr. Frankland.

We are going to turn to the committee and ask Mr. Wilcox and the other members of the panel to properly identify yourselves for the record, and we will ask you to insert your statement in the record so we can get into executive session immediately. But there are a few very short questions that the members might want to ask either Mr. Wilcox or one of the other members.

Mr. WILCOX. Mr. Chairman, my name is Ralph Wilcox and I am general manager of silver sales for American Smelting & Refining, and I appear on behalf of Mr. Simon Strauss, vice president of our company, and also chairman of the American Mining Congress Silver Committee. Mr. Strauss is out of the country this week and so I appear on his behalf. I will insert his statement for the record, but I would please ask the chairman's indulgence for the American Mining Congress representing all the mines in the country to let me have 8 minutes to summarize his statement.

Mr. BARRETT. The committee has seldom ever refused a request from anyone, but I am sure you want to get the bill out, and we have to go into executive session.

Mr. WILCOX. Well, can I hit just one or two parts?

Mr. BARRETT. Yes, sir.

STATEMENT OF RALPH L. WILCOX, GENERAL MANAGER, SILVER SALES, AMERICAN SMELTING & REFINING CO., ON BEHALF OF SIMON STRAUSS

Mr. WILCOX. The American Mining Congress recommends the adoption of H.R. 12744, introduced by Congressman McClure and over 150 other Members of the House to mint the 40-percent silver clad one dollar coins bearing the likeness of the late Dwight D. Eisenhower.

Now, we recognize that there is several other bills whish recommend a nonsilver dollar and in determining whether or not this coin should contain silver one important question is the supply of silver and, you have heard this morning, that there is a crisis and a shortage of silver. Gentlemen, the 40-percent silver clad Eisenhower dollar would require 95 million ounces of silver. On August 31, the official U.S. Treasury figures show their stock totaled 146,900,000 ounces. Mr. Eggers mentioned in his testimony before this committee on October 1, that the U.S. Treasury stocks of silver as of the end of September totaled about 135 million. This means the Treasury not only has enough silver to mint the 40-percent silver Eisenhower dollar but would also have 40 million ounces left over. This would permit the GSA to continue present weekly sales to industry for about 7 months. Therefore, there would be no sudden cessation of sales to industry.

Mr. BARRETT. Mr. Wilcox, the chairman of the full Banking and Currency Committee wants you to yield to him just for a minute.

Mr. WILCOX. I certainly will.

Chairman PATMAN. I would like to read a letter from the White House dated September 29. It is addressed to me as chairman of the committee. This is from President Nixon. It says:

> I learned that you have scheduled hearings for October 1 and 2 on H.R. 13252, your bill to carry out the recommendations of the Joint Commission on the Coinage. I want to express my appreciation to you for initiating this action.

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Apart from the general merits of the bill, one section in which I have a particular interest would authorize the Treasury to coin and issue cupro-nickel one dollar coins. As you know, if this authority is granted, it is our intention that the new coin bear a portrait of President Dwight David Eisenhower. The birthdate of President Eisenhower is October 14, and various events are being planned to honor this very great American. I think it would be most fitting if congressional action could be completed in time to include an announcement of the new coin in the events of that day.

I am aware of the difficulty in completing congressional action on H.R. 13252 in so short a time, but I would very much appreciate whatever you can do to expedite matters.

Sincerely, R.N.

Now, then, Mr. Chairman, I think we should have an executive session because this bill will have to be delayed a week or two if we cannot finish this morning. And Mr. Wilcox since you are for the bill, you don't want to delay it, do you?

Mr. WILCOX. No, sir.

Chairman PATMAN. If we have to do this and cooperate with the President, we will do our very best to do it. Will that be satisfactory?

Mr. BARRETT. Will you put your statement in the record?

(The prepared statement of Simon D. Strauss on behalf of the American Mining Congress follows:)

PREPARED STATEMENT OF SIMON D. STRAUSS, VICE PRESIDENT, AMERICAN SMELTING & REFINING CO., ON BEHALF OF THE AMERICAN MINING CONGRESS

The American Mining Congress is a national trade association composed of U.S. companies that produce most of the nation's metals, coal, and industrial and agricultural minerals.

The Mining Congress is opposed to H.R. 13252, a bill which reflects the recommendations of the Joint Commission on the Coinage and the Department of Treasury's request of July 25, 1969. We believe the minting of 40 percent silver-clad half dollars should be continued and that the newly minted dollar should be of similar content. We recommend the adoption of H.R. 12744, legislation introduced by Congressman McClure and over 150 other Members of the House to mint a silver-clad one dollar coin containing 40 percent silver and bearing the likeness of the late President Dwight D. Eisenhower. This bill calls for the minting of 300 million coins of the one dollar denomination and would require approximately 95 million ounces of silver.

We recognize there are several bills which would recommend an Eisenhower dollar without silver content. In determining whether or not this coin should contain silver, the central question is one of supply. The Treasury has available to it the supply of silver which would be necessary for the minting of 40 percent clad silver dollars.

On August 31, the United States Treasury had a silver inventory estimated at 146,900,000 ounces of which 84,600,000 was in the form of bullion and 62,300,000 ounces was the estimated silver content of coins awaiting melting. Under the program adopted following the last meeting of the Joint Commission on the Coinage, the Treasury is offering for sale each week 1,500,000 ounces of silver. In addition, it is continuing to coin the Kennedy half dollar with 40 percent silver content. The production of these coins utilizes about 1,250,000 ounces of silver monthly. Consequently, if no changes are made in the present program, it is anticipated that the Treasury's inventory of silver will continue to decrease at an average rate of 7,500,000 to 8,000,000 ounces a month. A portion of the bullion held by the Treasury is not available for sale because it represents the silver content of gold bullion or is committed in other directions.

The silver currently being sold by the Government is derived from melting of coins minted prior to 1965. The relationship of silver content to the face value of these coins is equivalent to a price of $1.38 an ounce. In recent weeks, the Government's auctions of silver have resulted in sales at prices in the range of $1.65 to $1.75 an ounce. In the past six to nine months, however, the average return was less than $1.60 per ounce. Considering the cost to the Government of sorting the coins and melting them, these sales are netting the Government only a modest profit over the face value of the coins. We estimate this profit to be approximately 30 cents per ounce.

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If the proposed legislation is enacted, slightly less than one third of an ounce of silver would be used for each one dollar coin minted. Thus, silver used in issuing one dollar coins would have a monetary value of $3.16 per ounce. The profit to the United States Government through the disposal of its remaining silver in the form of silver dollars would be approximately $1.40 per ounce; that is $1.10 per ounce more than through current GSA sales. Enactment of H.R. 12744 would result in a real profit to the United States of approximately $120 million.

The argument is made that to use silver for the minting of coins is wasteful since industry requires silver for industrial purposes. However, no restrictions are placed on the use which industry makes of the silver it purchases from the Treasury. A substantial amount of silver is currently being used in the production of various commemorative medals coined by private numismatic firms. For example, within one month of the date of the lunar landing, no less than fourteen different commemorative medals were offered to the public by private firms. Undoubtedly a large portion of the silver employed in producing these commemorative medals was derived from the Treasury. If private industry can use silver for such commemorative pieces, why is it wrong for the Government to do so?

Furthermore, commemorative coins with a high silver content are being issued by other governments. Last year the Mexican Government minted 30 million silver coins to commemorate the holding of the 1968 Olympic Games in Mexico City. The German Government has announced it is planning to mint four different designs of the 10-mark denomination, all in silver, to mark the holding of the 1972 Olympic Games in Germany. Among other governments that have recently issued commemorative silver coins are such countries as Austria, Israel, Guinea, Haiti and the United Arab Republic. If these countries can find justification for the use of silver in commemorative coins, why is it that the United States, the country with the strongest economy in the world, cannot do so?

If there was a shortage of silver for essential industrial and military purposes, restrictions of the use of silver for coinage might be considered desirable. However, there is general agreement in the trade that there is no present shortage of silver. The only question is the price which the user must pay to buy his silver.

The largest dealer of silver in the United States is the well-known firm of Handy & Harman. In its review of the silver market in 1968, the following relevant remarks with regard to silver supply were made by Handy & Harman:

"We have continually emphasized that there will be no shortage of silver for future industrial needs, and this has been confirmed by events. Over the past few years speculative or investment stocks have been accumulating at a very rapid rate throughout the world, and in 1968 alone some 170,000,000 ounces were added to these stocks. At year-end there were nearly 90,000,000 ounces of silver in New York Commodity Exchange warehouses alone, and perhaps another 80,000,000 ounces elsewhere within the United States. In addition, an estimated 200,000,000 ounces are stored in England and on the Continent. In total, speculative and investment stocks, worldwide, must be close to some 370,000,000 ounces. This is equivalent to about a full year's demand for world industrial and coinage needs combined.

"These stocks are not the only source over and above new production from which silver will be obtained in the years to come. During 1968 some 60,000,000 ounces came out of India and Near Eastern countries, and silver is continuing to flow into the market from that part of the world. Also, demonetized coin accounted for some 40,000,000 ounces during 1968, mostly from Australian and Canadian coins. More and more countries are moving away from silver coinage, and this tends to have a two-fold effect. In the first place less silver is used, and secondly the old coins are a potential future source of silver.

"The United States silver coins represent the largest such source, and it is estimated that theoretically some 2,000,000,000 ounces of silver are outstanding in these coins. Undoubtedly a substantial part of this silver will never be recovered but even if only half ultimately finds its way into the market, it is a very significant potential supply. It is estimated that the United States Treasury has already withdrawn enough coins to account for some 300,000,000 ounces of silver, and that perhaps as much as 700,000,000 ounces of recoverable silver remain outstanding. Government stocks of silver in bullion and in unmelted coins at the end of 1968 amounted to about 240,000,000 ounces according to our estimates. At the present rate of sale of 2,000,000 ounces a week these stocks will last for over two years, even without allowing for further collections.

"Nevertheless, the Treasury will eventually run out, and in anticipation of this we urge that the ban on the private melting of these coins be lifted so

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that the market may make a timely adjustment. We believe that the melting ban restricts the free flow of silver to the market, and therefore tends to bring about higher prices than would otherwise prevail. Furthermore, the Coinage Act of 1965 authorized the Treasury to impose such a ban specifically if needed to protect the coinage, and therefore it should be removed just as soon as such protection is deemed no longer necessary." [1]

These remarks were made in January, 1969. We believe they correctly describe the situation. Since they were made the Treasury has lifted the ban on the private melting of coins. Consumers and others are now free to melt such coins as they can secure and Handy & Harman's figures indicate that the potential amount is very large.

One argument that is frequently made against the minting of silver coins is that they may not circulate. In fact, it has been pointed out that relatively few of the Kennedy half-dollars, which have been minted since 1965 and which also have a 40 percent silver content, are currently in circulation. We agree that a $1 coin containing 40 percent silver and bearing the likeness of President Eisenhower may not circulate freely. It will be treasured as a memento and a keepsake by the citizens of this country who hold the memory of the late President and military leader in high esteem. This, however, does not strike us as a reason for failing to mint the coins. The demand for such mementos or keepsakes is an entirely legitimate one.

A very similar practice is employed by another Department of our Government. The U.S. Post Office derives a substantial revenue each year from the sale of numerous commemorative issues of postage stamps which are purchased by citizens and kept in mint condition for possible future accrual in value. The Post Office derives a profit becauc it sells the stamps but is not compelled to perform a service in delivering mail.

In the same way, if the Treasury mints a $1 silver coin which fails to circulate, the Treasury in effect is collecting a voluntary tax from the citizens who hold these coins. The public is denying itself the use of goods or services which the coins could otherwise command.

Insofar as the trade and commerce of this country is concerned, the public has available to it paper currency in the $1 denomination. This circulates freely. One argument advanced for using some metal other than silver as the basis for the $1 coin is that this substitute metal will be cheaper and, therefore, the seigniorage profit to the Government will be greater. This argument overlooks one basic fact. The Government already owns the silver.

This silver was bought and paid for by the Government prior to 1959—when the last substantial purchases of silver were made under the Silver Purchase Act. The silver has already been used at least once in the minting of silver coinage. The Government is, therefore, not putting the silver to a new use but simply continuing the use of the silver for the same purpose for which it was originally employed. The Government would not be depriving industry of the use of newly mined silver or competing with industry in acquiring such material.

By minting a 40 percent silver Eisenhower dollar the Government would be acting in the direct interest of the American taxpayer, since such action would transform silver now carried on the Treasury book at $1.29 or $1.38 an ounce into coins with the face value equivalent to $3.16 an ounce. The benefit to the taxpayer is clearly seen when this is contrasted with the price of $1.60 to $1.70 an ounce realized by the Government on its silver sales to industry.

From 1792 until 1965 this country had a tradition of minting silver coins. During this period the purchasing power of U.S. currency was better sustained than the purchasing power of the currency of any other major nation. In our opinion this was not pure coincidence. Those countries that were forced by circumstances to resort entirely to token coins and paper money were the countries in which currencies showed the greatest depreciation in value. When circumstances forced the U.S. Government to recommend a major reduction in the use of silver for coinage in 1965, President Johnson proposed and Congress agreed that the link with the tradition of the past should not be entirely severed and that at least one coin of intrinsic value should be continued in production. It was therefore, decided to retain silver in the Kennedy half-dollar to the extent of 40 percent of the total metal content. We believe the reasoning was sound then and is equally sound today. An Eisenhower dollar with a silver content of 40 percent will continue a tradition that has deep roots in American history.

Mr. BARRETT. Mr. Morris.

[1] (Pp. 18–20.) (The Silver Market in 1968—53d annual review compiled by Handy & Harman.)

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STATEMENT OF JOSEPH T. MORRIS, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF PHOTOGRAPHIC MANUFACTURERS, INC.

Mr. MORRIS. Mr. Chairman, I would like to identify myself. I am Joseph T. Morris, executive vice president of the National Association of Photographic Manufacturers, Inc. I have been privileged to appear before this committee in connection with the Coinage Act of 1965. I would be pleased to answer any question addressed to me. I have submitted a statement and would appreciate it being entered into the record.

Mr. BARRETT. That may be done without objection and so ordered.

(Mr. Morris' prepared statement follows:)

PREPARED STATEMENT OF JOSEPH T. MORRIS, ON BEHALF OF NATIONAL ASSOCIATION OF PHOTOGRAPHIC MANUFACTURERS, INC.

My name is Joseph T. Morris. I am executive vice president of the National Association of Photographic Manufacturers, Inc., a voluntary association composed of sixty-three U.S. companies engaged in the manufacture of photographic film and papers, cameras, projectors and other equipment and photographic chemicals. Its members account for over 90 percent of these products manufactured in the U.S. dollar and volume-wise.

The U.S. photographic industry continues to be the largest industrial user of silver in the world. We estimate that our industry's consumption of this metal in 1969 will be approximately 50 million ounces and therefore greatly appreciate this opportunity to express our views on the proposed legislation being considered by this committee and our full and wholehearted support as an industry for H.R. 13252.

In testimony presented before this committee on June 8, 1965, I set forth that the photographic industry was dependent upon systems that utilize silver-based salts. At that time there were no satisfactory alternates or substitutes for silver in the photographic process and that situation continues to exist today despite extensive research in the area of the development of substitute materials which would produce an image comparable to a silver-based system.

Total domestic production of silver in 1968 was approximately 32.4 million ounces. We estimate that the photographic industry in that year used approximately 47 million ounces. The consumption of this metal by our industry alone, therefore, has continued to run far ahead of domestic production over the years since the passage of the Coinage Act of 1965, which substantially reduced the use of silver in coins and freed a considerable quantity of Treasury stocks of this metal for vital industrial usage.

In 1968, however, the silver-clad half dollar consumed 38 million ounces of silver, a usage in a single coin which also outstripped total domestic production in that year. We are especially pleased to note that H.R. 13252 specifically provides for a terminal date of January 1, 1971 for the continued minting of this coin, and we would hope that the Secretary of the Treasury, utilizing the discretion embodied in the proposed legislation, would find it in the best interest of the nation as a whole to terminate sooner the minting of the silver-clad half dollar, and substitute in its place a cupro-nickel coin as otherwise provided in the proposed legislation, thus freeing additional silver for industrial use.

Almost four and one-half years ago I testified before this committee that the photographic industry was unable to find an adequate substitute for silver, despite extensive research efforts and the inevitable consequences which a shortage of silver could only produce. I can only stress the fact that increases in the price of silver and the depletion of Treasury stocks have stimulated greatly further research in this area, but to no avail.

Our industry is a basic one to the U.S. economy; an industry with an intimate involvement directly and indirectly in the multiplicity of Federal projects and governmental agencies and activities. Ironically, and of deep concern to you, gentlemen, is the fact that these uses of photography in Federal programs and federally funded programs are the very areas where silver usage as a recording medium is most critical. Other image formation systems, which do not use silver,

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while suitable for limited applications, do not possess the high resolution qualities of a silver-based system and therefore are not suitable for use in such critical applications as aerial reconnaissance or for aerial studies and mapping conducted by the Department of Agriculture and other governmental agencies.

Only silver-based systems produce the quality of resolution necessary in medical and dental X-rays so vital to the health and welfare of our Nation's citizenry, the usage of which has increased greatly with the Federal government's administration of the Medicare program.

Visual education, through photography, spearheaded by the efforts of the U.S. Office of Education, is opening vast new frontiers to enable both the young and old to keep up with the burgeoning technology of our era.

Photography is a tool through which the underprivileged can communicate, as witnessed by the evaluation of our industry's involvement in the President's Council on Youth Opportunity.

Photography as a means of recreation through both still and motion pictures needs little elaboration.

We appreciate this opportunity to appear before this distinguished Committee and present our views on proposed legislation which has such far-reaching implications for our industry and the nation as a whole.

We wholeheartedly support H.R. 13252 as recognition that the continued availability of silver to industry, including the photographic industry, is in the best interests of the country and outweigh any considerations for continued use in our nation's subsidiary coinage.

We respectfully urge the committee to report the proposed legislation as introduced.

Mr. BARRETT. Mr. Williams, do you have a short question you want to ask either one of these gentlemen so we can go right into executive session?

Mr. WILLIAMS. Yes, Mr. Chairman, because I think this question is of value.

Mr. BARRETT. If there are any other questions beyond this short one, would you be kind enough to submit them in writing?

Mr. WILLIAMS. Of course, I will. I think this answer will be helpful to all the members of the committee. I tried to develop yesterday that if in fact the Government goes out of the silver business which H.R. 13252 really provides for——

Chairman PATMAN. Mr. Williams, since time is of the essence, you won't mind yielding, would you? You don't want to put it off a week or two, do you? The House meets in 10 minutes.

Mr. WILLIAMS. This would not take me but a few seconds, Mr. Chairman.

If the Government goes out of the silver business, then how is the supply going to compare with the demand for silver? And if you have any figures on the domestic consumption of silver, I would appreciate having them.

Chairman PATMAN. Fine. We will go into executive session now. Thank you, witnesses, very much for your answers and the statements that you filed.

(Whereupon, at 10:50 a.m., the committee adjourned to reconvene in executive session.)

(The following material was submitted for the record:)

STATEMENT OF HON. HOWARD W. POLLOCK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALASKA

Mr. Chairman and distringuished members of the committee,on July 7, 1969, I introduced legislation that would put the likeness of Dwight David Eisenhower on either the quarter or the silver dollar.

Only a handful of American presidents have been accorded the honor of having their likenesses engraved on one of our coins. These men—Washington, Jefferson, Lincoln, Roosevelt, and Kennedy—had a strength of character and a charisma

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which enabled them to transcend the turmoil of partisan politics and to become great men from an historical perspective.

Dwight Eisenhower was a man of this same giant stature. Reaching the top of the military hierarchy, General Eisenhower went on to become the 34th president of the United States. Only one other American, George Washington, achieved such outstanding success in both the military and political spheres.

However, General Eisenhower was not only a distinguished statesman and a great military leader; he was also loved and respected by people everywhere in a special way that is bestowed on few men in public life. The nickname, "Ike," has become a household word and a term of endearment for millions of people in this country and abroad.

The first bill which I have introduced, H.R. 12614, would place the likeness of General Eisenhower on the quarter. The quarter is the most logical coin with which to honor the General. Because the Washington quarter has been in circulation for thirty-seven years, no special legislation would be required to change the coin's design. However, I must admit that the second bill which I introduced is the one that really fires my imagination. This bill would necessitate the minting of a special Eisenhower dollar, making it the largest U.S. coin issued and in circulation at the present time.

When "Ike" died, we did not merely note his passing; we paused to pay full honor. Ordinary and great men alike stood in a line stretching from the Capital Rotunda to the plains of Kansas to pay tribute to the military leader who created peace and prosperity from war and controversy. I urge that this committee put the likeness of this deeply loved soldier and statesman into the hands of the people that paid that tribute.

NATIONAL AUTOMATIC MERCHANDISING ASSOCIATION,
Chicago, Ill., September 30, 1969.

Re: H.R. 13252.

Dr. PAUL NELSON,
Clerk and Staff Director, House Committee on Banking and Currency, Rayburn House Office Building, Washington, D.C.

DEAR DR. NELSON: Enclosed is a statement of the National Automatic Merchandising Association representing the merchandise and service vending industry in support of H.R. 13252 by Representative Patman which carries out the recommendations of the Joint Commission on the Coinage.

The future minting of the half-dollar and dollar coin in a "clad" composition is of crucial importance to our industry in serving the needs of the American consumer.

We will appreciate your efforts in including this statement of support for H.R. 13252 in the record of committee deliberations.

Sincerely yours,

RICHARD W. FUNK,
Counsel.

PREPARED STATEMENT OF RICHARD W. FUNK, NATIONAL AUTOMATIC MERCHANDISING ASSOCIATION, CHICAGO, ILL.

My name is Richard W. Funk, counsel of the National Automatic Merchandising Association with headquarters in Chicago, Ill.

We are the national trade association of the merchandise and service vending industry. Our more than 2300 member firms include all three segments of our business: companies which own and operate vending machines, firms which manufacture the machines, and companies which supply vendible products and services to the operators of machines.

The purpose of this statement is to give our unqualified support to H.R. 13252, which is designed to carry out the recommendations of the Joint Commission on the Coinage as an amendment to the Coinage Act of 1965.

In supporting this legislation, I speak in behalf of our own members, as well as several allied associations which represent other coin-operated types of businesses. These include coin-op laundries, music machines and soft drink bottlers.

The vending industry considers the recommendations of the Joint Commission on Coinage as a logical extension of the principles underlying the Coinage Act of 1965 and therefore continues a most imaginative and practical solution to the problem of dwindling silver reserves and lack in circulation of the half-dollar and dollar coin.

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When we testified before this distinguished committee in 1965 in support of H.R. 8746, which adopted the President's recommendations for new coins, we stated then and we reiterate now, that our industry has from the beginning gone on record for a coinage solution which will put the public interest above other considerations.

THE VITAL ROLE OF COIN-OPERATED SERVICES IN THE UNITED STATES ECONOMY TODAY

It may sound incredible, but 94,000 times every minute Americans deposit a coin in merchandise vending machines to purchase a product. In 1969, American consumers will make more than 47 billion coin transactions in merchandise vending machines, a sizable increase from the 30 billion transactions in 1964.

The merchandise vending industry, with an estimated $5.3 billion annual sales in 1969, provides a dramatic illustration of how the American consumer has come to rely on coin-operated devices around the clock in his daily life.

Along with the expansion of coin-operated telephone service and of food and beverage machines, consumer demand has developed several new coin-operated service industries since 1960.

Coin-op laundries and dry cleaning stores and coin-op car washes have emerged as fast growing new industries, to cite two noteworthy examples.

In his message to the Congress in 1965, recommending the adoption of "clad" metal coins, President Johnson described these trends as follows:

"The automatic merchandising industry is a large and growing part of our national economy . . . In growing numbers, factories, hospitals and other places now depend upon automatic vending for the service of goods. A million and a half people now rely upon coin-controlled vending for at least one meal a day."

During 1969, one out of four candy bars, one out of five soft drinks—consumed away from home—and some $400 million worth of coffee, will be retailed by the American vending industry.

Increasing numbers of factories, offices, hospitals and educational institutions now rely upon coin-operated vending equipment to provide meals and refreshment service around the clock. Two and a half million people will purchase at least one meal a day from vending machines this year. Since most of these installations are patronized primarily by employees and students, the importance of vended services has not yet been realized by other segments of our population.

A variety of other coin-operated conveniences such as laundry and car wash services, telephones, toll booths, parking meters, newspaper vending machines, currency and all types of coin changers, music amd amusement machines, coin-operated copying machines, and others are of equal importance to the consumer in our modern society. All of them continue to grow in importance as we approach the decade of the 1970's.

WHO FURNISHES THE VARIOUS SERVICES TO THE AMERICAN CONSUMER?

Today there are more than 40,000 self-service laundries and dry cleaning stores (8500 in 1956). More than 6,000 independent locally owned and operated vending service companies along with a few, large publicly held companies account for the $5.3 billion in merchandise sales annually. Additional facts and figures about the merchandise vending industry appear as an appendix at the end of this statement.

WHY COINAGE IS IMPORTANT TO THE COIN-OPERATED SERVICE INDUSTRIES AND TO THE CONSUMER

The coin-operated service industries share a direct interest with their millions of customers in the trouble-free operation of coin-operated devices.

Their requirements for a reliable coinage can be summarized as follows:

(1) There must be an adequate coin supply in circulation;
(2) The coin must work reliably in billions of transactions; and
(3) There must be protection against "slugs" and spurious coins.

All coin-operated devices are, in effect, a form of self-service. They are a convenience for the customer when conventional methods of providing a service are either impractical or unavailable. They are designed to operate 24 hours a day. Hence, unattended, trouble-free performance is mandatory.

Because coin-operated merchandising devices are unattended, they present an every-present challenge to obtain something for nothing through the use of "slugs" or worthless foreign coins.

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Until satisfactory "slug rejection" devices were incorporated into vending machines in the 1930's, "slugging" virtually inhibited the growth of merchandise vending as an industry.

Although Federal laws prohibit the use of "slugs" in coin-operated machines, enforcement problems would still be monumental were it not for the sophisticated "slug rejectors" now incorporated in all invulnerable vending machines.

These "slug rejectors" are installed in more than half of the estimated 12,500,000 coin-operated devices now in use.

Obviously, a unique coinage which works reliably in slug rejectors and is virtually impossible to counterfeit is of crucial importance to the bending industry and to the public interest as well.

The "clad" metal coins provided by the Congress through the Coinage Act of 1965 and the "clad" metal coins provided by H.R. 13252 ideally meet these criteria.

The "eddy current" principle upon which these slug rejectors are based is ideally suited to accept the existing "clad" coins and those coins proposed in the pending legislation. Any other alternative such as cupronickel or pure nickel for coinage composition would result in coins which are not compatible with this system and would pose the following insurmountable problems:

(1) Present "slug rejectors" cannot be converted to a new coinage system.

(2) No workable method or device exists which would separate such coins from the "slugs" or numerous foreign coins of like dimension but of inferior value. Technical experts at this time know of no approach which would allow such a separation.

(3) Counterfeiting of cupro-nickel, pure nickel coins or other alloys would be relatively simple and much less expensive than the virtually impossible duplication of "clad" metal coins.

In testimony before this committee in 1965, we pointed out that the extensive research by scientists of the Batelle Memorial Institute in behalf of the Treasury Department determined the "clad" metal coins as the only feasible solution for a "compatible" coinage which meets the requirements of the coin-operated service industry. Our experience over the last four years has shown that the "clad" coins adopted in 1965 have provided the American consumer and the various coin-operated industries with a highly satisfactory medium of exchange and has occasioned no problems or interruptions of service. We can assure this committee that the adoption of the "clad" half-dollar and dollar coins will prove to be equally satisfying.

CONVENIENCE FOR THE CONSUMER PLACES INCREASING IMPORTANCE ON THE HALF-DOLLAR COIN

As stated, the American public is purchasing more than $5.3 billion worth of merchandise from coin-operated machines in 1969. The total has grown from $2.1 billion in 1958 so that the public now uses more than twice as many coins in merchandise vending machines as 10 years ago. (This does not count transactions of telephones, laundromats, music and amusement devices, etc.)

Part of this astonishing advance of automatic selling came from placement of more machines and from consumers' greater reliance on vending machines for food and refreshments at work and in leisure time locations.

Another important role in the sales volume increase—and coinage use—came from inflationary trends of the past 10 years and from higher taxes on items which are sold through machines.

Equally important has been the trend toward vending of higher priced items. Millions of Americans now purchase prepared food items daily from machines at prices ranging from 35¢ to $1.00. The trend of vending in cafeterias is on the upswing. The inconvenience of inserting two quarters, a dime and a nickel into a machine for a 65¢ hot platter is obvious. With the price of vended cigarettes now being at least 50¢ per pack in many areas, the need to insert a quarter plus dimes and nickels into a vending machine becomes inconvenient to the consumer and a nuisance to cashiers who must give out change. It is expected that within the next three years cigarette sales through vending machines will be at a minimum of 50¢ per pack throughout the country. The convenience of the half-dollar coin becomes obvious in this situation.

Of the estimated $5.3 billion sales volume in 1969, more than $2.6 billion worth of vended products are being sold at prices of 25¢ to 50¢.

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The public has favored a number of newly developed coin-operated services, most of which are in the 50¢ to $2.50 price range. Dry cleaning machines, car washes, music machines and other services are giving way to the 50¢ unit. Even items ranging from 30¢ to 45¢ are more conveniently handled by inserting a 50¢ piece and receiving change from the machine. Therefore, the future trend toward coin-operated services and toward higher priced items makes the increased circulation of half-dollars highly desirable from the consumer's point of view.

The need for 50¢ coins will be even more pronounced in the future. "Steadily increasing labor costs and improved automation technology will undoubtedly make vastly expanded automatic merchandising feasible in the late 1970's and the 1980 period," predicts an environmental forecast study recently completed by Management and Economic Research, Inc. of Palo Alto, Calif.

The research finds that among "major personal consumption expenditure categories for which automation appears to be practical are food items, toilet articles, tableware and cooking utensils, household cleaning and paper supplies, books, maps . . ."

Using two, three or more quarters as a substitute for the half-dollar coin becomes a burden on the consumer and tends to reduce sales, since the customer without appropriate change will often forego the purchase entirely.

ARE 50¢ COINS ABSOLUTELY NECESSARY?

While there is no public outcry at present, coinage, like other public services, does not cause consumer reactions until it has literally produced chaos. Manufacturers and operators of vending equipment are re-doing equipment to accept 50¢ pieces, because they have assessed the public's demand for higher priced vending products, because of general price and tax increases and because of reliable forecasts of new types of products which would be vended in the near future if 50¢ coins were in general circulation.

WHAT ABOUT THE DOLLAR COIN?

At present, the vending industry has no equipment in use designed to take a dollar coin in return for merchandise. These coins in the past have not generally circulated in many areas of the country and, of course, their circulation has been nonexistent all over America for many years. Therefore, the immediate appearance of the dollar coin does not rank in importance with the need for the 50¢ coin. However, the arguments based on the future growth of the vending industry support the need for such coins in the future. Consequently, their composition to be accepted in vending machines must also be as "clad" coins in accordance with the specifications detailed in H.R. 13252.

CONCLUSION

The National Automatic Merchandising Association representing an industry of more than 6,000 automatic retailers, manufacturers and product suppliers, strongly recommends favorable consideration of H.R. 13252. In doing so, we have a selfish business motive. But our interests are also closely in tune with the consumer, since we monitor his buying habits many million times every 24 hours.

We are grateful to the committee for this opportunity to submit these views.

Appendix.—Facts and figures about the merchandise vending industry, estimated 1969

Value of goods sold through machines	$5, 300, 000, 000
Number of machines on location	5, 800, 000
Vending machines with coin mechanisms using the "eddy current" principle	4, 140, 000
Number of coins inserted in vending machines:	
Hourly	5, 450, 830
Daily	130, 820, 000
Annually	47, 750, 000, 000
Number of Americans who obtain at least one meal daily from vending machines (estimated)	2, 750, 000
Vending employment:	
Number of vending operating companies	6, 200
Number employed directly	100, 000
Suppliers' employees furnishing products to the vending industry	400, 000
Total vending industry annual payroll	$1, 000, 000, 000

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NUMBER OF COIN-OPERATED MACHINES USING "EDDY CURRENT" COIN MECHANISMS

	1968	1970 [1]
Merchandise vending machines	3,860,000	4,420,000
Music machines, including wall boxes	1,350,000	1,500,000
Amusement machines	675,000	750,000
Coin changers (wall type)	295,000	340,000
Coin telephones (Bell System only) [2]	1,230,000	1,300,000
Coin-operated laundry (washing) machines	130,500	150,000
Coin-operated dryer machines	71,000	80,000
Coin-operated drycleaning machines	57,000	64,000
Coin-operated carwashing machines	30,000	45,000
Kiddie rides	57,500	65,000
Postage stamp machines (other than Government)	34,000	43,000
U.S. Post Office Department—Stamp machines	12,000	14,000
Parking gates	3,600	4,800
Total	7,815,600	8,775,800

[1] At current rate of increase.
[2] In process of converting to "eddy current" system.

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