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Garfield, James Abram

The currency

[Washington, D.C.]

[1868]

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... in the House of representatives, May 15, 1860.
Washington, D. C., 1860.

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THE CURRENCY.

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SPEECH

OF

HON. JAMES A. GARFIELD, OF OHIO,

DELIVERED

IN THE HOUSE OF REPRESENTATIVES, MAY 15, 1868.

"I cannot but lament from my inmost soul that lust for paper money which appears in some parts of the United States; there will never be any uniform rule, if there is any sense of justice, nor any clear credit, public or private, nor any settled confidence in public men or measures, until paper money is done away."—John Adams, 1786.

The House being in Committee of the Whole on the state of the Union—

Mr. GARFIELD said:

Mr. CHAIRMAN: I am aware that financial subjects are dull and uninviting in comparison with those heroic themes which have absorbed the attention of Congress for the last five years. To turn from the consideration of armies and navies, victories and defeats, to the long array of figures which exhibit the debt, expenditure, taxation, and industry of the nation, requires no little courage and self-denial; but to those questions we must come, and to their solution Congresses, political parties, and all thoughtful citizens must give their best efforts for many years to come. Our public debt, the greatest financial fact of this century, stands in the pathway of all political parties and, like the Egyptian Sphinx, propounds its riddles. All the questions which spring out of the public debt, such as loans, bonds, tariffs, internal taxation, banking, and currency, present greater difficulties than usually come within the scope of American politics. They cannot be settled by force of numbers nor carried by assault, as an army storms the works of an enemy. Patient examination of facts, careful study of principles which do not always appear on the surface, and which involve the most difficult problems of political economy, are the weapons of this warfare. No sentiment of national pride should make us unmindful of the fact that we have less experience in this direction than any other civilized nation. If this fact is not creditable to our intellectual reputation, it at least affords a proof that our people have not hitherto been crushed under the burdens of taxation. We must consent to be instructed by the experience of other nations, and be willing to approach these questions, not with the dogmatism of teachers, but as seekers after truth.

It is evident, that both in Congress and among the people, there is great diversity of opinion on all these themes. He is indeed a bold man who, at this time, claims to have mastered any one of them, or reached conclusions on all its features satisfactory even to himself. For myself, I claim only to have studied earnestly to know what the best interests of the country demand at the hands of Congress. I have listened with great respect to the opinions of those with whom I differ most, and only ask for myself what I award to all others, a patient hearing.

THE HARD TIMES.

The past six months have been remarkable for unparalleled distress in the commercial and industrial interests of half the civilized world. In Great Britain, the distress among the laboring classes is more terrible than the people of those islands have suffered for a quarter of a century. From every city, town, and village in the kingdom, the cry of distress comes up through every issue of the press. The London Times of December 11, says:

"Last winter the demands on the public were unprecedented. The amount of money given to the poor of London beyond that disbursed in legal relief of the poor, was almost incredible. It seemed the demand had reached its highest point, but if we are not mistaken the exigencies of the present season will surpass those of any former year in British history."

The London Star, of a still later date, says:

"Men and women die in our streets every day of starvation. Whole districts are sinking into one vast, equalid, awful condition of helpless, hopeless destitution."

From many parts of continental Europe there comes a similar cry. A few weeks since the Secretary of State laid before this body a letter from the American minister at Copenhagen, appealing to this country for contributions for the relief of the suffering poor of Sweden and Norway. A late Berlin paper

...says "business is at a stand-still, and privation and suffering are everywhere seen." The judgments of Eastern Prussia are appealing to the German cabinets of the United States for immediate relief. In Russia the horrors of pestilence are added to the sufferings of famine. In Finland the peasants are dying of starvation by hundreds. In some parts of France and Spain the scarcity is very great. In northern Africa the suffering is still greater. In Algiers the deaths by starvation are so numerous that the victims are buried in trenches like the slain on the battle-field. In Tunis eight thousand have thus perished in two months. The United States consul at that place writes that on the 27th day of December two hundred people starved to death in the streets of that city, and the average daily deaths from that cause exceed one hundred. Our sadness at the contemplation of this picture is mingled with indignation, when we reflect that at the present moment, in the eight principal nations of Europe, there are three million men under arms at an annual cost of nearly a thousand million dollars, an expense which, in twenty years, would pay every national debt in Christendom; and this only the peace establishment! While Napoleon is feeding fifty thousand starving Frenchmen daily from the soup-kitchens of the imperial palace, he is compelling the French Legislature to double his army. Whatever distress our people may be suffering, they have reason to be thankful that the bloody monster called the "balance of power" has never cast its shadow upon our country. We have reason, indeed, to be thankful that our people are suffering less than the people of any other nation. But the distress here is unusual for us. It is seen in the depression of business, the stagnation of trade, the high price of provisions, and the great difficulty which laboring men encounter in finding employment. It is said that during the past winter seventy-five thousand laborers of New York city have been unable to find employment. The whole industry of the country is in rebellion is paralyzed, and in many localities the cry of hunger is heard. It is the imperative duty of Congress to ascertain the cause of this derangement of our industrial forces, and apply whatever remedy legislation can afford. The field is a broad one, the subject is many-sided; but our first step should be to ascertain the facts of our situation.

I shall direct my remarks on this occasion to but one feature of our legislation. I propose to discuss the currency and its relation to the revenue and business prosperity of the country.

OUR INDUSTRIAL REVOLUTION.

In April, 1861, there began in this country an industrial revolution, not yet completed, as gigantic in its proportions and as far reaching in its consequences as the political and military revolution through which we have passed. As the first step to any intelligent discussion of the currency it is necessary to examine the char-

acter and progress of that industrial revolution.

The year 1860 was one of remarkable prosperity in all branches of business. For seventy years, no Federal tax-gatherer had ever been seen among the laboring population of the United States. Our public debt was less than sixty-five million dollars. The annual expenditures of the Government, including interest on the public debt, were less than sixty-four million dollars. The revenues from customs alone amounted to six sevenths of the expenditures. The value of our agricultural products for that crop alone was two billion one hundred and fifty-five million pounds, and we supplied to the markets of the world seven eighths of all the cotton consumed. Our merchant marines, engaged in foreign trade, amounted to two million five hundred and forty-six thousand two hundred and thirty-seven tons, and promised soon to rival the immense carrying trade of England.

FROM PEACE TO WAR.

Let us now observe the effect of the war on the various departments of business. From the moment the first hostile gun was fired, the Federal and State governments became gigantic consumers. As far as production was concerned, eleven States were completely separated from the Union. Two million laborers, more than one third of the adult population of the northern States, were withdrawn from the ranks of producers and became only consumers of wealth. The Federal Government became an insatiable devourer. Leaving out of account the vast sums expended by States, counties, cities, towns, and individuals for the payment of bounties, for the relief of sick and wounded soldiers and their families, and omitting the losses, which can never be estimated, of property destroyed by hostile armies, I shall specify only of expenditures which appear on the books of the Federal Treasury. From the 30th of June, 1861, to the 30th of June, 1865, there were paid out of the Federal Treasury \$3,540,592,211, making an aggregate during these four years of more than eight hundred and thirty-six million dollars per annum.

From the official records of the Treasury Department it appears that from the beginning of the American Revolution in 1775, to the beginning of the late rebellion, the total expenditures of the Government for all purposes, including the assumed war debts of the States, amounted to \$2,250,000,000. The expenditures of four years of the rebellion were nearly \$1,100,000,000 more than all the other Federal expenses since the Declaration of Independence. The debt of England, which had its origin in the revolution of 1688, and was increased by more than one hundred years of war and other political disasters, had reached in 1798 the sum of \$1,268,000,000. During the twenty-two years that followed, while England was engaged in a life and death struggle

with Napoleon, (the greatest war in history save our own,) \$3,056,000,000 were added to her debt. In our four years of war we spent \$300,000,000 more than the amount by which England increased her debt in twenty-two years of war; almost as much as she had increased it in one hundred and twenty-five years of war. Now, the enormous demand, which this expenditure created for all the products of industry, stimulated to an unparalleled degree every department of business. The plow, the mill, the mill, loom, railroad, steamboat, telegraph—all were driven to their utmost capacity. Warehouses were emptied; and the great reserves of supply, which all nations in a normal state keep on hand, were exhausted to meet the demands of the great consumer. For many months, the Government swallowed three millions per day of the products of industry. Under the pressure of this demand, prices rose rapidly in every department of business. Labor everywhere found quick and abundant returns. Old debts were canceled and great fortunes were made.

For the transaction of this enormous business an increased amount of currency was needed; but I doubt if any member of this House can be found, bold enough to deny that the deluge of Treasury notes poured upon the country during the war, was far greater than even the great demands of business. Let it not be forgotten, however, that the chief object of these issues was not to increase the currency of the country. They were authorized with great reluctance and under the pressure of overwhelming necessity, as a temporary expedient to meet the demands of the Treasury. They were really forced loans in the form of Treasury notes. By the act of July 17, 1861, an issue of demand notes was authorized to the amount of \$50,000,000. By the act of August 5, 1861, this amount was increased \$50,000,000 more. By the act of February 25, 1862, an additional issue of \$150,000,000 was authorized. On the 17th of the same month an unlimited issue of fractional currency was authorized. On the 17th of January, 1863, an issue of \$150,000,000 more was authorized, which was increased \$50,000,000 by the act of March 3, of the same year. This act also authorized the issue of one and two years' Treasury notes, bearing interest at five per cent., to be a legal tender for their face, to the amount of \$400,000,000. By the act of June 30, 1864, an issue of six per cent. compound interest notes, to be a legal tender for their face, was authorized, to the amount of \$200,000,000. In addition to this, many other forms of paper obligation were authorized, which, though not a legal tender, performed many of the functions of currency. By the act of March 1, 1862, the issue of an unlimited amount of certificates of indebtedness was authorized, and within ninety days after the passage of the act, there had been issued and were outstanding of these certificates, more than one

hundred and fifty-six million dollars. Of course these issues were not all outstanding at the same time, but the acts show how great was the necessity for loans during the war.

The law which made the vast volume of United States notes a legal tender operated as an act of general bankruptcy. The man who loaned \$1,000 in July, 1861, payable in three years, was compelled by this law to accept at maturity, as a full discharge of the debt, an amount of currency equal in value to \$1,000 of the money he loaned. Private indebtedness was everywhere canceled. Rising prices increased the profits of business, but this prosperity was caused by the great demand for products, and not by the abundance of paper money. As a means of transacting the vast business of the country, a great volume of currency was indispensable; and its importance cannot be well overestimated. But let us not be led into the fatal error of supposing that paper money created the business or produced the wealth. As well might it be alleged that our rivers and canals produce the grain which they float to market. Like currency, the channels of commerce stimulate production, but cannot nullify the inexorable law of demand and supply.

FROM WAR TO PEACE.

Mr. Chairman, I have endeavored to trace the progress of our industrial revolution in passing from peace to war. In returning from war to peace all the conditions were reversed. At once the Government ceased to be an all-devouring consumer. Nearly two million able bodied men were discharged from the Army and Navy and enrolled in the ranks of the producers. The expenditures of the Government, which for the fiscal year ending June 30, 1865, amounted to \$1,290,000,000, were reduced to \$320,000,000 in 1866, to \$349,000,000 in 1867; and, if the retrenchment measures recommended by the Special Commissioner of the Revenue be adopted, another year will bring them below \$300,000,000.

Thus during the first year after the war the demands of the Federal Government as a consumer, decreased sixty per cent.; and in the second year the decrease had reached seventy-four per cent., with a fair prospect of a still further reduction.

The recoil of this sudden change would have produced great financial disaster in 1866, but for the fact that there was still open to industry the work of replacing the wasted reserves of supply, which in all countries in a healthy state of business, are estimated to be sufficient for two years. During 1866, the fall in price of all articles of industry, amounted to an average of ten per cent. One year ago a table was prepared at my request, by Mr. Edward Young, in the office of the Special Commissioner of the Revenue, exhibiting a comparison of wholesale prices at New York in December, 1865, and December, 1866. It shows that in ten leading articles of provisions there was an

average decline of twenty-two per cent., though beef, flour, and other breadstuffs remained nearly stationary. On cotton and woolen goods, boots, shoes, and clothing, the average was thirty per cent. On the products of manufacture and mining, including coal, cordage, iron, lumber, naval stores, oils, tallow, tin, and wool, the decline was twenty-five per cent. The average decline on all commodities was at least ten per cent. According to the estimates of the Special Commissioner of the Revenue in his late report, the average decline during 1867 has amounted at least to ten per cent. more. During the past two years, Congress has provided by law for reducing internal taxation \$100,000,000; and the act passed a few weeks ago, has reduced the tax on manufactures to the amount of \$64,000,000 per annum. The repeal of the cotton tax will make a further reduction of \$20,000,000. State and municipal taxation and expenditures have also been greatly reduced. The work of replacing these reserves delayed the shock and distributed its effects, but could not avert the inevitable result. During the past two years, one by one, the various departments of industry produced a supply equal to the demand. Then followed a glutted market, a fall in prices, and a stagnation of business by which thousands of laborers were thrown out of employment.

If it to this be added that the famine in Europe and the drought in many of the agricultural States of the Union have kept the price of provisions from falling as other commodities have fallen, we shall have a sufficient explanation of the stagnation of business and the unusual distress among our people.

This industrial revolution has been governed by laws beyond the reach of Congress. No legislation could have arrested it at any stage of its progress. The most that could possibly be done by Congress was to take advantage of the prosperity it occasioned, to raise a revenue for the support of the Government, and to mitigate the severity of its subsequent pressure, by reducing the vast machinery of war to the lowest scale possible. Manifestly nothing can be more absurd than to suppose that the abundance of currency produced the prosperity of 1863, 1864, and 1866, or that the want of it is the cause of our present stagnation.

THE FUNCTIONS OF CURRENCY.

In order to reach a satisfactory understanding of the currency question, it is necessary to consider somewhat fully, the nature and functions of money or any substitute for it.

The theory of money which formed the basis of the "Mercantile system" of the seventeenth and eighteenth centuries has been rejected by all leading financiers and political economists for the last seventy-five years. That theory asserted that money is wealth; that the great object of every nation should be to increase its amount of gold and silver; that this was a direct increase of national wealth.

It is now held as an indisputable truth that

money is an instrument of trade and performs but two functions. It is a measure of value and a medium of exchange.

In the course of simple barter, where no money is used, we estimate the relative values of the commodities to be exchanged, in dollars and cents, it being our only universal measure of value.

As a medium of exchange, money is to all business transactions, what ships are to the transportation of merchandise. If a hundred vessels at a given tonnage are just sufficient to carry all the commodities between two ports, any increase of the number of vessels will correspondingly decrease the value of each as an instrument of commerce; any decrease below one hundred will correspondingly increase the value of each. If the number be doubled each will carry but half its usual freight, but will be worth but half its former value for that trade. There is so much work to be done and no more. A hundred vessels can do it all. A thousand can do no more than all.

The functions of money as a medium of exchange, though more complicated in their application, are precisely the same in principle as the functions of the vessels in the case I have supposed.

If we could ascertain the total value of all the exchanges effected in this country by means of money in any year, and could ascertain how many dollars worth of such exchanges can be effected in a year by one dollar in money, we should know how much money the country needed for the business transactions of that year. Any decrease below that amount will correspondingly increase the value of each dollar as an instrument of exchange. Any increase above that amount will correspondingly decrease the value of each dollar. If that amount be doubled, each dollar of the whole mass will perform but half the amount of business it did before; will be worth but half its former value as a medium of exchange.

Recurring to our illustration: if, instead of sailing vessels, steam vessels were substituted, a much smaller tonnage would be required; so, if it were found that \$500,000,000 of paper, each worth seventy cents in gold, were sufficient for the business of the country; it is equally evident that \$350,000,000 of gold substituted for the paper would perform precisely the same amount of business.

It should be remembered, also, that any improvement in the mode of transacting business, by which the actual use of money is in part dispensed with, reduces the total amount needed by the country. How much has been accomplished in this direction by recent improvements in banking, may be seen in the operations of the clearing-houses in our great cities. The records of the New York clearing-house show that from October 11, 1853, the date of its establishment, to October 11, 1867, the exchanges amounted to nearly one hundred and eighty million dollars; to effect which,

less than eight thousand millions of money were used; an average of about four per cent.; that is, exchanges were made to the amount of \$100,000,000 by the payment of four millions of money.

It is also a settled principle that all deposits in banks drawn upon by checks and drafts, really serve the purpose of money.

The amount of currency needed in the country depends, as we have seen, upon the amount of business transacted by means of money. The amount of business, however, is varied by many causes which are irregular and uncertain in their operation. An Indian war, deficient or abundant harvests, an overflow of the cotton lands of the South, a bread famine or war in Europe, and a score of such causes entirely beyond the reach of legislation, may make money deficient this year and abundant next. The needed amount varies also from month to month in the same year. More money is required in the autumn, when the vast products of agriculture are being moved to market, than when the great army of laborers are in winter-quarters, awaiting the seed time.

When the money of the country is gold and silver, it adapts itself to the fluctuations of business without the aid of legislation. If, at any time, we have more than is needed, the surplus flows off to other countries through the channels of international commerce. If less, the deficiency is supplied through the same channels. So immense is the trade of the world that the golden streams pouring from California and Australia into the specie circulation, are soon absorbed in the great mass and equalized throughout the world, as the waters of all the rivers are spread upon the surface of all the seas.

Not so, however, with an inconvertible paper currency. Excepting the specie used in payment of customs and the interest on our public debt, we are cut off from the money currents of the world. Our currency remains rather the waters of an artificial lake which lie in stagnation or rise to full banks at the caprice of the gatekeeper.

Gold and silver adhere depreciated paper money and will not keep company with it. If our currency be more abundant than business demands, not a dollar of it can go abroad; if deficient, not a dollar of gold will come in to supply the lack. There is no Legislature on earth, wise enough to adjust such a currency to the wants of the country.

RELATION OF CURRENCY TO PRICES.

Let us examine more minutely the effect of such a currency upon prices. Suppose that the business transactions of the country at the present time require \$250,000,000 in gold. It is manifest that if there are just \$250,000,000 of legal-tender notes, and no other money in the country, each dollar will perform the full functions of a gold dollar, so far as the work

of exchange is concerned. Now, business remaining the same, let us suppose \$350,000,000 more of the same kind of notes be pressed into circulation. The whole volume, thus increased, can do no more than all the business. Each dollar will accomplish just half the work that a dollar did before the increase, but as the nominal dollar is fixed by law, the effect is shown in prices being doubled. It requires two of these dollars to make the same purchase that one dollar made before the increase; it would require some time for the business of the country to adjust itself to the new conditions, and great derangement of values would ensue; but the result would at last be reached in all transactions which are controlled by the law of demand and supply.

INCREASE OF THE CURRENCY IS TAXATION.

No such change of values can occur without cost. Somebody must pay for it. Who pays in this case? We have seen that doubling the currency finally results in reducing the purchasing power of each dollar one half; hence every man who held a legal-tender note at the time of the increase, and continued to hold it till the full effect of the increase was produced, suffered a loss of fifty per cent. of its value: in other words, he paid a tax to the amount of half of all the currency in his possession. This new issue, therefore, by depreciating the value of all the currency, cost the holders of the old issue \$175,000,000; and if the new notes were received at their nominal value at the date of issue, their holders paid a tax of \$175,000,000 more. No more unequal or unjust mode of taxation could possibly be devised. It would be tolerated only by being so involved in the transactions of business as to be concealed from observation; but it would be no less real because hidden.

ITS CHIEF BURDEN FALLS ON THE LABORER.

But some one may say, "This depreciation would fall upon capitalists and rich men who are able to bear it."

If this were true it would be no less unjust. But unfortunately the capitalists would be less than any other class. The new issue would be paid in the first place in large amounts to the creditors of the Government, and in smaller amounts from their hands before the depreciation had taken full effect, and, passing down step by step through the ranks of middle men, the dead weight would fall at last upon the laboring classes in the increased price of all the necessaries of life. It is well known that a general rise of prices, wages are among the last to rise. This principle was illustrated in the report of the Special Commissioner of the Revenue for the year 1866. It is there shown that from the beginning of the war to the end of 1865, the average price of all commodities had risen ninety per cent. Wages, however, had risen but sixty per cent. A day's labor would purchase but two thirds as many of the necessaries of life as it would before. The wrongs therefore inflicted on the laborer long before

his income can be adjusted to his increased expenses. It is in view of this truth that Daniel Webster said in one of his ablest speeches:

"Of all the contrivances for cheating the laboring classes of mankind, one has been more effectual than that which detudes them from money. This is the most effective of contrivances to fertilize the rich man's field by the sweat of the poor man's brow. Ordinary tyranny, oppression, excessive taxation, these bear lightly on the happiness of the mass of the community, compared with a fraudulent currency and the robberies committed by depreciated paper."

The fraud committed and the burdens imposed upon the people, in the case we have supposed, would be less intolerable if all business transactions could be really adjusted to the new conditions; but even this is impossible. All debts would be canceled, all contracts fulfilled by payment in these notes—not at their real value, but for their face. All salaries fixed by law, the pay of every soldier in the Army, of every sailor in the Navy, and all pensions and bounties would be reduced to half their former value. In these cases the effect is only injurious. Let it never be forgotten that every depreciation of our currency results in robbing the one hundred and eighty thousand pensioners, maimed heroes, crushed and bereaved widows, and homeless orphans, who sit helpless at our feet. And who would be benefited by this policy? A pretense of apology might be offered for it, if the Government could save what the people lose. But the system lacks the support of even that selfish and immoral consideration. The depreciation caused by the over issue in the case we have supposed compels the Government to pay just that per cent. more on all the contracts it makes, on all the loans it negotiates, on all the supplies it purchases; and to crown all, it must at last redeem all its legal-tender notes in gold coin, dollar for dollar. The advocates of repudiation have yet been hold enough to deny this.

DEPRECIATED CURRENCY STIMULATES SPECULATION AND OVERTRADING.

I have thus far considered the influence of a redundant paper currency on the country when its trade and industry are in a healthy and normal state. I now call attention to its effect in producing an unhealthy expansion of business, in stimulating speculation and extravagance and in laying the sure foundation of commercial revulsion and wide-spread ruin. This principle is too well understood to require any elaboration here. The history of all modern nations is full of examples. One of the ablest American writers on banks and banking, Mr. George, thus sums up the result of his researches:

"The history of all our bank pressures and panics has been the same in 1825, in 1837, and in 1857; and the cause given in these two simple words—universal expansion."

There still remains to be considered the effect of depreciated currency on our trade with other nations. By raising prices at home higher than they are abroad, imports are largely increased beyond the exports; our coin must go abroad;

or, what is far worse for us, our bonds which have also suffered depreciation and are purchased by foreigners at seventy cents on the dollar. During the whole period of high prices occasioned by the war, gold and bonds have been steadily going abroad, notwithstanding our tariff duties which average nearly fifty per cent. *ad valorem*. More than five hundred million dollars of our bonds are now held in Europe, ready to be thrown back upon us when any war or other sufficient disturbance shall occur. No tariff rates short of actual prohibition can prevent this outflow of gold while our currency is thus depreciated. During these years also our merchant marine steadily decreased, and our ship-building interests were nearly ruined.

Our tonnage engaged in foreign trade, which amounted in 1859-60 to more than two and a half million tons, had fallen in 1865-66 to less than one and a half millions—a decrease of more than fifty per cent.; and prices of labor and material are still too high to enable our shipwrights to compete with foreign builders.

From the facts already exhibited in reference to our industrial revolution, and from the foregoing analysis of the nature and functions of currency, it is manifest:

1. That the remarkable prosperity of all industrial enterprise during the war was not caused by the abundance of currency, but by the unparalleled demand for every product of labor.
2. That the great depression of business, the stagnation of trade, the "hard times" which have prevailed during the past year, and which still prevail, have not been caused by an insufficient amount of currency, but mainly by the great falling off of the demand for all the products of labor compared with the increased supply since the return from war to peace.

HOW MUCH CURRENCY IS NEEDED?

I should be satisfied to rest on these propositions without further argument, were it not that the declaration is so often and so confidently made by members of this House, that there is not only no excess of currency, but that there is not enough for the business of the country. I subjoin a table, carefully made up from the official records, showing the amount of paper money in the United States at the beginning of each year from 1834 to 1868, inclusive. The fractions of millions are omitted:

Millions.	1834	1835	1836	1837	1838	1839	1840	1841	1842	1843	1844	1845	1846	1847	1848	1849	1850	1851	1852	1853	1854	1855	1856	1857	1858	1859	1860	1861	1862	1863	1864	1865	1866	1867	1868				
1834	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10			
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1843	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	
1844	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1845	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1846	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1847	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1848	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1849	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1850	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1851	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1852	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1853	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1854	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1855	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1856	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1857	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1858	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1859	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1860	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1861	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1862	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1863	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1864	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1865	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1866	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1867	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
1868	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10

To obtain a full exhibit of the circulating medium of the country for these years, it would be necessary to add to the above, the amount of coin in circulation each year. This amount cannot be ascertained with accuracy, but it is the opinion of those best qualified to judge, that there were about two hundred million dollars of gold and silver coin in the United States at the beginning of the rebellion. It is officially known that the amount held by the banks from 1850 to 1863 inclusive, averaged about ninety-seven million dollars. Including bank reserves, the total circulation of coin and paper never exceeded \$400,000,000 before the war. Excluding the bank reserves the amount was never much above \$300,000,000. During the twenty-six years preceding the war the average bank circulation was less than one hundred and thirty-nine million dollars.

It is estimated that the amount of coin now in the United States is not less than \$250,000,000. When it is remembered that there are now \$106,000,000 of coin in the Treasury, that customs duties and interest on the public debt are paid in coin alone, and that the currency of the States and Territories of the Pacific coast is wholly metallic, it will be seen that a large sum of gold and silver must be added to the volume of paper currency in order to ascertain the whole amount of our circulation.

great activity and apparent prosperity in the business of Europe. It was a period of speculation and overtrading. About the middle of that year the depression commenced, which has continued and increased till now, when the distress is greater and more widespread than it has been for a quarter of a century. From May, 1866, to the present time, the rate of interest in the principal money centers of Europe has been steadily decreasing. The following table, collated from the London Economist, exhibits the fact that the average decline in nine kingdoms of Europe is fifty per cent.:

RATE OF INTEREST.		
	May, 1866.	March, 1868.
	per cent.	per cent.
London.....	7	3 1/2
Paris.....	7	3 1/2
Berlin.....	5	3
Vienna.....	5	3
Frankfort.....	6	2 1/2
Amsterdam.....	6 1/2	2 1/2
Turin.....	8	5
Madrid.....	8	5
Brussels.....	5	2 1/2
Hamburg.....	7	3 1/2
St. Petersburg.....	8	5

It will be noticed that the rate is lowest in specie-paying countries, and highest where there is a large volume of depreciated paper money, as in Russia, Spain, and Italy. But the important fact exhibited in this table is, that as commercial distress has increased, the rate of interest has decreased, and that the hard times have been accompanied with an abundant supply of money.

It would be as reasonable for an Englishman to assert that the distress and stagnation of business there has been caused by the plethora of money and the low rate of interest, as for us to claim that our distress is caused by an insulcient currency and a high rate of interest. There, as here, the distress was caused by overproduction and overtrading.

England thought to grow rich out of our misfortunes, and in her greed, overreached herself and brought misery and ruin upon millions of her people. As a specimen of her crazy expansion of business, witness the fact that in the years 1863, 1864, and 1865, in addition to all other enterprises, there were organized eight hundred and thirty-two joint-stock companies, with an authorized capital of \$363,000,000 sterling. During 1866 and 1867, there were organized but seventy-one such companies, with an authorized capital of less than sixteen million five hundred thousand pounds sterling.

The Bankers' Magazine of London, for May, 1867, says that—

"In the vaults of the Bank of England, the Bank of France, and in Amsterdam, Frankfort, Hamburg, and Berlin, there are \$70,000,000; the rate of discount averages three per cent, and lending downwards yet in each and every one of these cities complaints of the scarcity of money were never more rife.

At the end of 1867, of the same magazine, of a later date, says there were £23,500,000 sterling

gold in the Bank of England, besides £14,000,000 of coin and paper reserves, but "not the slightest life in trade."

The London Times of December 20, 1867, says:

"We are now paying the penalty of wild speculation and overtrading. For eighteen months, all but the ordinary business of the country is at a standstill. The £100 millions of money now lying idle in the various banks of the country because the owners of the money cannot prevail upon themselves to trust it in any of the ordinary investments."

From these facts it is evident that those who attribute our hard times to a reduction of the currency will find themselves unable to explain the hard times in Europe.

We are constantly reminded that the country was prosperous at the beginning of 1866, before the currency was reduced, but is now in distress since the reduction, and these two facts are assumed to sustain the relation to each other of cause and effect.

Now, let it be observed that since January, 1866, the volume of paper currency has been reduced sixteen and a half per cent., but during the same time there has been an average decline in prices of not less than twenty per cent.; that is, eighty cents in currency will purchase as many commodities now as a dollar would two years ago, and there are eighty-three and a half cents in currency now to every dollar then. The gold value of our whole volume of currency in January, 1868, was but three and two thirds per cent. less than the gold value of the whole volume in January, 1866. The advocates of expansion should prove that there has been a reduction in the purchasing power of our currency before they deplore the fact.

SCARCITY OF CURRENCY IN THE WEST.

That there is an apparent stringency in our money market generally, and a relative scarcity of currency in the West cannot be doubted. During the past winter, especially, it has been and still is very difficult in the West to obtain money on good business paper. The causes of this are to be found in the improper adjustment of our financial machinery and in the great uncertainty attending our financial legislation. It is a well-settled principle that a currency, not redeemable, tends to fluid its way to the money centers and stay there.

Most unfortunately for the interest of the country, the national banks have been allowed to receive interest on the deposits they make in the banks at the great money centers. Most of the country banks, therefore, send all their surplus funds to New York, and will not loan money unless they can receive a higher rate than is paid them there. For all practical purposes their notes are equal to greenbacks, and they are never called upon to redeem them. Thus we have a plethora of money in New York and a few other cities, and a scarcity in the country. We are financially in the condition of a sick man suffering with congestive

chills; the blood rushes to the heart and leaves the extremities chilled and paralyzed.

The fluctuation of values, caused by the uncertainty of our situation, offers a great temptation to engage in stocks and gold speculation, and hence men, who would otherwise be honest producers of wealth, rush to the gold room or the stock market and become the most desperate of gamblers, putting up fortunes to be lost at the whims of the market. These men pay enormous margins on their purchases and extravagant interest on their loans. There are tons of paper money at the great commercial centers, to which it flows from all quarters, meet the insane demands of Wall street. Recently a clique of these operators locked up \$25,000,000 of greenbacks, and upon them, as a special deposit, borrowed \$20,000,000 more for the purpose of creating a sudden stringency in the money market and placing gold and stocks at their mercy.

The vast amount of money daily loaned on call in Wall street, at a high rate of interest, shows how the currency of the country is being used. So long as the national Government takes no steps toward redeeming its own paper, so long will there be nothing to call the notes of the country banks back home; so long will there be no healthy and equal circulation of the currency. If \$200,000,000 more currency were now issued, I do not doubt that within two months there would be the same want of money in the rural districts that now prevails. The surplus would flow to the money centers, and the increased prices would make our condition worse than before. It ought not to be forgotten that while the capitalist and speculator are able to take advantage of fluctuations in prices, the poor man has no such power. The necessities of life he must buy day by day, whatever the price may be. He offers for sale only his labor. That he must sell each day, or it will be wholly lost. He is altogether at the mercy of the market.

INDETERMINATE PAPER MONEY HAS NO FIXED VALUE.

But the most serious evil growing out of the condition of our currency is the fact that we have now no fixed and determinate standard of value. It is scarcely possible to exaggerate this evil. If a snow-ball, under the beginning of winter and exposed to freezing and thawing, snowfall and rainfall, and weighed every day at noon, were made the lawful pound standard for our country during the winter, we can hardly conceive the confusion and injustice that would attend all transactions depending on weight. The evil, however, would not be universal. Linen, liquid, and many other measures would not be affected by it. But a change of the money standard recedes all values. No transaction escapes. The money unit is the universal measure of value throughout the world. Since the dawn of civilization the science, the art, the metamorphosis of the world have been put in requi-

sition to devise and maintain an unvarying and, as far as possible, an invariable standard. For thousands of years gold and silver of a certain weight and fineness have been adopted as the nearest approach to perfection; but even the slight variation in value to which coin is subject from clipping and wear has brought nations to the verge of revolution. No one can read Macaulay's account of the recoinage in England, in the days of William and Mary, without perceiving how directly the happiness and prosperity of a nation depend upon the stability of its money unit. He says:

"It may well be doubted whether all the misery which had been induced on the English nation in a quarter of a century by bad kings, bad ministers, bad Parliaments, and bad judges, was equal to the misery caused in one year (1685) by bad crowns and bad shillings."—*Ibid.*, vol. 4, chap. 21.

To rescue the nation from the evils of bad shillings, Newton was called from his high realm of discovery, Locke from his profound meditations, Somers and Montague from their seats in Parliament, and these illustrious men spent months in most devoted effort to restore to the realm its standard of value. What could now be of greater service to our country than to direct its highest wisdom and statesmanship to the restoration of our standard? For three quarters of a century the dollar has been our universal measure. A coin containing 23 3/8 grains of pure gold, and stamped at the national Mint, has been our only definition of the word dollar. The dollar is the gauge that measures every blow of the ax; every swing of the scythe; every stroke of the hammer; every flag that blazes on the poor man's hearth; every fabric that clothes his children; every mouthful that feeds their hunger. The word dollar is the substantive word—the fundamental condition of every contract, of every sale, of every payment, whether from the national Treasury or from the stand of the apple-woman in the street. Now, what is our situation? There has been no day since the 20th of February, 1862, when any man could tell what would be the value of our legal-currency dollar the next morning or the next day. Since that day we have substituted for a dollar the mere promise of the Government to pay a dollar. That promise we have broken. We have suspended payment, and have by law compelled the citizen to receive shonored paper in place of money. The value of the paper standard thus forced upon the country by the necessities of the war, has changed every day, and almost every hour of the day, for six years. The value of our paper dollar has passed by thousands of fluctuations from one hundred cents down to thirty-five, and back again to seventy. During the war, in the midst of high prices and large profits, this fluctuation was tolerable. Now that we are making our way back toward old prices and more moderate gains, now that the pressure of hard times is upon us, this uncertainty in our standard of value is an almost intolerable evil. The currency, not being based

upon a foundation of real and certain value, and possessing no element of self-adjustment, depends for its market value on a score of causes. It is a significant and humiliating fact that the business end of the nation is in constant dread of Congress. Will Congress increase the currency or contract it? Will new greenbacks be issued with which to take up the bonds; or will new bonds be issued to absorb the greenbacks? Will the national banking system be perpetuated and enlarged, or will it be abolished to enable the General Government to turn banker?

These and a score of kindred questions are agitating the public mind and changing our standard of value with every new turn in the tide of congressional opinion. Monday is a dangerous day for the business of this country while Congress is in session. The broadside of financial resolutions fired from this House on that day, could have no such effect as its own producers if our currency were based on a firm foundation.

Observe how the people pay for this fluctuation of values. Importers, wholesale merchants, and manufacturers, knowing the uncertainties of trade which results from this changeable standard, raise their prices to cover risks. The same thing is done again by retail dealers and middle men, and the whole burden falls at last upon the consumer—the laboring man. And yet we hear honorable gentlemen singing the praises of cheap money!

The vital and incurable evil of an inconvertible paper currency is that it has no elasticity—no quality whereby it adjusts itself to the necessities and contingencies of business.

PAPER MONEY DELUSIONS.

But there is one quality of such a currency more remarkable than all others—its strange power to delude men. The spells and enchantments of legendary witchcraft were hardly so wonderful. Most delusions cannot be repeated; they lose their power after a full exposure. Not so with irredeemable paper money. From the days of John Law its history has been a repetition of the same story, with only this difference: no nation now resorts to its use except from overwhelming necessity; but whenever any nation is fairly embarked, it floats on the delusive waves, and, like the lotus-eating companions of Ulysses, wishes to return no more.

Into this very delusion many of our fellow-citizens and many members of this House have fallen. Hardly a member of either House of the Thirty-Seventh or Thirty-Eighth Congress spoke on the subject who did not deplore the necessity of resorting to inconvertible paper money, and protest against its continuance a single day beyond the exigent necessities of the war. The remarks of Mr. FESSENDEN, when he reported the first legal-tender bill from the Finance Committee of the Senate, in February, 1862, fully exhibit the sentiment of Congress at that time. He assured the country that the

measure was not to be resorted to as a policy; that it was what it professed to be, a temporary expedient; that he agreed with the declaration of the chairman of the Committee of Ways and Means of the House that it was not contemplated to issue more than \$150,000,000 of legal-tender notes. Though heided in passing the bill, he uttered a warning, the truth and force of which few then questioned. He said:

"All the opinions that I have heard expressed agree in this, that only with extreme reluctance, only with fear and trembling as to the consequences can we have recourse to a measure like this of legal tender a legal tender in the payment of debts."

"All the gentlemen who have spoken on the subject, and all who have written on the subject, agree, some with speculators in currency, have declared that as a policy it would be ruinous to any people, and it has been defended, as I have stated, simply and solely upon the ground that it is to be a single measure standing by itself and not to be repeated.

"Arise, sir, it necessarily changes the value of all property. It is very well known that all over the world gold and silver are recognized as money, as currency; they are the measure of value. We change it here. What is the result? Inflation, subsequent depression, all the evils which follow from an inflated currency. They cannot be avoided; that they are inevitably the consequence is admitted. Although the notes, to be sure, pass provisionally at par, gold appreciates, property depreciates—all kinds of property."

This, I repeat, was the almost unanimous sentiment of the Thirty-Seventh Congress; and though subsequently necessity compelled both that and the Thirty-Eighth Congress to make new issues of paper, yet the danger was always confessed and the policy and purpose of speedy resumption were kept steadily in view. So anxious were the members of the Thirty-Eighth Congress that the temptation to new issues should not overcome them or their successors, that they bound themselves by a kind of financial temperance pledge, that there never should be a farther increase of legal-tender notes. Witness the following clause of the loan act of June 30, 1864:

"Sec. 2. "Provided, That the total amount of bonded and Treasury notes authorized by the first and second sections of this act shall not exceed \$300,000,000 in addition to the amount of Treasury notes issued; nor shall the total amount of United States notes issued or to be issued, ever exceed \$800,000,000, and such additional sum, not exceeding \$100,000,000, as may be lawfully required for the redemption of temporary loan."

Here is a solemn pledge to the public creditors, a compact with them, that the Government will not issue any more interest-bearing notes beyond the sum total of \$450,000,000. When the war ended, the Thirty-Ninth Congress, adopting the views of its predecessors on this subject, regarded the legal-tender currency a part of the war machinery, and proceeded to reduce and withdraw it in the same manner: viz. which the Army and Navy and other accommodations of the war were necessities of the war. Five gentlemen who now occupy seats in this Hall were members of this House on the 18th of December, 1865, when it was resolved by a vote of 145 yeas to 6 nays, that

"That this House cordially concurs in the views

of the Secretary of the Treasury in relation to the necessity of a contraction of the currency with a view to as early a resumption as possible of the business interests of the country will permit; and we hereby pledge cooperative action to this end as speedily as practicable."

Since the passage of that resolution the currency has been reduced by an amount less than one sixth of its volume, and what might wonderers have been wrought in the opinions of members of this House and among the financial philosophers of the country? A score of honorable gentlemen have manifested their eloquence in singing the praises of greenbacks. They insist that, at the very least, Congress should at once set the printing press in motion to restore the \$70,000,000 of national treasure so ruthlessly reduced to ashes by the incendiary torch of the Secretary of the Treasury. Another, claiming that this would be a poor and meager offering to the offended paper god, introduces a bill to print and issue \$140,000,000 more. The philosopher of Lewis-ton, the Democratic Representative of the ninth district of Illinois, [Mr. Ross,] thinks that a new issue of \$700,000,000 will for the present meet the wants of the country. Another, perceiving that the national bank notes are dividing the honors with greenbacks, proposes to abolish these offending corporations and, in lieu of their notes, issue \$300,000,000 in greenbacks, and thus increase the active circulation by over one hundred millions, the amount now held as bank reserves; and finally the Democratic masses of the West are rallying under the leadership of the coming man, the young statesman of Cincinnati, who proposes to cancel with greenbacks the \$1,600,000,000 of twenty bonds, and with his election to the Presidential usher in the full millennial glory of paper money! And this is the same George H. Pendleton who denounced as unconstitutional the law which authorized the first issue of greenbacks, and concluded an elaborate speech against the passage of the bill in 1862 with these words:

"You send these notes out into the world stamped with irredeemability. You put on them the mark of Cain, and like Cain they will go forth to be cursed and fugitives on the earth. What, then, will be the consequences? It is to tell what will be their history. The currency will be expanded; prices will be inflated; fixed values will depreciate; incomes will be diminished; the savings of the poor will vanish; the hoardings of the widow will melt away; bonds, mortgages, and everything of fixed value, will lose their value; everything of changeable value will be appreciated; the necessities of life will rise in value. "Contraction will follow. Private ruin and public bankruptcy, either with or without REFLATIONS, will inevitably follow."

BRIEF CAUSES OF THE PRESENT.

The chief cause of this new-born zeal for paper money is the same as that which led a member of the Continental Congress to exclaim:

"Do you think, gentlemen, that I will consent to load my constituents with taxes when we can send to the printer and get a wagon load of money, on a quire of which will pay for the whole!"

The simple fact in the case is that Congress went resolutely and almost unanimously forward in the policy of gradual resumption of specie payments, and a return to the old standard of values, until the pressure of official prices and hard times began to be felt; and now many are shrinking from the good work they have undertaken, and are turning back from the path they so worthily resolved to pursue, and are asking Congress to plunge the nation deeper than ever into the abyss from which it has been struggling so earnestly to escape. Did any reflecting man suppose it possible for the country to return from the high prices, the enormous expansion of business, debt, and speculation occasioned by the war, without much depression and temporary distress? The wit of man has never devised a method by which the vast commercial and industrial interests of a nation can suffer the change from peace to war, and from war back to peace, without hardship and loss. The homely old maxim: "What goes up must come down," applies to our situation with peculiar force. The "coming down" is inevitable. Congress can only break the fall and mitigate its evils by adjusting the taxation, the expenditures, and the currency of the country, to the changed conditions of affairs. This is our duty to do with a firm and steady hand.

Much of this work has already been done. Our national expenditures have been very considerably reduced, but the work of retrenching expenditures can go and should go much further. Very many, perhaps too many, of our national taxes have been removed. But if this Congress shall consent to break down the dikes, and let in on the country a new flood of paper money for the temporary relief of business, we shall see all the evils of our present situation return after a few months with redoubled force.

It is my clear conviction that the most formidable danger with which the country is now threatened is a large increase in the volume of paper money.

OUR PAST EXPERIENCES—COLONIAL PAPER.

Shall we learn nothing from experience? Shall the warnings of the past be unheeded? What other nation has so painfully spelled out, letter by letter and word by word, the terrible meaning of irredeemable paper money, whether known by the name of colonial bills, continental currency, or notes of dishonored banks? Most of the colonies had suffered untold evils from depreciated paper before the Revolution. Massachusetts issued her first bills of credit in 1630 to meet a war debt, and after six years of vain and delusive efforts to make worthless paper serve the purposes of money, found her industry perishing under the weight of colonial bills equal in nominal value to \$11,000,000.

Most of the colonies had suffered untold evils up by the severest laws, were worth but twelve per cent. of their face; and under the lead

House intended not to stop there, but to make that resolution the first step toward inflation. Against that policy I made the only protest left to me, by voting against the first measure in the programme.

THE CONTRACTION POLICY.

That contraction of the currency tended toward specie payments, few will deny; but that there were serious evils connected with it, is also manifest. The element of uncertainty was the chief evil. It was never known whether the Secretary of the Treasury would use the power placed in his hands, during any given month, or not; and the stringency caused by contraction was always anticipated and generally exaggerated. The actual contraction had far less influence on business than the expectation of it. In connection with this policy the efforts of the Secretary to keep the gold market steady, by sales from the Treasury, increased the uncertainty and led to a very general feeling that it was unwise to put the control of business and prices, to so great an extent, in the hands of any one man; especially of one so involved in the political antagonisms of the hour as the present Secretary.

The financial schemes and plans now before Congress are so numerous and so contradictory, as to give us little hope that any comprehensive policy can be agreed on at present. For myself, I have but little faith in panaceas; in remedies which will cure all evils; in any one plan which will reach all the difficulties of our situation.

Above all, it seems to me unwise to complicate the questions that are pressing for immediate solution, with those which refer to subjects not yet ripe for action. For example, I have not yet seen the wisdom of making the redemption of the five-twenty bonds—not one of which is payable for fourteen years to come—a prominent element in our legislation at this time. In the midst of so many difficulties, it is better to do one thing at a time, and to do it carefully and thoroughly.

PLAN FOR RESTORING THE STANDARDS OF VALUE.

On the 10th of February I introduced a bill which, if it should become a law, I will, I believe, go far toward restoring confidence and giving stability to business, and will lay the foundation on which a general financial policy may be based, whenever opinions are so harmonized as to make a general policy possible. As the bill is short, I will quote it entire, and call attention for a few moments to its provisions:

A bill to provide for a gradual return to specie payments.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That on and after the 1st day of December, 1880, the Secretary of the Treasury be, and he is hereby, authorized and directed to pay gold coin of the United States for any legal-tender notes of the United States, which may be presented at the office of the Assistant Treasury, at New York, at the rate of one dollar in gold for one dollar and thirty cents in legal-

tender notes. On and after the 1st day of January, 1881, the rate shall be one dollar in gold for one dollar and twenty cents in legal-tender notes; and at the beginning of and during each succeeding month the amount of legal-tender notes required in exchange for one dollar in gold shall be one cent less than the amount of legal-tender notes in gold for one dollar in legal-tender notes; and on and after the 1st day of June, 1871, the Secretary of the Treasury shall exchange gold for legal-tender notes, dollar for dollar, and no notice of withdrawal shall be necessary to authorize the retirement or cancellation of any legal-tender notes of the United States.

To all plans hitherto proposed it has been objected that the vast amount of public debt yet to be funded, and the still larger amount of private indebtedness, the value of which would be changed in favor of the creditor and against the debtor, made it impossible to return to specie payments without great loss both to the Government and to the debtor class.

I have no doubt that an immediate or sudden resumption of payments would prove a heavy shock to business, and very greatly disturb the present scale of values. These objections are almost wholly avoided in the bill I have proposed, by making the return gradual; and the time when the process is to begin is placed so far ahead as to give full notice and allow the country to adjust its business to the provisions of the act.

By the 1st of December next, the floating and temporary debt of the United States will be funded, in accordance with laws already in operation; the excitement and derangement of business incident to a presidential election will be over, and we ought to be ready at that time, if ever, to take decisive steps toward the old paths.

I do not doubt that, in anticipation of the operation of this measure, should it become a law, gold would be at 130, or lower, by the 1st of December, and that very little would be asked for, from the Treasury, in exchange for currency. At the beginning of each succeeding month, the exchange between gold and greenbacks would be reduced one cent, and specie payments would be fully resumed in June, 1871. That the country is able to resume by that time, will hardly be denied.

With the \$100,000,000 of gold now in the Treasury, and the amount received from customers, which averages nearly half a million per day, it is not at all probable that we should need to borrow a dollar in order to carry out the provisions of the law.

But taking the most unfavorable aspect of the case, and supposing that the Government should find it necessary to authorize a gold loan, the expense would be trifling compared with the resulting benefits to the country. The proposed measure would incidentally bring all the national banks to the aid of the Government in the work of resumption. The banks are required by law to redeem their own notes in greenbacks. They now hold in their vaults, as a reserve required by law, \$162,000,000,

of which sum \$114,000,000 are greenbacks. Being compelled to pay the same price for their own notes as for greenbacks, they would gradually accumulate a specie reserve, and would be compelled to keep abreast with the Government in every step of the progress toward resumption. The necessity of redeeming their own notes would keep their circulation nearer home, and would more equally distribute the currency of the country which now concentrates at the great money centers, and produces scarcity in the rural districts.

This measure would not at once restore the old national standard of value, but it would give stability to business and confidence to business men everywhere. Every man who contracts a debt would know what the value of a dollar would be when the debt became due. The opportunity now afforded to Wall street gamblers to run up and run down the relative price of gold and greenbacks would be removed. The element of chance, which now vitiates our whole industrial system, would, in great part, be eliminated.

If this measure be adopted it will incidentally settle several of our most troublesome questions. It will end the war between the contractionists and the inflationists—a war which, like that of Marius and Sulla—may prove almost fatal to the interests of the country whichever side prevails. The amount of paper money will regulate itself, and may be unlimited, so long as every dollar is convertible into specie at the will of the holder.

The still more difficult question of paying our five-twenty bonds would be avoided—completely flanked by this measure. The money paid to the wounded soldier, and to the soldier's widow, would soon be made equal in value to the money paid to all other creditors of the Government.

It will be observed that the bill does not authorize the cancellation or retirement of any United States notes. It is believed that, for a time at least, the volume of the currency may safely remain as it now is. When the act goes into force for some time it will be seen whether the increased use of specie for purposes of circulation will not allow a gradual reduction of the legal-tender notes. This can be safely left to subsequent legislation. It will facilitate the success of this plan, if Congress will pass a bill to legalize contracts hereafter made for the payment of coin. If this be done, many business men will conduct their affairs on a specie basis, and thus retain at home much of our gold that now goes abroad.

ENGLISH PRECEDENT.

I have not been ambitious to add another to the many financial plans proposed to this Congress, much less have I sought to introduce a new and untried scheme. On the contrary, I regard it a strong commendation of this measure, that it is substantially the same as that by which Great Britain resumed specie

payments, after a suspension of nearly a quarter of a century.

The situation of England at that time was strikingly similar to our present situation. She had just emerged from a great war in which her resources had been taxed to the utmost. Business had been expanded and high prices prevailed. Paper money had been issued in unusual volume, was virtually a legal tender, and had depreciated to the extent of twenty-five per cent. Every financial evil from which we now suffer prevailed there, and was aggravated by having been longer in operation. Plans and theories without end were proposed to meet the many difficulties of the case. For ten years the Bank of England and the majority in Parliament vehemently denied that paper money had depreciated, notwithstanding the unanswerable report of the Bullion Committee of 1810, and the undeniable fact that it took twenty-five per cent. more of notes than of coin to buy an ounce of gold.

Many insisted that paper was a better standard of value than coin. Some denounced the attempt to return to specie as unwise; others as impossible. William Cobbett, the famous pamphleteer, announced that he would give himself up to be broiled on a gridiron whenever the bank should resume cash payments; and for many years kept the picture of a gridiron at the head of his Political Register, to remind his readers of his prophecy. Every phase of the question was discussed by the best minds of the kingdom in and out of Parliament for more than ten years; and in May, 1819, under the lead of Robert Peel, a law was passed fixing the time and mode of resumption.

It provided that on the 1st of February, 1820, the bank should give, in exchange for its notes, gold bullion in quantities not less than sixty ounces, at the rate of 81s. per ounce; that from the 1st of October, 1820, the rate should be 79s. 6d.; and from the 1st of May, 1822, 78s. 10d.; and on the 1st of May, 1823, the bank should redeem all its notes in coin, whatever the amount presented. The passage of the act by the Treasury, more a fixed and certain value to money; and business so soon adjusted itself to the measure in anticipation, that specie payments were fully resumed on the 1st of October, 1825, two years before the time fixed by the law. Forty-seven years have elapsed since then, and the verdict of history has approved the wisdom of the act, notwithstanding the clamor and outcry which at first assailed it. So plainly does this lesson apply to us, that in the preface to one of the best histories of England, recently published, the author, who is an earnest friend of the United States, says:

"It seems to me that no thoughtful citizen of any nation can read the story of the years before and after Peel's bill of 1825, extending over the crash of 1825-26, without the strongest desire that such risks may be avoided in our own country, any sacrifice. There are several countries under the dominion of restriction for the license of the United States paper currency; and of these the United States

are unhappily one. This passage of English history may possibly help to check the levity with which the inevitable "crisis" is spoken of by some who little dream what the horrors and griefs of such a convulsion are. It may do more if it should show any considerable number of observers that the affairs of the economic world are as truly and certainly under the control of natural laws as the world of matter without, and that of mind within."

This testimony of a friend is worthy our profoundest consideration. I will make no apology for the length to which I have extended these remarks. The importance of the subject demanded it. The decision we shall reach on this question will settle or unsettle the foundations of public credit, of the public faith, and of individual and national prosperity. The time and manner of paying the bonds; the refunding the national debt; the continuance or abolition of the national banks, and many other propositions, depend for their wisdom or unwisdom on the settlement of this question. I know we are told that resumption of specie payments will increase the value of the public debt, and thus add to the burden of taxation; and we are told, with special emphasis, that the people will not tolerate any increase of their burdens; that they demand plenty of money and a return of high prices. But, sir, I have learned to think better of the American people than to believe that they are not willing to know the worst and to provide for it. I remember that after the first defeat at Bull Run many officers of the Government thought it not safe to let the people know, at once, the full extent of the disaster; but the news should be broken gently that the nation might be better able to bear it. Long before the close of the war, it was found that Cabinet and Congress and all the officers of the United States needed for themselves to draw hope and courage from the great heart of the people. It was only necessary for the nation to know the extent of the danger, the depth of the need, and its

courage, faith, and endurance were always equal to the necessity. It is now, as ever, our highest duty to deal honestly and frankly with the people who sent us here, in reference to their financial and industrial affairs; to assure them that the path of safety is a narrow and rugged one; that by economy and prudence, by much patience and some suffering, they must come down, by slow and careful steps, from the uncertain and dangerous height to which the war carried them, or they will fall at last, in financial ruin more sudden and calamitous than any yet recorded in the history of mankind. Let it be remembered, also, that the heaviest of the pressure has already been felt; the climax of suffering is already past. The spring has opened with better prospects; and indications are not wanting that the end of stagnation and depression is near. The hitherto unknown extent of our resources, the great recuperative energies of our industry, and the generous loyalty of the people have brought the nation safely thus far through the dangers and difficulties of the rebellion. Patience and steady firmness, maintained here and among the people a little longer will overcome the obstacles that yet lie before us.

For my own part, my course is taken. In view of all the facts of our situation; of all the terrible experiences of the past, both at home and abroad; and of the united testimony of the wisest and bravest statesmen who have lived and labored during the last century, it is my firm conviction that any considerable increase of the volume of our inconvertible paper money will shatter public credit, will paralyze industry and oppress the poor; and that the gradual restoration of our ancient standard of value will lead us, by the safest and surest path, to national prosperity and the steady pursuits of peace.

**END OF
TITLE**