

in commercial or other business, pay the same price for it as they pay for metallic money, it follows as a logical demonstration that a State issue is just as much a commercial currency as metal itself. Banks are not the deputies, by divine right, to regulate supply and demand. The wants of the people, who prefer good paper money to coin, and especially to the short-weighted silver dollar, determine the supply of the more convenient tool, and not banks at all. The quantity and amount of trading power, resulting from bills, are more within the control of banks than money which they receive on deposit and keep on hand to accommodate customers. Bills of exchange certainly do "grow out of industry and production," but money, metallic or paper, never.

43. I earnestly hope your committee will see the impropriety of Congress attempting to regulate the hours or the wages or price of the products of labor, all of which belong to the same category. Finally, as far as the present depression in business is concerned, Congress should not, in my judgment, attempt to interfere with the action of the natural laws, which are rapidly setting the industrial machinery in motion again. What Congress can properly and usefully do is to set to work, as I have before suggested, and free all industries as fast as a due regard for vested legal abuses will permit, without a too violent shock to society; and first, and most important of all, abolish all banks of issue. A long and careful analysis of the operations of such banks, commencing with the establishment of the Bank of England in 1694, has led me to the irresistible conclusion that nearly all the evils arising from banks in modern times, and they have been enormous, have resulted from banks of issue; and that nearly all the advantages, and they have been immense, have been due to banks of deposit and discount. I therefore say abolish banks of issue, as such, *in toto*, and amend the national banking laws so as to compel all joint-stock banks to organize under them and report to a department the condition of their affairs. When something of this kind is done, and the National Government ceases to override the natural laws of society, one great step will have been taken towards averting those destructive industrial cyclones, which are the efforts of natural causes to cure artificially-produced evils.

44. I had intended to have closed with the last paragraph, but, since it was written, I notice great stress is laid by many "stump" orators and some more thoughtful reasoners on the effect of the "destruction of property produced by a million of men during the four years of the civil war." It is strenuously argued by many that the panic of September, 1873, eight years and a half after the war, and following seven or eight years of great prosperity, was largely due to such destruction of property. The same class also lay great, if not equal stress on the inflation of the paper currency. Now, a moment's reflection will show the absurdity of the position taken by such reasoners. They argue, quite correctly, that bank and currency inflation led to over-production and a general fall in the prices of labor and goods. These gentlemen are called on to explain how the *scarcity* of labor and goods during the war, caused by the destructive occupations of a million of men, could have influence in bringing about a crisis at a time when the markets were glutted with labor and production, stimulated by inflation. The two propositions seem to me to be wholly irreconcilable, even on the theory of the Satyr, who blew hot and cold at the same time.

45. I will explain it for them. The destruction of goods and waste of labor are represented by the national debt, and, to a large extent, have yet to be paid for or made good to society. We simply borrowed the capital which has enabled us to bridge over the chasm of wasted labor and destruction of goods and other property, and the interest falls lightly on the national industries. As a matter of fact, proved by the census of 1870, the withdrawal of a million of men for four years from productive industry and their employment in destruction of property was set off by the stimulus of high prices (caused by the inflation of capital and values) on the productive energies of those who remained. About 95 per cent. of all the products of labor are destined to destruction by consumption within the year in which they are produced and taken to market. Besides, those who lay so much stress on the destruction of the war are called on to prove that the surplus profit of labor and capital was less during than prior to and since the war. This will be a hard thing for any statistician to do.

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Since the foregoing communication was written the results of the elections in twenty-nine States enable us to perceive most clearly that the country will not tolerate an inconvertible, inflated, and fluctuating legal-tender paper currency. No leading man possessed of common sense, will any longer follow the *ignis fatuus* of "fiat money." That question may be taken as settled, and as being no longer a disturbing element in national politics. The only one in respect to currency, is the substitution of national for bank notes and the constitution of a "Money Department of State," wholly independent of the Treasury and unconnected with banks. Until this is done the currency question will continue to be a leading subject of agitation and contention. If it should die out for a time, the next crisis—which is as certain to come in a few years as the rising and setting of the sun, and which will be produced, like all past crises, by bank