

## HOW TO RESTORE ELASTICITY TO THE CURRENCY.

(From the N. Y. Commercial Chronicle.)

LAST evening there were sensible indications that the pressure on the money market was passing off and a gradual revival of confidence was the almost immediate result. There is, however, so much in the financial and political atmosphere just now which foretokens monetary activity that this sudden relief elicits considerable activity. Several explanations are offered, but the probable reason is that the Treasury and the banks may consummate a satisfactory negotiation of some ten or twelve millions of Seven-Thirties for 3 per cent. Clearing House certificates, and so get temporary relief. However, this may be, it is clear that the "scare" from which the bank officers of our city have been suffering is diminished, and in a monetary spasm if you can allay the terror and alarm of bank authorities, the worst symptoms generally pass easily off. Financial history is full of such instances. Thus, in London the panic of 1847 was stifled by the announcement that the Bank of England restrictions were suspended. No action was taken under this extension of the British currency beyond the legal limits. It was found unnecessary. Not a single note was issued. The bare permission sufficed. Everybody knew he could get money from bank on good securities if he wished. The great corporations relaxed upon their country correspondents. The banks of the interior felt no longer the pressure of the "scare." Confidence revived as suddenly as it had withered.

Thoughtful business men, however, who have suffered from our recent stringency, should not let an occasion pass which is so full of suggestions of practical wisdom, without reflection upon its causes and upon the light it throws over some of the cardinal defects of our financial system.

During the English panic in 1868, we called attention to the protection given by the stable rigidity of a circulating medium which preserved our domestic trade from being thrown into confusion by the wild fluctuations in foreign exchange. The stability of an inconvertible paper currency as compared with a currency based on specie is well illustrated in such exceptional cases, especially when any country has, as we have, a very heavy foreign debt, partly in the shape of stocks and government bonds, and partly in the more dangerous open commercial credits. If, however, on rare occasions and in presence of such exceptional trouble as that of 1868, a paper currency gives us a temporary advantage, this benefit is offset by permanent mischief and inconveniences, one of which is well known to be the oscillations in the standard of value and the consequent variations in the purchasing power of the legal tender dollar.

On such facts as these rests the fundamental axiom of monetary science, that a circulating medium to answer the purpose of a great commercial people, must have stability in its standard, and a self-regulating elasticity in its amount. Stability and elasticity are universally recognized by the great authorities as two great requisites of a monetary medium which is to meet the conditions of usefulness.

Just now the latter of the two qualities is more prominently forced on the attention of the country. To the want of it are ascribed the frequent spasms in the loan market. The recent monetary stringency is probably due to this inherent defect more than to those speculative temporary causes which have been exposed by the daily press, and are still discussed with so much acrimony in Wall Street.

Among the ascertained facts about the elastic extensibility of the volume of the currency there are two which deserve to be well pondered. One is that the moving of the crops and the payments of various kinds all over the country demand at certain seasons of the year the use of 25 or 30, or 50 millions or more of cash than are needed in quieter times. The amount of currency which we require in the United States is by no means fixed. It fluctuates widely. It fluctuates at certain intervals. And these alternate periods of growing demand can be foreseen and provided for.

Secondly these limits of expanding or contracting demand for currency are narrow. During this season of the year, for example, we require more currency than in the dull hot months of summer, but less than autumn when the fall crops have to be moved. But the increase at the highest point is small in comparison with the aggregate mass of the circulation, which amounts to 700,000,000 at present, and on a specie basis would perhaps average 450,000,000.

From these two principles it follows that our currency if it is to enlarge or diminish responsively to the work it has to do should be less in the Summer, than in the Spring, and greater in the Autumn than at any other time of the year. Another obvious remark is that there should be lodged somewhere a self-regulating mechanism which will be competent to meet any abnormal sudden strain such as attends a monetary panic at home or abroad; so that the currency may expand when more devolves on it, and contract itself again to normal limits when the pressure is over.

Among the various methods which have been contrived for this purpose by the ingenuity of Wall Street, one of the most plausible has been published in the following letter to Mr E D Morgan of the United States Senate:—

"It is notorious that stock operators have repeatedly made attacks upon the money market in order to win in their gambling games. Only last week the bears on Erie drew some seven millions of legal tenders from the banks and locked them up, and in so doing created a panic in Wall Street. The banks were forced into a contraction, and even Government securities declined 2 to 2½ per cent. These panics disturb the whole country. If there is power resting in Congress to obviate these troubles, it should be

brought into action. I venture to suggest the following for the double object: First It will be a terror to stock operators, and they will let the money market entirely alone. Second, it will assure the public that no very trifling and protracted time a panic can take place. The worst that can happen to the money market is a seven per cent rate of interest on Government stocks, with a wide margin. The plan is as follows:—

1 Pass a mandatory act that the Secretary of the Treasury prepare thirty millions of legal tender notes, and put twenty millions of them in New York, five millions in Boston, and five millions in Philadelphia, with instructions to the Assistant Treasurers in these cities to loan these notes on Government stocks, on call, at seven per cent interest, always taking bonds as security at not more than eighty per cent. of their value.

2 As the loans are paid, the legal tenders to be held in reserve for future loans of the same kind, and nothing but legal tender notes to be taken in payment of these loans. The interest to accrue to the Government.

3 On these terms loans will be made only in a very tight time; and in such emergencies it seems to be the duty of the Government to do what the Bank of England does in the financial revolutions of that nation—give an expansive feature to the currency, and break the panic.

4 I do not propose this measure with any idea that it shall run into a fixed expansion of the currency, but on the contrary I believe this measure will make contraction easier and safer, inasmuch as disaster and revolutions are guarded against."

We print the foregoing scheme not because we think it perfect but because it brings into clear light one of the remediable defects of our financial machinery, with some of the evils which result from it. There is, however, a fundamental objection to it to the effect that it contemplates an occasional issue of 30,000,000 of greenbacks. Now it seems that, except for war purposes, and as an indispensable means of negotiating a war loan, Congress has no right under the Constitution to issue any Treasury note to circulate as current money. Any law passed for that purpose, we believe, would be invalid, and would be so declared by the Supreme Court.

## REPEAL OF THE INTERNAL TAX ON MANUFACTURES.

SECRETARY McCulloch has written the following letter to the Senate Finance Committee with regard to the pending bill for the repeal of internal tax on manufactures. It will be seen that the idea advanced by the Secretary, is that the passage of this bill will not only result in the loss to the Government of the revenue heretofore derived from these articles under the tax law, but in a reduction of the receipts from customs. Since this letter was written the Senate has passed the House bill with some amendments.

TREASURY DEPARTMENT, March 16, 1868.

DEAR SIR,—The abolition of the duty on cotton will reduce the revenues \$20,000,000. The bill which has recently passed the House, and is now before the Senate, abolishing after the 1st of May next the taxes on manufactures and productions imposed by sections 94 and 95, act of June 30, 1864, and enumerated in Table II, in the report of the Commissioner of Internal Revenue for 1867, pages 335, 236, and 337, with certain exceptions will, it has been estimated, effect a reduction of some \$82,000,000 on the basis of last year's revenues. It must also be borne in mind that this large reduction of the revenues from the internal industries of the country will have the effect of reducing the general level of prices throughout the country and thus tend to diminish and to lessen importations, and therefore to diminish the customs' revenues.

A considerable portion of the large revenues from customs received during the two last fiscal years, and which are still maintained, are due in no inconsiderable extent to the fact that the high prices in this country have made our market a desirable one for the sale of foreign productions. So great a reduction of prices as will be effected by the contemplated legislation cannot, I repeat, but have a tendency to reduce importations; and consequently to impair the revenue from customs.

Should the bill referred to become a law, I think it may be fairly estimated that the total revenues for the next fiscal year will fall from a hundred to a hundred and twenty millions below the estimates made in my last annual report. It is exceedingly desirable that taxes should be reduced, and I should hail with pleasure the proposed reduction if I felt assured that it would be accompanied with a corresponding reduction of expenditures. I am free to say that I am greatly apprehensive that such a reduction of expenditures will not be made, and that the revenue of the country for the next fiscal year, if the bill now before the Senate or in the hands of your committee should become a law, will be insufficient to meet the interest on the public debt and the current expense of the Government.

I earnestly ask that the Finance Committee will give this subject careful consideration in all its bearings before reporting favorably upon the bill referred to. Nothing could be more disastrous to the credit of the Government at the present time than such a reduction of taxes as would create a necessity for an increase of the public debt.

Very truly, yours,

H. McCULLOCH,

Secretary of the Treasury.

P S Will not the effect of the bill under consideration be to relieve all cotton from taxation?

## OUR SALT WELLS.

(From the Goderich Signal.)

THE importance of the development of our salt interest is so great to the town of Goderich and the County of Huron generally, that we feel warranted in giving, from time to time, full particulars concerning it. Yesterday, having a leisure half-day, we made our business to visit all the wells and works now in operation for the purpose of printing a full and correct report of the situation, which we will, without further introduction, proceed to set forth.

## THE DOMINION.

This well, situated on Cameron's property, is progressing finely. The derrick arrangements are very neat, and the contractors, Messrs McKenzie, Hignow and Ginn, have already drilled to a depth of 65 feet. The timber for the works have been got out during the winter, and there is evidence about the premises sufficient to show that the company means business. Mr. H. Howell is the secretary.

## THE ONTARIO.

The name of the well which was finished with such satisfactory results last fall. We found the site in a state of bustle. A large quantity of timber, stone, &c., was placed on the ground during the winter, the contract for the buildings, blocks, kettles, &c., has been let to Mr. Robert Runciman, and the works are to be in full blast by the 1st of June. The well is owned by good, energetic Goderich men, and will, we trust, prove to be a paying concern. Mr. John Kay is the secretary.

## THE TUCUNSETH.

This is a new well, located near the railway, and is the farthest removed from the original well. The contractor, Mr. Dimsey, has unfortunately been "stuck" hard and fast for about two weeks, but as Mr. Swan of the Maitlandville has undertaken to withdraw the tools, it is to be hoped that boring will be recommenced ere long. At present the well is 150 feet deep.

## THE HURON WELL.

At the foot of Nelson Street, is progressing finely under the superintendence of Mr. Wm Morrison, an experienced operative. The derrick arrangements are extremely neat and well kept. And the operation of boring goes on with the regularity of clock work. The well is at present 825 feet deep. Friend Runciman has also the contract of erecting the works here, and having the timber &c. on the ground, he is confident that all will be completed on the 1st of July next. It is quite a race between this and the Victoria as to which shall first strike brine.

## THE VICTORIA.

is superintended by Messrs. T. Dauchy and J. Shephard, and is a fine affair altogether. They have a good engine and nice appointments, and, thus far, everything has gone on remarkably well. The well is 775 feet deep, but the rock is just now very hard. Success to Victoria!

## ACROSS THE RIVER.

And now, having visited all the wells on this side we cross the Maitland on a very shaky bridge to take a look at the regions beyond. To the left of the main road in Maitlandville we find

## THE MAITLANDVILLE WELL.

This is a new well, being bored for Messrs. Denton, Kirkpatrick and others, and is doing very well. It is a singular fact that while the bed rock was reached in boring the old well, only 150 yards distant at a depth of about twenty feet, it was not reached in the Maitlandville well until a substratum of 60 feet of gravel was pierced. The contractor, Mr. Wm Swan has bored thus far to a depth of 270 feet, and is making rapid daily progress.

## THE PRINCE WELL.

as it is called, is located in a gorge near the foot of the great hill in Maitlandville. Mr. Thorpe, the superintendent, informed us that a boulder had been struck before reaching the bed rock, and, as it could not be drilled in the ordinary way, the intention is to dig down to it.

## THE BOTTOM OF A WELL.

We had a peep at the bottom of the Prince well. It seems rather curious to speak of such a sight but it is a fact. A lighted candle is fixed in a little wooden contrivance and let down through the tubing by means of a string. Down and down the light went until it was reduced to a spot of light. In fact it was the old story of a little twinkling star at one end and a signal at the other.

## THE GODERICH WELL.

This staunch old well, under the superintendence of Mr. Walker, is doing noble work. The brine holds steadily at 80 to 95 deg of strength, and the yield of beautiful, pure, snow-white salt is nearly 100 barrels per day. If Goderich only had twenty such establishments paying at the same rate, what an immense benefit it would be to the town.

DRY GOODS IMPORTS.—The imports of dry goods at New York for the month of February, amount to \$8,674,000. This must be considered a very moderate movement for one of the most active import months of the year. The receipts are about \$1,200,000 below those for February, 1867, and \$8,200,000 below those of the same month of 1868. This very conservative movement is calculated to inspire confidence in this branch of the dry goods trade, and can hardly be viewed as consistent with expectations of lower prices.