

7, 8, 9, or 10 per cent., according to the rate allowed and prevailing in the several States. The issue of paper money on government securities, as in the case of the Bank of England, as to £15,000,000, and of the national banks, or on no securities at all, is a fundamental error in monetary economy. Paper money, scientifically regarded, is simply a substitute for, and a more convenient tool than metallic money, on which it should always rest, and like metallic money, most clearly, should be issued by a department of state, and its volume can only be regulated by supply and demand.

15. When left to the discretion of banks, governed by the strong motive of self-interest and profit, there is ever a tendency to overissues and inflation. Lord Overstone, an able writer and close and accurate observer, says: "It is now discovered there is a liability to overissues of paper money, while that money is convertible at will." Mr. J. R. McCulloch, in his notes to the "Wealth of Nations," says: "The widest experience proves that no man or set of men ever had the power to make inconvertible issues of paper money without abusing it—that is, without issuing it in inordinate quantities. . . . The re-enactment of the restriction on cash payments at the Bank of England, and the rendering it perpetual, would have no perceptible effect on the value of bank notes, provided their quantity were not at the same time increased. *But there cannot be a doubt that under such circumstances it would be increased.*"

16. Daniel Webster, like Lord Overstone, said: "Even convertibility is no guarantee against overissues." He was speaking of banks and the causes of crises when he made this remark. The New York Times, the most inflexible advocate of the present time of banks of issue, in its leader of the 29th September, fully concedes this historical fact.* As I have before observed, the true scientific method of regarding paper money is in the light of a more convenient tool than metallic money, and, *as the public has to pay the full face value for the notes they require, its issue should be removed wholly from being the subject matter of profit to private or public issuers.* Except as to the issue of the Bank of England of, at present, £15,000,000 sterling on securities, the issue of the bank is a state issue, and the notes are all bought and paid for by the public or bankers for use in their business at and for their face value in gold coin or bullion. The issue on securities is a violation of the highest fundamental principle of monetary science, which demands a paper currency founded on the metal most stable in its market value in comparison with other suitable metals.

17. This principle may be thus postulated: "That which is made by law the measure of all other values, including that of labor, should be of the highest known stability in its own market value, among the metals suitable for coinage."

18. The issue of notes on securities may be regarded as a plan whereby a small class of capitalists are enabled to own or possess themselves of a profitable investment, and at the same time to have 90 per cent. of its face value in money. I hold that Congress has no power under the Constitution to grant such a privilege to a small class of favored investors in government bonds to the exclusion of all other members of the community. The plan of lending the public credit to national banks in the form of "national currency," for which the government acts as trustee—no odds how good the security given may be—is a violation of that great principle of human equality set forth in the Declaration of Independence, which should stand like a second Magna Charta, a bulwark against injustice and oppression, "All men are born free and equal." If there is any sense, any truth in this proposition, Congress continually violates it by making laws in favor of classes—laws which make the laboring majority "the hewers of wood and drawers of water" to a favored few. These are high moral and political considerations, coming within the scope of your inquiries, gentlemen of the committee on labor, and their bearing and relevancy to the present and future of our industries cannot be overlooked. I therefore quote as appropriate the postulate formulated by Daniel Webster, as indicative of a sound method of providing a paper currency, now an indispensable necessity to the industrial world.

19. "It is," said the illustrious Massachusetts statesman, "the constitutional duty of government to see that a proper currency, suitable to the circumstances of the times, and to the wants of trade and business, as well as to the payment of the debts due to the government, be maintained and preserved; a currency of general credit, and capable of aiding the operations of government, so far as these operations may be conducted by means of the circulating medium; and that these are duties, therefore, devolving on Congress, in relation to currency, beyond the mere regulation of the gold and silver coins."

* The Times remarks as follows: "One fact which goes further than any other in explaining the present situation is that there has never been any long time within the last half century when the whole country had a sound currency, that is, a currency of coin, or of paper convertible and habitually converted into coin. For the last seventeen years there has been no such currency whatever. Preceding the outbreak of the war by only between three and four years came the 'crash' of 1857, which was accompanied by a suspension of specie payments, and which had been caused by an enormous inflation of credit, including that most insidious and dangerous form of credit, bank-notes. And before this period, back to the recovery of the country from the war of 1812, there was scarcely a year when banking was not, on the whole, irregular, when a large quantity of notes were not in circulation without the specie to back them, or when the country was favored with a thoroughly sound and prudent management of its money affairs."