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PAYMENT OF THE DEBT.

A REVIEW

OF THE

Ohio Democratic Financial

NEW DEPARTURE.

BY HON. JOSEPH MEDILL,

BEFORE THE

YOUNG MEN'S REPUBLICAN CLUB,

AT

COLUMBUS, OHIO, AUGUST 31, 1871.

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The Democracy of Ohio have taken what they call a "Financial New Departure." It is set forth in the twelfth plank of their State platform, and has found an expounder and defender in General Thomas Ewing, the salt boiler's illustrious son, who stands so high in his party that in less than two years he was a candidate for District Attorney of Washington, Senator from Kansas, and Governor of Ohio. Of the other parts of his speech it may be said, that "the good things were not new, and the new things were not good." I will, therefore, proceed to examine this new financial departure and the arguments adduced in its behalf.

With the political New Departure, proposed at Dayton, and adopted at Columbus, the public is tolerably conversant. But I discover an astonishing difference in the fiscal plank devised by Vallandigham and that incorporated into the Columbus platform. For easy comparison I place them in juxtaposition:

VALLANDIGHAM'S PLANK.

That we are in favor of the payment of the public debt at the earliest practical moment consistent with moderate taxation, and, more effectually to secure and hasten its payment, we demand the strictest honesty and economy in every part of the administration of the government.

That specie is the basis of all sound currency, and that the true policy requires as speedy a return to that basis as is practicable without distress to the debtor class of the people.

COLUMBUS PLANK.

* * * * * *

That the creditor is entitled to be paid in the same currency he loaned to the government; that when he loaned greenbacks he should be paid in greenbacks, unless the contract otherwise provides; and when he loaned gold he should be paid in gold. That to guard against too great an expansion, greenbacks should be made convertible into 3 per cent. bonds at the option of the note holder, said bonds to be redeemed in greenbacks on demand, custom duties to be paid in greenbacks. This policy would secure a uniform currency, stop gambling in gold (?) and thereby elevate the credit of the government.

The one has the ring of the genuine metal; the other is not even pewter—it is putty. The first is a return to the ancient faith of the Democracy; the other is wildcat, of the most vicious breed. The former is in accordance with the principles of the constitution, and the sentiments of sensible and patriotic men; the latter is in flagrant violation of the Fourteenth Amendment, inasmuch as the intention and effect are to defraud the public creditors of their just claims. Vallandigham's plank means honest payment of the national debt; the Columbus plank means repudiation.

Not the least remarkable thing connected with this new financial departure is the fact that only the Ohio Democracy have taken it. The Democratic organization in no other State, West or East, South or North, are advocating in their platform the payment of the debt in irredeemable notes, or a material expansion of the existing currency. The Ohio Democracy must think they hold a "mighty good hand" to play this greenback game alone. At all events, the scheme, like the old wild-cat bank notes, has no credit, and does not pass in any State beyond the one in which it was started.

WHO INVENTED THE SCHEME.

This Columbus twelfth plank, which General Ewing calls the "Democratic Financial New Departure," has not even the merit of originality. The inflation part of it is copied from Pendleton's scheme, developed in 1868; and the device for converting greenbacks into 3 per cent. currency bonds, and the bonds back into greenbacks, was invented by Ben. F. Butler in 1866, and since discarded by him as a humbug. He was sharp enough to perceive that an irredeemable promissory note, convertible into a non-payable bond, was a piece of financial machinery that, like all other perpetual motion contrivances, *would not go.* So he dropped it. But the Ohio Democracy have taken it up, and made it the chief plank in their platform. Take a serious look at this precious scheme for enriching everybody and paying off the debt, without giving a cent of actual value.

Greenback notes are to be manufactured to the amount of the 5-20 bonds, which General Ewing says is $1,600,000,000 (though in fact but $1,200,000,000), and these notes are to be tendered to the holders of those bonds.

WHAT WILL THE HOLDERS DO WITH THEM?

If they refuse acceptance—what then? Why, stop the interest and "let them sweat." Yes, that's the little game. But if they should conclude to accept this "watered" wildcat, what will they do with it? It is not to be redeemed in gold, or made convertible into any tangible property. As the Democratic platform sarcastically observes, there will be no gold gambling in those notes. No broker in the world would give an ounce of gold for a ton of them. There will be no speculation in any gold-dealer's eye when shown those picture promises. Whoever goes into Wall street with a wallet full of them will hear the observation of the policeman addressed to the vagrant, "Move on, sir."

But the holder, we are told, can change them into 3 per cent. bonds. And then he can convert the bonds, when he gets tired of looking at them, into what? Gold? No. Wheat or cattle? No. Values of any kind? No; but back into the original wildcats. Thus they shuttle-cock backward and forward forever, and the national debt is to be deemed paid. It may be said of this scheme as David said of the structure of man: It is "fearfully and wonderfully made."

AN ELASTIC AND STABLE CURRENCY.

General Ewing says that those wildcat notes "will furnish the country with a very elastic currency." No doubt they will be as elastic as air or any other gas, and as unsubstantial as the stuff of which sick men's dreams are made. But it will make a stable currency, he says—which is probably true, as the gold value of those notes will be zero, and their purchasing power the same. Their correlative form into bonds will be no more.

WHAT A NOTE OR BOND IS WORTH.

A note or bond is worth to the holder that in which it is to be paid, provided the maker is known to be solvent and punctual. If it calls for gold, wheat, cattle, or iron, it is worth what they are worth. If it calls for chips or chaff, it is worth so much, and no more. If it is to be paid in another promise and that promise is redeemable only in the first promise, then it is worth *nothing*, because it is merely *wind*, redeemable in wind. The interest on such a bubble-bond might as well be 30 or 300 per cent. as 3 per cent., as it will cost the maker no more to pay one rate of bubble-interest than another.

It is obvious that the authors of the Democratic financial plank have discarded the science of political economy, and treat the experience of mankind with contempt. They coolly and conceitedly brush away and reject the universal conception of the difference between capital and credit, value and promise, money and notes, the nature and functions of gold, and that which gives value to a promise to pay. They leave entirely out of sight *payment* and *redemption*, and teach that the Federal Government has the power to stamp actual value on that which in itself has none; that it can put forth an almighty fiat that will transform an airy nothing into an equivalent of all values, and give that which is worthless the purchasing power of solid coin.

MAKING A FALSEHOOD EQUAL TO THE TRUTH.

It requires a full exercise of Christian faith to believe that the Deity himself can create something out of *nothing*, and it has proven a sore stumbling-block to many a poor sinner to give the statement full and unqualified credence. But the Democratic Convention of Ohio deem it an easy thing for the Federal Government, with "limited powers to be strictly construed," to perform a more difficult miracle, viz.: To make a falsehood, known to be such, equal to the truth. The proposed greenbacks will read something like this: "The United States promise to pay the bearer ten dollars, payable at the Treasury of the United States, at Washington; but this promise is made in a Pickwickian sense, and is never to be redeemed in any tangible substance—especially not in gold or silver." This is the idea, whatever the form of words may be. Is it possible to conceive any scheme more preposterous?

AXIOMS OF POLITICAL ECONOMY.

Let us devote a few moments to the consideration of some fundamental axioms and facts in regard to wealth, credit, debt, money. In science the term "wealth" includes all objects of *value*, and no other. What is value? It is an object of man's desires that can be obtained only by labor.

VALUE is the exchange power which one commodity or service has in relation to another. The degree of value a thing possesses is measured by its purchasing power. Value is the market relation of two services. It is what a man gets for what he gives that determines value.

In common phrase a thing is worth what it will fetch; that is, what some one will voluntarily give for it.

CAPITAL is the portion of wealth employed in *reproduction.* Money is one form of *capital.* It is that portion of capital which is employed in reproduction for the special purpose of effecting easy exchange of values, commodities, and services.

LABOR is the voluntary effort of human beings to produce objects of desire, or objects to be exchanged for articles of desire.

MONEY, by the usage of nations, ancient and modern, consists of stamped and assayed pieces of gold and silver metal; and, also, some baser metals for trifling transactions. The "dollar" of the United States means $23\frac{1}{4}$ grains of gold, or 417 of silver.

CURRENCY, in mercantile meaning, consists of *notes* issued by government or private corporations, promising to pay the holder "money," *i. e.*, gold and silver.

A NOTE is a written or printed piece of paper acknowledging a debt, and promising payment on demand, or on a day named, with or without interest, according to agreement or law. This is the character of a note, whether called a "greenback," bank note, promissory note, or due bill.

A DEBT is that which is due from one person to another, whether goods, services or money. A debt means that A has some of B's property, for which he has given in return no equivalent, or satisfaction to B, except a note, which is B's evidence of the claim, and A's promise to pay it; that is, to return to B, on demand, or at a time stated, capital to the amount agreed upon, in exchange for the property placed in A's hands. And the negotiable and exchangeable value of the note depends entirely upon the faith of the holder and purchaser that the promise *will* be performed. If it were believed that B would never pay the note, its value would be *nil.* A greenback is no exception to the rule. When it becomes known that greenbacks are never to be redeemed, their purchasing power will sink into nothingness. A promise *not* to be performed has the value of a falsehood, whether made by a nation or an individual.

GOLD AND SILVER AS STANDARDS OF VALUE.

To render the discharge of debts convenient, and the exchange of commodities easy, mankind have agreed to exchange all values and accept payment of all notes in the metals gold and silver. The question of amount is fixed by the bargain or contract, and what is called market price. There is no other recognized standard of value but gold and silver. The value of a note—that is, its purchasing power—is exactly equal to the weight of gold that some broker or banker will give for it. Ascertain its market value in gold, and then you will know how much of commodities or services it will purchase. The gold brokers have fixed the exchangeable value of every United States note since the first one was issued. The government being unable or unready to redeem its notes as promised, but allowing them in effect to go to protest, the gold brokers stepped forward and redeemed them at a discount. The greenbacks and all other forms of Federal notes have been redeemed in gold by the brokers every day since they were issued, but not at par; they have been purchased at a variable and fluctuating discount, just as any other overdue and protested paper would be.

NECESSITY OF REDEMPTION IN COIN.

If the gold brokers should lose faith in their ultimate redemption by the government, and refuse to purchase them in gold at any price, they would quickly sink out of sight as a circulating medium. The bottom would fall out, as it did out of the Continental currency, the French assignats, and Confederate notes. Their legal-tender properties might keep them afloat at a few cents on the dollar until debtors had discharged their debts and swindled their creditors; but after that they would be worth what the rag-man would pay for them by the pound. They would sell by weight, and a $1,000 greenback would fetch no more than a $1 greenback. The government, by an arbitary act of power, may compel a creditor to accept a greenback in discharge of a debt, just as it might confiscate a man's property. But, with all its strength, it has not the power to force the people to give their property in exchange for greenbacks, or to fix any purchasing power to such notes. No government, however despotic or desperate, powerful or persuasive, was ever able to stamp exchangeable value on notes that had no redemption behind them, or to fix their purchasing power, or gold value, one iota above what the gold brokers would voluntarily pay for such notes. Either the principal or interest of a bond must be payable in coin to give it any value whatever, and a note must be convertible into coin or its equivalent, at some time, to render it worth anything. There must be an umbilical cord, so to speak, leading from the promise in the eye of faith to a golden redemption, or the note can have no market value.

WHAT GIVES GOLD AND SILVER THEIR VALUE.

But why do mankind universally, and from time immemorial, receive gold and silver coin in exchange for all commodities and services, and in payment of all debts? The fact cannot be disputed. From the days of Abraham, who paid "400 shekels of current money with merchants for the field of Ephron," to the present day, the money of commerce has been gold and silver.

Why is this?

Because, First. They cost labor, and are objects of human desire. Every coin dollar in existence averaged a day's toil to extract it from the earth. Second. They represent much labor in a very small bulk, and are therefore exceedingly portable, and require but little effort to handle or export. A pound of gold will exchange for a year's labor in most countries. It will buy a good span of horses and wagon in Ohio, or 500 bushels of corn in Illinois, or a ton of cotton in the South, for the simple reason that it costs as much labor to extract a pound of it from the earth as to produce or obtain the other named things. Third. Gold does not corrode or oxydize. It is indestructible by fire, and nearly inconsumable by use. It is malleable to a wonderful degree, and can be wrought into any shape, and will receive and retain any impression. It may be alloyed or refined, and thus softened or hardened; and silver possesses all those qualities in nearly equal degree and perfection. Fourth. These metals can be put to a multitude of uses; they are indispensable in the arts for thousands of mechanical purposes. Fifth. They are the most beautiful of all metals, and ever have exercised a captivating attraction for the female as well as male mind for personal ornaments and uses. They are almost objects of worship among millions of the human family. In poetry and prophecy they furnish the finest comparisons and figures of speech. Among heathen nations they are shaped to represent gods and deities; and the sacred images, crucifixes, and sacramental vessels of all Christian sects are moulded from them, as they represent beauty, purity, durability and worth. The great deeds of heroes and statesmen are acknowledged and rewarded, in silver and golden medals, by grateful governments and people. Lastly. The quantities of those metals are comparatively limited, and the increase or decrease of the whole amount in possession of the world is hardly perceptible in years of time. Their exchangeable value remains nearly uniform the earth over, taking all commodities into account. In the last thirty years there has been some increase in the stock of gold, but a decrease in silver; taken together, the *per capita* increase of cash coin has been comparatively small in the world. The wisdom and purpose of the Almighty are clearly discernible in the creation of gold and silver. That He designed them as a money medium of exchange for mankind cannot be called in question, the Democratic New Departure to the contrary notwithstanding.

GREENBACKS AND GOLD COMPARED.

Compare a greenback with a gold eagle. The one is a piece of tissue paper, the other is precious metal. On the greenback is the picture of a President's head and a Goddess of Liberty. Inscribed on it are the words: "Washington, D. C., March —, 1863. The United States "will pay the bearer ten *dollars* (232½ grains of gold) payable at "the Treasury of the United States, at New York. (Signed) L. E. "Chittenden, Register; F. E. Spinner, Treasurer of United States."

Now look at the gold eagle. There is no promise to pay stamped on it; nothing but the simple declaration "Ten Dollars," a medallion figure, and a coinage date. That is all. The "ten dollars" means that it contains 232½ standard grains of gold. There is no promise to pay about it. It is *payment itself;* it is capital, property, the product of hard labor, and is valuable for its uses independent of its employment as money. But the greenback note is merely a *promise* to pay money. That is, it promises to pay gold or silver, for the constitution recognizes no other substances as actual dollars, or money, than gold and silver. It is the promise to pay coin dollars that gives the greenback notes whatever value they possess. A note that is convertible into a bond which itself is controvertible back into the note, and neither convertible into gold, are both utterly devoid of purchasing power. A cart-load of them would not purchase a breakfast. Redemption in coin or its equivalent is the touchstone of the value of a note or bond. If a British consol is alleged to be an exception, I reply that the interest it bears is paid in standard gold, and when the government purchases any of the consols they are paid for in gold. The only value the bonds of this government have ever possessed has always been determin to the fraction of a cent, by the amount of gold they would sell for in the money markets of the United States and Europe. The greenback notes have been worth each day since they were emitted just what the brokers would give for them in gold, and no more. The government having neglected to redeem them at par, the brokers have done it at a discount. As the credit of the government improves, they pay more gold for them, because the improvement of credit signifies an increasing probability that ere long it will make good its promise to redeem them at par in gold.

VALUE REALIZED FOR THE FIVE-TWENTY BONDS.

The Democratic financial plank sets forth this reason for paying the bonded debt in new issues of irredeemable, and, as I have shown, worthless notes, viz: "That the public creditor is entitled to be paid in the same currency he loaned to the government; that when he loaned greenbacks he should be paid in greenbacks, unless the contract otherwise provides, and when he loaned gold he should be paid in gold."

General Ewing, who heartily endorses this proposition, seeks to create the impression on the public mind that the government only realized 40 per cent. of gold value for its bonds; therefore, the present holders, regardless of what they paid, should be forced to yield them back upon receiving 40 per cent. of what they call for.

It is dishonest to underrate and misrepresent the amount which the government realized from its notes and bonds. Let me correct these assertions by the facts derived from the official reports to Congress.

During 1861 the currency was at par and the first $150,000,000 of greenbacks, issued under the act of February 25, 1862, realized the government almost par. The first issue of bonds, the "Sixes of '81," so called, realized nearly gold value to the government; amount sold, $283,000,000.

The average value realized in 1862, for the 5-20 bonds and the 7-30s convertible into them, was 91$\frac{1}{8}$ per cent. The average price of 5-20s and 7-30s, sold in 1863, was 73$\frac{1}{4}$ per cent. The average price of the same securities, sold in 1864, was 55$\frac{1}{8}$ per cent. The average price of the same securities in 1865, was 67$\frac{3}{4}$ per cent. And the average realized during the four years, was 72 1-5 per cent.

In the dark and gloomy year of 1864, that tried the souls of patriotic men, the average value realized in each quarter for the bonds sold was as follows: First quarter, 68 3-5 per cent.; second quarter, 57; third quarter, 45, and fourth quarter, 51 per cent. There were days in the third quarter of that black year when but 40 per cent. of gold value was realized. And on these exceptional dark days General Ewing seizes, and unfairly endeavors to convey the impression that 40 per cent. was the average amount realized for the 5-20 bonds, when, in fact, it was more than 72 per cent.

WHY THE BONDS SOLD SO CHEAP.

But why was it that our bonds only averaged 55$\frac{1}{4}$ per cent. in the year 1864, and at times sank to 40 per cent.? That was the year, fellow-citizens, when the Democratic party of the North proclaimed the war for the suppression of the slaveholders' rebellion to be a failure, and endeavored by every means in their power to make it a failure. The patriotic people of the North were between two fires. Fourteen Democratic States were in rebellion and fighting desperately for the dismemberment of the Union, and the solid Democratic party of twenty-three

Republican States were doing everything they dare to help their Southern brethren. It was this treacherous defection in the North that so impaired the financial credit of the government that greenbacks for a time were quoted at 250, and bonds realized but 40 per cent. Does it become the mouths of Democratic orators to prate about the depreciation of the bonds of the government when they themselves were the chief cause of that depreciation? Has a man in law or morals a right to take advantage of his own wrong-doing, and charge his innocent adversary with the mischief himself has willfully and maliciously caused?

HOW DEPRECIATION MIGHT HAVE BEEN PREVENTED.

Had the Democratic party stood shoulder to shoulder with the Republicans from the outbreak to the close of the war; had they proclaimed to the rebel South that there could be neither truce nor compromise while a rebel remained in arms; had their orators and newspapers called on their party to uphold the public credit with money and arms; had they frowned down all opposition to the draft, and urged all able-bodied men to the front, and volunteered to lead them; I say, if the Democracy had acted in this patriotic way, instead of the quasi-treasonable manner in which they did act, not a bond would ever have sold below 90; not a quotation of greenbacks would have been made higher than now. The war itself would have ended in 1863 at the farthest. Half the loss of precious life, and half the waste of treasure would have been spared. Our debt to-day would be reduced to a few score millions, our currency would be at par, and 300,000 brave young men, North and South, now mouldering in the dust, would bless and cheer us with their presence, strength and manliness. The North fought the rebellion with one hand. The right hand struck; the left hand hung nerveless.

THE BONDS HAVE CHANGED HANDS.

But to return to the question of the payment of the bonds. The Democratic platform says that "the public creditor is entitled to be paid in the same currency he loaned: that when he loaned greenbacks he should be paid in greenbacks."

One might suppose that even stupidity itself should know that the outstanding bonds are no longer in the possession of the original subscribers, but have changed hands many times. The great mass of those who first bought them have sold out and now hold no bonds. Some of the bonds have changed hands scores of times. Two-thirds of all the 5-20 bonds outstanding are in Europe—chiefly in Germany. More than five hundred millions have been bought since the war, by the Germans, English, and French, at prices ranging from 75 to 100 per cent. in gold. More than $900,000,000 of our bonds, chiefly 5-20s, are held in Europe, and the proceeds of their sale have passed into the channels of commerce, and are taxed the same as all other property.

OF WHAT VALUE SHOULD THE GREENBACKS BE?

If the "bloated bondholders" should be paid in greenbacks, of what value should the greenbacks be? Several hundred millions of the bonds first sold realized the government between 90 and 100 per cent.; how much are the holders of these bonds to be paid? Others brought different prices, below 90 and above 70 per cent.; others below 70 and above 50 per cent., and a few sold down to 40 per cent. when the capitalist at home and abroad felt apprehensions that the bottom was falling out of the whole thing, and that the Union was going where the woodbine twineth.

SEVERAL QUESTIONS.

As it is no longer possible to deal with the original purchasers of the bonds, and as most of the present holders have paid between 90 cents and par for them, I desire General Ewing, or some one, to "rise and explain" what they mean by the expression, "paying the bondholders in greenbacks." Are greenbacks worth 40] per cent. to be tendered to the holders of bonds that originally realized the government 99 per cent., or 85, or 70, or any other sum above 40 per cent.? How is the present holder of a bond, who paid par for it, to be forced to receive a note worth but 40 or 50 cents, on the ground that it was sold in 1864 for that amount? Then another man gave the government 98 or 97 cents for greenbacks, and kept them in his possession until the Democratic opposition to the Union cause depressed their value to 45 cents, when he gave them back to the government and received a 5-20 bond in lieu of them, which he still has. How is he to be paid? Shall he receive the original value he gave the government for the notes, or only what they were worth when he parted with them? If every present holder of a 5-20 bond is to be paid in greenbacks of the exact gold value of those the original purchaser gave for the bond, how are such greenbacks to be manufactured? By what process can the government impart to one irredeemable note the commercial value or purchasing power of 40 per cent., and to another 50, 70, 80, 90, or 100 per cent.? For unless this can be done, the whole proposition to repay the value originally loaned falls to the ground. Is a greenback worth ten cents on the dollar to be considered as payment for a bond costing the holder 98 per cent.?

WHAT FOREIGN POWERS WOULD SAY AND DO.

Suppose our government should adopt the Ohio Democratic financial plank, and pass a law notifying all holders of 5-20 bonds to send them in for exchange for non-interest irredeemable notes, worth anywhere from 10 per cent. to 20, or, say 40 per cent., what answer would the Governments of Germany, England, and France return to us? They would say: "Mr. Yankee, you may cheat and defraud your own citizens to your heart's content, but we shall submit to no such swindle. We hold your bonds to the amount of 900 millions of dollars, not payable in shinplasters, but in gold and silver dollars, as defined in your own constitution. Our people paid the highest market price for your securities; some of them were purchased when your credit was nearly destroyed by one of your own parties. They took the chance of your bankruptcy. They loaned you the capital which enabled you to pull through and save your government from ruin, and you were very glad to sell your bonds for what our people were willing to pay at the time. We know nothing of your stuff you call greenbacks, but we are not verdant enough to be imposed upon with such green stuff. We paid you for your bonds solid coin, and materials of war. We sent you clothing, arms, and ammunition in part payment, and the residue in hard cash. You are now solvent, rich, and abundantly able to pay your just debts, and if you undertake to defraud our people out of their money, we shall make common cause, and proceed to collect their claims for them, with costs of suit. Do you understand that?" This is what those powers would say to our government, and the whole world would applaud them for it. In such a contest we should have not a friend upon earth. All the nations would point the finger of scorn at the great and boastful republic, and cry shame on you for such base rascality and dishonesty.

General Ewing went into an extended calculation to show the amount the government would make by adopting his financial new departure. He said there were 1,600 millions of 5-20 bonds which could be wiped out by the Wilkins Micawber method of paying debts by giving your creditor a note. But he avoided any computation of the amount the people would lose by the scheme of watering the currency.

THE VALUE OF DEPOSITS AND CURRENCY.

Let me give you some statistical facts, which the Democracy would do well to study.

We have now a currency consisting in round numbers of—

	Millions.
Greenbacks	$ 356
3 per cent. certificates	40
Fractional currency	40
National Bank notes	324
Total	$ 760
Worth at 90 per cent. in gold value	$ 684

According to the latest bank returns, the following amounts were deposited with the banks, and subject to be checked out on sight:

	Millions.
National Bank deposits	$ 606
State and private bank deposits	350
Savings bank deposits	700
Total deposits	$1,656
Add currency in individual hands	450
Currency reserves in all banks	300
Total deposits and cash	$2,406

The present gold value of these deposits and of the currency in the hands of the people, and of all the banks, is 2,165 millions—estimated at 90 per cent. The amount of deposits in all the banks placed to the credit of individuals, is greater by 48 millions than were the 5-20s at their maximum amount in 1868, which was 1,602 millions. On the first of August, 1871, the 5-20s outstanding were 1,327 millions. Since then they have been reduced by payment and exchange into the new five per cents, to something like 1,190 millions.

If the holders of the 5-20 bonds could be cheated out of every dollar by the Democratic platform scheme, the tax-payers would seemingly gain by the transaction 1,190 millions; but if their present currencd should be destroyed in the act, they would lose 2,165 millions in goly value.

Let us suppose that by proposed inflation the debasement only depreciated the currency to 40 per cent.—a point it once reached during the war—the effect would be to wipe out 1,203 millions of gold value of the deposits in banks to the credit of the people and of the currency in their hands. For the purpose of cheating the bondholders out of 60 per cent. of their rightful claims, amounting to 717 millions of dollars, it would be necessary to destroy 1,203 millions of credits and cash belonging to the people, for that would be the necessary and inevitable effect of reducing the value of the existing currency to 40 cents on the dollar.

The $700,000,000 deposited in the savings banks of the United States constitute the little hoards of three millions of poor, honest laboring people. These deposits represent the pinchings of poverty, the self-denials of poor men and women, mechanics, laborers, apprentices, hod-carriers, coal-heavers, washerwomen and servants, miners who peril their lives in the bowels of the earth, and sailors who dare the dangers of the deep. The 956 millions of all other deposits belong to the business classes, the merchants, traders, shopkeepers, drovers, manufacturers, professional men, and largely to farmers and planters. Any depreciation of the currency strikes down the value of those credits as well as of the money of account. A depreciation of even ten per cent. amounts in the aggregate to a loss of $240,000,000. What kind of statesmanship is that which would debase the currency and destroy the value of credits amounting in the aggregate to more than the national debt in order to swindle the bondholders out of their claims? Does the proposal spring from intellectual darkness or from a moral nature in decay?

GREENBACKS IN REPAYMENT OF GREENBACKS.

But the public creditors loaned greenbacks to the government; therefore they should be paid only in greenbacks, says the Democratic platform. There is no hint given that any regard is to be had to the value of the greenbacks.

A greenback note is not a thing of steady and determinate value, but it is as unstable as water, as fluctuating as air. For nine years this currency has been in circulation, and hardly for a day, in all that period, has its value remained fixed, but, like the mercury in a tube, it has been forever rising and falling, and often these changes have been very sudden and great. But who is responsible for these continual oscillations of value—these everlasting, never-ceasing, up-and-down movements? It is not the public creditors; the bondholders have nothing to do with it; the people who use those notes are not answerable for it. The bondholders and the noteholders rejoice when the value of the greenbacks improve, and grieve when they decline.

WHO IS RESPONSIBLE FOR FLUCTUATIONS?

It is the government that is responsible for the fluctuations and depreciation of its notes; first, in repealing the original act making greenbacks convertible into 5-20 bonds, at the option of the holder. This act of bad faith was committed March 3, 1863, and took effect July 1, 1863, when 300 millions of greenbacks had already been issued and were in the hands of the people. It is said that it was done at the instance of Secretary Chase, but the motive for so doing has never been satisfactorily explained. Secondly, the government is responsible for the depreciation, in not redeeming its notes in coin as it promised to do. As I have already stated, a "greenback" is simply a due bill of the government, payable to bearer, in coin, on presentation to the National Treasury. Each dollar named on the face of the greenback calls for 23¼ grains of standard gold. When the government is ready and willing to redeem its due-bills on demand, the bondholders will cheerfully receive them in exchange for the 5-20 bonds. Is that not fair? They never agreed to receive them at par, unless the government first made good its own promise to pay them at par. The whole trouble grows out of the failure of the government to perform its part of the contract with the public creditors—with the note-holders as well as the bond-holders; and they were the same persons, to a great extent. It was the duty of the government to keep its notes at par. If it had, par value would have been realized for its bonds. But failing to do this, the public creditors are not to blame for the consequent depreciation, but the government itself. They paid for the bonds in the government's own currency, and gave it for the bonds exactly the amount of this currency it asked for them.

What right has the government first to refuse to redeem its notes, thereby willfully causing their depreciation, and then to force them at par on its creditors? What right has it to manufacture new batches of notes in violation of its pledge in the act of June 30, 1864, that "the total amount of U. S. notes issued, and to be issued, shall never exceed 400 millions," and, making no provision for the payment of these "wild-cats," to foist them on the holders of bonds purchased ten or seven years ago? Yet this is what the Democratic platform pledges that party to do if they get into power. They call this a "financial new departure." It certainly is from the paths of common honesty and national good faith.

THE MORAL LAW OF PROMISES.

Men act from expectation. Did the people in the United States and Europe expect or believe when the government borrowed their capital that it had reserved the right or privilege never to redeem its own notes, but let them depreciate to any extent that might happen, and that it had also reserved the right to manufacture hundreds of millions of new and irredeemable notes at the time the bonds would become payable, and tender these notes in full payment and satisfaction of the bonds? Certainly not.

The great Dr. Paley, the standard authority on moral science, speaking of the sense in which promises are to be interpreted, says: "Where the terms of a promise admit of more senses than one, the promise is to be performed in that sense in which the promiser apprehended at the time the promisee received it." Apply this rule of moral law: Did the government apprehend at the time it sold its bonds that the purchasers understood they were to be repaid in irredeemable notes of chance value? No man believed any such nonsense. No man would have given a dollar a *cord* for 5-20 bonds issued with such an understanding. The government never hinted at anything of the sort. It was never dreamed of until disunion demagogues began to cast about for some scheme of defalcation that would appear less glaring and indefensible on its face than a proposition of naked and hideous repudiation. Yet every man who supports the 12th plank in the Ohio Democratic platform knows that it means repudiation; that its practical effect would be to swindle the holders of the 5-20 bonds out of every dollar of their value.

Need I add another word to prove the preposterous and destructive character of the Democratic financial scheme? If Vallandigham could be called back to life and was shown General Ewing's speech on the New Departure, what do you think he would say? He would say, in the language of the amazed Irishman, *that he was glad he was dead.*

EXPANSION MAKES DEAR INTEREST.

General Ewing gives it as his opinion that his new wildcat currency will reduce the rates of interest. His language is:

"(4.) It will establish a moderate and nearly uniform rate of interest. As much will be issued at once as will command investments preferable on the whole to government 3 per cents. It will thus establish the average rates paid by business men at about 5 per cent. instead of 9, as now. Once established, these rates will be comparatively uniform, because as they tend to rise more currency will be issued, as they tend to fall more will be exchanged for bonds."

A greater financial fallacy never was uttered by any man entitled to a respectful hearing. The proposed bonds not being payable in gold or other valuable thing, will be nothing more than one form of irredeemable notes. Their issue will inflate the currency just the same as the issue of the notes. Inflation always increases the rates of interest, as all experience has demonstrated. Before the war the ruling rates of interest were far lower than after inflation, and consequent depreciation, set in. Inflation causes expansion of prices, and while the watering process goes on dealers seem to gain large profits. This stimulates speculation, and there is a reckless rush to borrow money; the lenders advance their rates on account of the extra demand, and the probability that the principal will be repaid in a less valuable currency. Thus inflation always results in higher rates of interest. Cheap dollars means dear interest. The more abundant the currency the less purchasing power it possesses, and the higher are the rates charged for its use.

Contraction, on the contrary, if not too sudden, produces a reduction of interest rates, because as the dollar becomes more valuable fewer dollars will transact the exchanges of the country, and the chances of being repaid in a better currency make capitalists anxious to loan money on the best attainable terms. Contraction also checks wild speculation, because, in reducing previous prices, the speculator is obliged to sell on a falling market. The borrowing demand thus falls off, and, with it, the high rates of interest. Men do less risky business, carry lighter stocks of goods, go less into debt, trade for cash, and do not spread so much sail for their ballast.

THREE INFLATIONS, WITH HIGH INTEREST.

Within the personal recollection of middle-aged men there have been three periods of currency inflation, attended with high rates of interest and reckless speculation, and followed in two of the cases with sudden contraction and commercial distress, but, after recuperation commenced, with greatly reduced rates of interest. The third and last inflation was followed by gradual contraction of currency and gradual reduction of interest. During the inflation culminating in 1837, interest rose as high as 24 per cent., while a few years afterwards, when business and values had touched the "hard-pan," interest went down to 5 per cent. in the East, and 6 per cent. in Ohio—say, between 1842 and 1850.

The second inflation, which collapsed in 1857, drove the rates of interest up to 12 per cent. in Ohio, and 15 to 18 in the further Western States. The contraction that followed materially reduced it in all parts of the Union. In Illinois it fell off to 8 or 10 per cent. and in the East 6 to 7.

Toward the close of the rebellion we had 1,000 millions of currency, worth 50 to 60 cents on the dollar. We have now 760 millions of currency worth 90 per cent. While the currency has been contracted 25 per cent. in volume, it has gained 50 per cent. in exchangeable value, and the rates of interest have fallen throughout the United States from one-quarter to one-third since 1865. There is now a plethora of money and low rates of interest at all the money centres. Contract the currency a little more, and it will rise to par value of gold; interest will fall still lower and money be still more abundant. When the paper currency rises to par with gold, the money of exchange will be instantly reinforced by all the idle gold and silver in the country. Coin will then come into circulation, and clean silver change will take the place of greasy, torn fractional shinplasters. In all countries where the paper dollar is kept at par value with gold, the rates of interest are low and loanable money is abundant, as in Great Britain, France, and Germany, whereas in Austria, Italy, Spain, and Russia, where the paper currency is depreciated, the rates of interest are high, money hard to borrow and extortionate usury prevails.

DEPOSITS AND CHECKS.

Not only does contraction give greater purchasing power to currency, and restrain wild speculation, and thereby make money easier to get by legitimate borrowers; but the practice becoming universal in the cities and towns, of depositing surplus money with banks and paying debts and balances with checks and drafts drawn against deposits, has the effect to double or treble the loanable funds of these institutions, and to dispense in large measure with carrying currency about on the person, or keeping it in actual possession, lying idle. Whereas the loanable capital belonging to all classes of banks does not exceed 600 millions, the discounts of those banks surpass 2,000 millions. This results from the individual deposits made with the banks, which average over 1,600 millions—more than three-fourths of which the banks keep loaned out.

Good times and an easy money market depend on general industry, surplus capital seeking investment, improved credit of the government, a secured and redeemable currency, and reduced taxation; and, not at all on the quantity of depreciated notes that may be issued to circulate as money, for the greater the inflation the worse it is for the general prosperity.

THE GOVERNMENT IS NOT A BANK.

General Ewing talks about the government furnishing the people with a currency, which is another shallow sophistry. The government can never furnish a stable, steady, reliable currency unless it redeems it in coin, or makes it convertible into the exchangeable equivalent of coin. It has no means of redemption except from surplus taxation, and the only lawful and legitimate use to which a surplus can be put is to redeem its promissory notes and liquidate national debts, and when there are none to pay, the taxes should be reduced, in order that no more money shall be extracted from the earnings of the people than is needed for the support of the government.

The government is not a bank of loan and discount, or a credit mobilier. It has no money to give or lend to anybody. It makes no advances on grain, cotton, cattle, goods, or on bonds, mortgages, collaterals, or judgment notes. Its greenbacks constitute part of its debts, which it has promised to redeem, but don't, and hence their fluctuations in value. Any increase of this sort of indebtedness adds to the difficulty of redemption and puts off the time of their payment, and consequently depreciates their value. The more there are of greenbacks outstanding the less each will be worth in hands of the holder. Let the government inflate the greenbacks by one hundred millions, and the brokers will not give by 15 or 20 per cent. as much for them as they now pay. From 90 per cent. their value will drop certainly to 75 per cent. Let the government double the existing amount of notes without making some adequate provision for their redemption, and their gold value will fall as low as the lowest point they touched during the war. And let the government issue the amount contemplated by the Democratic platform, and it will take a wheel-barrow load of them to purchase a barrel of flour. The financial New Departure leads to financial perdition. The worst and most dangerous demagogues in organized society are financial quacks, because their nostrums, if taken, unsettle all values, impair all business relations, cause fever, chills, and cramps, and end always in bankruptcy and wide-spread ruin.

CONCLUSION.

When the rebellion ended, and the cost of the fearful struggle was footed up, it was found to be 3,000 millions of dollars. On the 1st of August, 1865, the recognized indebtedness of the nation was 2,757 millions. In addition thereto, State war claims were presented and paid to the amount of 50 millions; extra pay to equalize bounties to volunteers consumed 50 millions more. Then came tens of thousands of unsettled claims to contractors, to railroads for transportation, to vessel-owners for sea and river services; for damages for property seized or destroyed by the army and navy, for back pensions unpaid, etc., etc.—the whole aggregating more than 250 millions, all of which have since been liquidated, making the total debt, as before stated, at least 3,000 millions of dollars.

This immense debt, which represents the price paid for saving the Union, has been reduced below 2,280 millions; 700 millions have been extinguished in the brief period of *six* years. Nearly one-fourth of the total cost of the war has been paid off. Six years ago the interest charge was 146 millions. It is now down to 108 millions, being a reduction of 38 millions.

When the war ended we numbered 34 millions of exhausted inhabitants, in debt ninety dollars per man, woman and child. We are now a nation of 40 millions of recuperated people, in debt only fifty-eight dollars *per capita*. We have six millions more population and 700 millions less debt than in 1865. The burden has already been reduced more than *one-third* per head, and more than one-half as regards our ability to bear it. The credit of the government has wonderfully improved. When the war terminated our 6 per cent. bonds were only worth 65 per cent. in gold. The government is now able to sell 5 per cent. bonds for par in gold, both in Europe and the United States, and with the proceeds retire 6 per cents. Let the policy of building up the national credit and preserving the faith of the Republic pure and unblemished before all the world, be persevered in, and ere long our 6 per cent. bonds can be funded into $4\frac{1}{2}$ or 4 per cents, and the interest charge on the debt will be reduced to eighty millions per annum, and rapidly melt away with the payment of the debt itself.

In proportion as the credit of the nation improves by living up to the wise maxim that honesty is the best policy, the rates of interest paid by borrowers to money-lenders will decline, and business prosper. The States, cities, and municipal governments that are in debt will be able to refund their bonds at lower rates of interest; mortgages will be renewed, and others made on better conditions. Farmers, merchants and manufacturers will obtain loans on easier terms, and an easy money market, with cheap interest, and currency at par with gold, will afford a better and more useful protection to American industry than all the protective tariffs ever invented by the wits and wisdom of Congressmen.

As the whole embraces all its parts, so the improved credit of the nation will improve the credit of every State and municipality. An impairment of national credit casts a shadow and a taint on the financial reputation of every person and corporation in the land. Next to the personal liberty of the citizen nothing in organized society should be so sedulously guarded and preserved as the credit and good faith of the government, the loss of which would be the signal for the commencement of national dissolution and anarchy.

In conclusion, I submit a question for your serious consideration, whether, for the sake of punishing the public creditors for advancing the capital with which the rebellion was crushed and the Union preserved, it is wise or prudent to set out on the Ohio Democratic Financial New-Departure and march to infamy and destruction.

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